

Report type: Trade Flash

Company Overview

BJC is engaged in marketing and distribution of packaging, consumer, healthcare & technical products, as well as provides services and manufactures packaging and consumer products.

- We expect BJC to report 2QCY13 net profit of Bt723.40mn, up 8.8% q-q and 40.7% y-y thanks to full-quarter consolidation of Thai An (Vietnam) and recent investments which start bearing fruits.
- BJC has continued its investments in line with its long-term investment plan. Management has guided for CY13 investment budget of around Bt8bn.
- We maintain our forecast that BJC will deliver CY13 net profit growth of 13% y-y to Bt2,741mn. We rate BJC shares a 'BUY' with a DCF-based target price of Bt68/share.

What is the news?

We expect BJC to report 2QCY13 net profit of Bt723.40mn, up 8.8% q-q and 40.7% y-y. The forecast assumes 2QCY13 sales would be 7.2% and 20.5% better than 1QCY13 and 2QCY12 respectively thanks to (i) full-quarter consolidation of Thai An (Vietnam), (ii) recent investments which start bearing fruits and (iii) better operating performance from packaging supply chain (PSC) as well as healthcare supply chain (HSC) and technical supply chain (TSC).

BJC has continued its investments in line with its long-term investment plan. In the latest developments,

- (1) board approved the establishment of a new subsidiary in Hong Kong, namely BJC-Mpoint (HK) with a registered capital of Bt134.03mn to provide services and management consulting on franchise and trading.
- (2) Board approved the establishment of a new joint venture company in Thailand, namely BJC Mahe Medical Co. BJC Healthcare Company Limited, a wholly-owned subsidiary of BJC entered into a JV agreement with Mahe Holding GMBH, a medical device manufacturing company incorporated in Germany to invest in medical device business.

How do we view this?

Management has guided for CY13 investment budget of up to Bt8bn for (1) premium warehouse services, targeting high-end clients: One premium warehouse is expected to be operational in Thailand this year and BJC eyes partners to open three premium warehouses in Vietnam and Laos, (2) convenient store business in Vietnam and Laos and (3) rollout of eight drugstores in Thailand.

We stick to our view for strong growth in CY13 total revenue driven by (i) 10-month consolidation of Thai An, (ii) recent investments, which start bearing fruit including Danone, Ogenki and convenient store business in Vietnam with a network of more than 40 stores and (iii) capacity addition in glass bottle packaging. SG&A and interest expenses are also expected to climb upwards along with business expansion.

Investment Actions?

We maintain our forecast that BJC will deliver CY13 net profit growth of 13% y-y to Bt2,741mn. We rate BJC shares a 'BUY' with a DCF-based target price of Bt68/share.

Valuation Method

DCF

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