Berli Jucker Pcl (BJC TB) - SELL, Price Bt36.00, TP Bt30.00

Results Comment

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In-line 1Q22 results

- BJC reported an in-line 1Q22 net profit of Bt1.2bn, up 23% y-y but down 10% q-q.
- The y-y growth was from 1) BIGC's profit which grew by 14% y-y to Bt838m (+Bt102m) from growth in retail sales and rental income, 2) BJC's industrial businesses that increased by 4% y-y to Bt1,105m (+Bt45m) mainly from packaging (demand recovery in Thailand and Vietnam for both glass and Aluminum can), 3) falling interest expense by Bt66m due to refinancing for cheaper debt.
- For BJC's businesses, packaging (Bt587m net profit, up 20% y-y), consumer (Bt279m, down 18% y-y on falling gross margin on food and non-food segments caused by rising raw materials costs despite 4% sales growth) and healthcare (Bt239m, up 3% y-y) altogether reported Bt1,105m profit, a 4% y-y increase.
- BIGC had 1Q22 net profit of Bt838m, up 14% y-y but down 24% q-q, driven by 1) an 7% retail sales growth y-y to Bt23.5bn on positive SSSG of 2.9% along with domestic consumption recovery, 2) rental income growth of 4% y-y to Bt2.2bn on lower rent discount to 3% (vs 11% discount in 1Q21) though occupancy rate falling to 87.5% (88.9% in 1Q21), 3) improving gross margin on sales by 40bp y-y to 16.2%.
- 1Q22 net profit came in line at 25% of our full-year forecast.
- We maintain our SELL call on BJC on slow recovery versus peers. Though we expect earnings turnaround in 2022-24F from last year's bottom, BIGC's 1Q22 performance was still pretty much below pre-COVID in 1Q19 (1Q22 SSS was 24% behind 1Q19's, rental income was 23% lower than 1Q19's and net profit then was 38% below 1Q19's).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	32,520	34,161	34,466	37,317	36,232
Gross profit	**6,221**	**6,264**	**6,273**	**7,259**	**6,746**
SG&A	6,755	6,822	6,653	7,386	7,198
Operating profit	2,503	2,360	2,010	3,046	2,740
EBITDA	**4,750**	**4,541**	**4,312**	**5,357**	**4,952**
Other income	3,037	2,918	2,389	3,173	3,193
Other expense	0	0	0	0	0
Interest expense	1,254	1,258	1,283	1,299	1,188
Profit before tax	**1,249**	**1,102**	**727**	**1,747**	**1,552**
Income tax	123	69	194	123	137
Equity & invest. income	(54)	(22)	(108)	(3)	41
Minority interests	(118)	(210)	(125)	(248)	(208)
Extraordinary items	59	22	66	9	(3)
Net profit	**1,013**	**822**	**367**	**1,383**	**1,246**
Normalized profit	**953**	**800**	**301**	**1,374**	**1,249**
EPS (Bt)	0.25	0.21	0.09	0.35	0.31
Normalized EPS (Bt)	0.24	0.20	0.08	0.34	0.31

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(3)	11	22	164,256	181,847
Gross profit	**(7)**	**8**	**22**	**31,105**	**34,202**
SG&A	(3)	7	22	32,872	36,423
Operating profit	(10)	9	24	11,242	12,470
EBITDA	**(8)**	**4**	**23**	**21,207**	**22,922**
Other income	1	5	24	13,125	14,838
Other expense			na	0	0
Interest expense	(9)	(5)	24	4,905	5,601
Profit before tax	**(11)**	**24**	**24**	**6,454**	**7,015**
Income tax	12	12	16	839	912
Equity & invest. income	na	na	(17)	(240)	(264)
Minority interests	na	na	43	(480)	(480)
Extraordinary items	na	na	na	0	0
Net profit	**(10)**	**23**	**25**	**4,895**	**5,360**
Normalized profit	**(9)**	**31**	**26**	**4,895**	**5,360**
EPS (Bt)	(10)	23	25	1.23	1.34
Normalized EPS (Bt)	(9)	31	26	1.23	1.34

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	2,414	3,074	3,724	4,398	3,592
A/C receivable	15,355	16,021	15,845	15,242	15,568
Inventory	19,838	18,953	20,184	21,166	20,806
Other current assets	471	535	778	3,159	3,235
Investment	2,779	2,823	2,763	2,827	2,872
Fixed assets	64,456	63,623	63,530	62,202	62,137
Other assets	219,663	219,246	218,875	220,188	220,306
Total assets	**324,976**	**324,274**	**325,699**	**329,183**	**328,516**
S-T debt	25,515	31,223	21,074	23,897	43,275
A/C payable	26,710	27,864	27,375	30,516	29,038
Other current liabilities	1,805	1,527	1,370	1,509	1,638
L-T debt	127,165	121,370	133,478	128,556	107,839
Other liabilities	22,973	22,783	22,803	23,498	24,063
Minority interest	4,911	5,092	5,108	5,331	5,412
Shareholders' equity	**115,897**	**114,416**	**114,491**	**115,875**	**117,251**
Working capital	8,483	7,110	8,654	5,892	7,336
Total debt	152,680	152,594	154,552	152,453	151,113
Net debt	**150,266**	**149,519**	**150,828**	**148,054**	**147,522**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(15.5)	(5.4)	(1.6)	6.3	11.4
Operating profit growth	(16.4)	17.4	(23.2)	(0.4)	9.5
EBITDA growth	(8.2)	46.3	0.2	(23.4)	4.2
Norm profit growth	(15.6)	117.7	(70.8)	(0.9)	31.0
Norm EPS growth	(15.6)	117.7	(70.8)	(0.9)	31.0
Gross margin	19.1	18.3	18.2	19.5	18.6
Operating margin	7.7	6.9	5.8	8.2	7.6
EBITDA margin	14.6	13.3	12.5	14.4	13.7
Norm net margin	2.9	2.3	0.9	3.7	3.4
D/E (x)	1.3	1.3	1.3	1.3	1.3
Net D/E (x)	1.3	1.3	1.3	1.3	1.3
Interest coverage (x)	3.8	3.6	3.4	4.1	4.2
Interest rate	3.3	3.3	3.3	3.4	3.1
Effective tax rate	9.8	6.3	26.6	7.0	8.8
ROA	1.2	1.0	0.4	1.7	1.5
ROE	3.3	2.8	1.1	4.8	4.3

Sources: Company data, Thanachart estimates

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