Berli Jucker Pcl (BJC TB) - SELL, Price Bt33.25, TP Bt30.00

Results Comment

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2Q22 turnaround was in line

- BJC reported an in-line 2Q22 net profit of Bt1.2bn, up 46% y-y but down 3% q-q. 1H22 profit accounted for 48% of our 2022F.
- The y-y growth was mainly from growing BIGC's profit which grew by 81% y-y to Bt917m (+Bt409m y-y) from growth in retail sales, better gross margin and higher rental income.
- BJC's industrial businesses had lower profit by 16% y-y and 10% q-q to Bt990m, affected by rising raw materials cost that brought down gross margin.
- For BJC's businesses, packaging (Bt556m net profit, fell 5% y-y, 20.1% GP vs 24.0% in 2Q21 on higher natural gas, soda ash, aluminum cost), consumer (Bt198m, fell 41% y-y, 15.7% GP vs 17.5% in 2Q21) and healthcare (Bt236m, fell 8% y-y) altogether reported Bt990m profit, down 16% y-y and 10% q-q.
- BIGC had 2Q22 net profit of Bt917m, up 81% y-y and 9% q-q, driven by 1) a 10% retail sales growth y-y to Bt24.7bn on positive SSSG of 5.2% boosted by softline (back to school) and homeline sales, 2) rental income growth of 12% y-y to Bt2.3bn on lower rent discount to 2% (vs 13% discount in 2Q21) though occupancy rate falling slightly to 87.7% (87.9% in 2Q21), 3) improving gross margin on sales 16.4%, from 14.9% in 2Q21.
- We maintain our SELL call on BJC on slow recovery versus peers. Since its performance was hit hard over the past two years during COVID, a strong earnings recovery this year to Bt5,069m will be only at 70% of 2019 profit.
- BIGC's 2Q22 profit was at 58% of pre-COVID profit in 2Q19; sales recovered to 85% of pre COVID, gross margin of 16.4% was below 17.0% in 2Q19, rental income was 23% lower than 2Q19's.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	34,161	34,466	37,317	36,232	38,103
Gross profit	**6,264**	**6,273**	**7,259**	**6,746**	**6,870**
SG&A	6,822	6,653	7,386	7,198	7,350
Operating profit	2,360	2,010	3,046	2,740	2,761
EBITDA	**4,541**	**4,312**	**5,357**	**4,952**	**5,018**
Other income	2,918	2,389	3,173	3,193	3,241
Other expense	0	0	0	0	0
Interest expense	1,258	1,283	1,299	1,188	1,162
Profit before tax	**1,102**	**727**	**1,747**	**1,552**	**1,599**
Income tax	69	194	123	137	153
Equity & invest. income	(22)	(108)	(3)	41	(28)
Minority interests	(210)	(125)	(248)	(208)	(261)
Extraordinary items	22	66	9	(3)	46
Net profit	**822**	**367**	**1,383**	**1,246**	**1,203**
Normalized profit	**800**	**301**	**1,374**	**1,249**	**1,157**
EPS (Bt)	0.21	0.09	0.35	0.31	0.30
Normalized EPS (Bt)	0.20	0.08	0.34	0.31	0.29

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	5	12	48	153,686	172,605
Gross profit	**2**	**10**	**47**	**28,997**	**32,376**
SG&A	2	8	48	30,078	34,372
Operating profit	1	17	46	11,978	12,778
EBITDA	**1**	**11**	**45**	**22,030**	**23,509**
Other income	2	11	49	13,104	14,826
Other expense			na	0	0
Interest expense	(2)	(8)	44	5,312	5,570
Profit before tax	**3**	**45**	**47**	**6,710**	**7,259**
Income tax	12	121	33	872	944
Equity & invest. income	na	na	(8)	(169)	(152)
Minority interests	na	na	78	(600)	(550)
Extraordinary items	na	104	na	0	0
Net profit	**(3)**	**46**	**48**	**5,069**	**5,614**
Normalized profit	**(7)**	**45**	**47**	**5,069**	**5,614**
EPS (Bt)	(3)	46	48	1.27	1.41
Normalized EPS (Bt)	(7)	45	47	1.27	1.41

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	3,074	3,724	4,398	3,592	4,737
A/C receivable	16,021	15,845	15,242	15,568	16,101
Inventory	18,953	20,184	21,166	20,806	21,244
Other current assets	535	778	3,159	3,235	3,360
Investment	2,823	2,763	2,827	2,872	3,030
Fixed assets	63,623	63,530	62,202	62,137	61,984
Other assets	219,246	218,875	220,188	220,306	219,917
Total assets	**324,274**	**325,699**	**329,183**	**328,516**	**330,372**
S-T debt	31,223	21,074	23,897	43,275	37,830
A/C payable	27,864	27,375	30,516	29,038	30,839
Other current liabilities	1,527	1,370	1,509	1,638	1,544
L-T debt	121,370	133,478	128,556	107,839	113,391
Other liabilities	22,783	22,803	23,498	24,063	24,154
Minority interest	5,092	5,108	5,331	5,412	5,688
Shareholders' equity	**114,416**	**114,491**	**115,875**	**117,251**	**116,927**
Working capital	7,110	8,654	5,892	7,336	6,506
Total debt	152,594	154,552	152,453	151,113	151,221
Net debt	**149,519**	**150,828**	**148,054**	**147,522**	**146,484**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(5.4)	(1.6)	6.3	11.4	11.5
Operating profit growth	17.4	(23.2)	(0.4)	9.5	17.0
EBITDA growth	46.3	0.2	(23.4)	4.2	10.5
Norm profit growth	117.7	(70.8)	(0.9)	31.0	44.7
Norm EPS growth	117.7	(70.8)	(0.9)	31.0	44.7
Gross margin	18.3	18.2	19.5	18.6	18.0
Operating margin	6.9	5.8	8.2	7.6	7.2
EBITDA margin	13.3	12.5	14.4	13.7	13.2
Norm net margin	2.3	0.9	3.7	3.4	3.0
D/E (x)	1.3	1.3	1.3	1.2	1.2
Net D/E (x)	1.3	1.3	1.2	1.2	1.2
Interest coverage (x)	3.6	3.4	4.1	4.2	4.3
Interest rate	3.3	3.3	3.4	3.1	3.1
Effective tax rate	6.3	26.6	7.0	8.8	9.6
ROA	1.0	0.4	1.7	1.5	1.4
ROE	2.8	1.1	4.8	4.3	4.0

Sources: Company data, Thanachart estimates

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