

28 September 2020

Sector: Transportation & Logistics

# JWD Infologistics

Earnings to return to growth path in 2H20-2021E on strong demand for cold storage

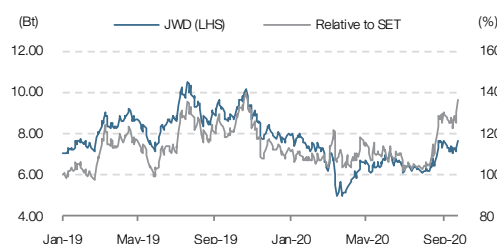
Bloomberg	JWD TB
Recommendation	BUY (maintained)
Current price	Bt7.70
Target price	Bt10.00 (previously Bt8.40)
Upside/Downside	+30%
EPS revision	No change

Bloomberg target	Bt9.27
Bloomberg	Buy / Hold / Sell 0

<b>Stock data</b>	
Stock price 1-year high/low	Bt10.20 / Bt4.80
Market cap. (Bt mn)	7,854
Shares outstanding (mn)	1,020
Avg. daily turnover (Bt mn)	13
Free float	41%
CG rating	Very good
ESG rating	Very good

<b>Financial &amp; valuation highlights</b>				
FY: Dec (Bt mn)	2018A	2019A	2020E	2021E
Revenue	3,208	3,562	3,662	4,123
EBITDA	705	859	927	1,045
Net profit	225	363	297	355
EPS (Bt)	0.22	0.36	0.29	0.35
Growth	-63.3%	61.6%	-18.2%	19.7%
Core EPS (Bt)	0.21	0.36	0.29	0.35
Growth	74.4%	72.1%	-18.2%	19.7%
DPS (Bt)	0.21	0.25	0.20	0.25
Div. yield	2.7%	3.2%	2.6%	3.2%
PER (x)	35.0	21.6	26.5	22.1
Core PER (x)	37.3	21.6	26.5	22.1
EV/EBITDA (x)	13.7	12.3	11.6	10.7
PBV (x)	2.5	2.4	2.4	2.3

<b>Bloomberg consensus</b>				
Net profit	225	363	294	346
EPS (Bt)	0.22	0.36	0.29	0.34



Source: Aspen

<b>Price performance</b>	1M	3M	6M	12M
Absolute	4.8%	17.6%	54.0%	-11.0%
Relative to SET	10.1%	23.6%	38.6%	12.5%

<b>Major shareholders</b>	<b>Holding</b>
1. Mr. Charvanin Bunditkitsada	20.95%
2. Mrs. Pimontip Bunditkitsada	12.63%
3. Mr. Jitchai Nimitpanya	9.47%

Analyst: Amnat Ngosawang (Reg. No. 029734)

We reiterate a BUY rating but raise our target price to Bt10.00 from Bt8.40 and 2021E PER multiples to 29x, which is +0.5 SD above its 3-yr average, from 24x (3-yr average). We foresee brighter earnings outlook over the next 2-3 years and forecast 2021E net profit to increase to a similar level recorded in 2019, a period the stock traded at 30x PER. In 2H20E, we forecast net profit to improve QoQ to Bt60.00-70.00mn in 3Q20E, compared to Bt48.00mn in 2Q20, and to grow further QoQ in 4Q20E given growing demand for tuna cold storage. In 2020E, we estimate net profit to drop -18% to Bt297mn. Looking ahead, we estimate 2021E net profit to rise significantly +20% in expectation of a full-year revenue contribution from the latest cold storage #9 and the new barge terminal business, and stronger revenue from the auto warehouse & yard management and dangerous goods warehouse businesses.

JWD's share price gained in three months and thereby outperformed the SET Index. We forecast JWD's earnings to improve in 2H20E, as we believe earnings may have bottomed out in 2Q20. Additionally, we estimate net profit to grow significantly +20% in 2021, while there is upside to our forecast if JWD opens new cold storage.

## Event: Company update

□ **Cold storage business to remain bright.** According to our inquiries, JWD has estimated revenue from its cold storage business to continue to hit higher highs. We forecast total revenue to grow 17% CAGR in 2020-21E. Our forecast is based on assumptions that 1) JWD will book a full-year revenue from its cold storage #8 in 2020, which was opened in 2Q19, 2) an average occupancy rate for the cold storage business will exceed 80% compared to 78% in 1H20 on the back of growing demand for tuna cold warehouse given growing demand for tuna cold storage. In 4Q20 -tuna and seafood cold warehouse accounted for 68% of the total QTD compared to 36% in 2Q20 (Fig 1, 2), and 3) JWD will open the cold storage #9 in late 2020E, which should boost total capacity by 10%. Note that the cold storage #9 will be the automated warehouse, which should save cost by 10-15%.

□ **Earnings to improve further in 2H20-2021E.** We forecast 2020E net profit to drop -18% to Bt297mn as we estimate net profit to improve to Bt60.00-70.00mn in 3Q20E and to grow further in 4Q20E, although 1H20 net profit accounted for 47% of our full-year forecast. In the cold storage business, profit is estimated to increase further in 3Q-4Q20E. The general and chemical warehouse JCS would remain favorably with profit to be on par with 1H20 given the long-term contracts. The auto warehouse & yard management business is estimated to swing to profit along with improvement in the auto industry. The dangerous goods warehouse would improve on the back of a stronger demand following a lift of the COVID-19 lockdown restrictions. In the new business barge terminal at Laem Chabang port, revenue is estimated to accelerate from July after the Gazette stipulates that all barges must enter the port at Laem Chabang only.

In 2021E, we estimate net profit to rebound +20% as 1) the cold storage #9 is expected to generate revenue for the full year, and 2) the auto warehouse & yard management and dangerous goods warehouse should benefit from a low base in 2020E.

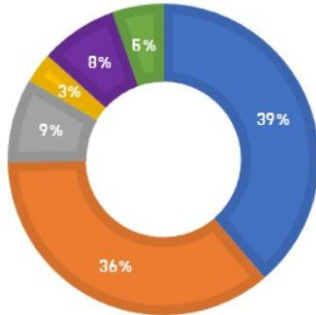
## Valuation/Catalyst/Risk

We raise our target price to Bt10.00 from Bt8.40 and our 2021E PER multiples to 29x, which is +0.5 SD above its 3-yr average, from 24x (3-yr average). We foresee earnings upcycle over the next 2-3 years and estimate 2021E net profit to increase to a similar level recorded in 2019, a period the stock traded at 30x PER. Key catalyst is stronger 2H20E earnings outlook, growing logistics demand following a lift of the COVID-19 lockdown restrictions, stronger performance in cold storage, general warehouse, and new business.



Fig 1: Cold storage proportion in 2Q20

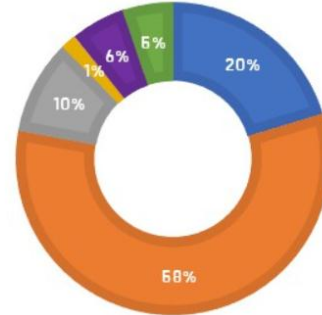
■ Poultry & Meat Product ■ Fishery & Seafood Product ■ Vetgetables & Fruite Product  
■ Dairy Product ■ Multi Type Product ■ Food Ingredient



Source: Company

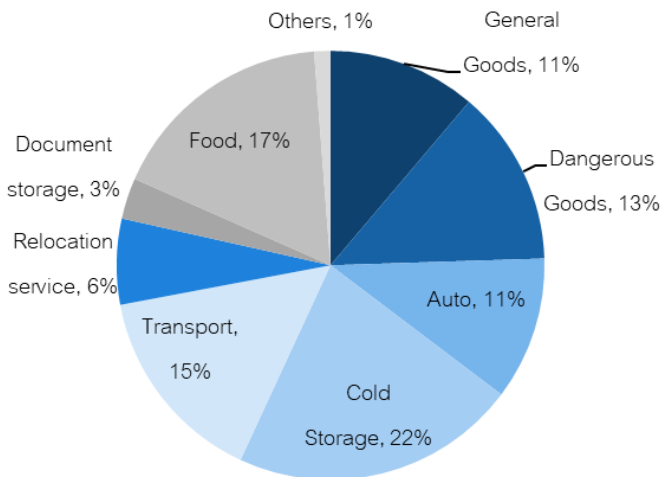
Fig 2: Cold storage proportion in 3Q20

■ Poultry & Meat Product ■ Fishery & Seafood Product ■ Vetgetables & Fruite Product  
■ Dairy Product ■ Multi Type Product ■ Food Ingredient



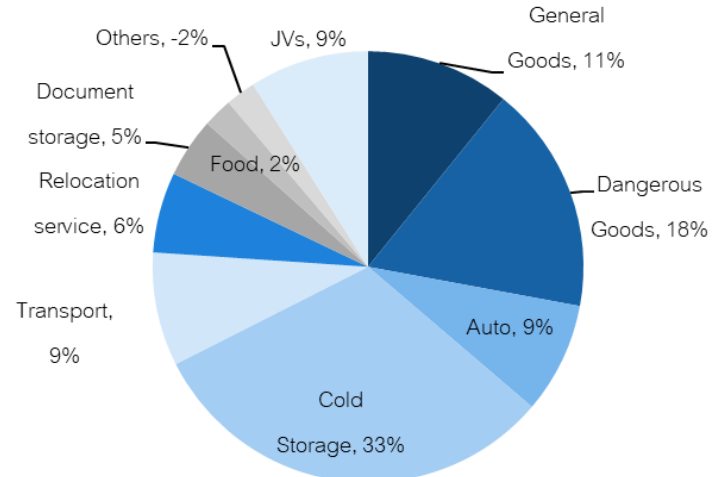
Source: Company

Fig 3: 2020E revenue breakdown



Source: KTBST

Fig 4: 2020E gross profit structure, including JVs



Source: KTBST

## Quarterly income statement

(Bt mn)	2Q19	3Q19	4Q19	1Q20	2Q20
Sales	830	884	970	943	874
Cost of sales	598	646	690	683	660
Gross profit	233	237	280	260	214
SG&A	181	166	178	150	164
EBITDA	180	202	238	317	258
Finance costs	26	28	27	51	48
Core profit	80	75	119	93	48
Net profit	80	75	119	93	48
EPS	0.08	0.07	0.12	0.09	0.05
Gross margin	28.0%	26.9%	28.8%	27.5%	24.5%
EBITDA margin	21.7%	22.8%	24.5%	33.7%	29.6%
Net profit margin	9.6%	8.5%	12.2%	9.9%	5.5%

## Forward PER band



## Balance sheet

FY: Dec (Bt mn)	2017	2018	2019	2020E	2021E
Cash & deposits	1,252	472	886	623	662
Accounts receivable	364	641	737	725	724
Inventories	2	60	60	75	80
Other current assets	235	817	587	630	662
<b>Total cur. assets</b>	<b>1,853</b>	<b>1,991</b>	<b>2,271</b>	<b>2,054</b>	<b>2,129</b>
Investments	408	708	1,447	1,451	1,893
Fixed assets	1,735	1,922	2,399	2,574	2,634
Other assets	1,536	1,709	1,702	1,720	1,908
<b>Total assets</b>	<b>5,533</b>	<b>6,330</b>	<b>7,819</b>	<b>7,798</b>	<b>8,564</b>
Short-term loans	216	192	1,073	860	794
Accounts payable	239	358	410	400	444
Current maturities	561	711	634	677	869
Other current liabilities	265	342	346	385	431
<b>Total cur. liabilities</b>	<b>1,282</b>	<b>1,604</b>	<b>2,463</b>	<b>2,322</b>	<b>2,538</b>
Long-term debt	594	377	1,314	945	1,177
Other LT liabilities	557	1,209	772	1,231	1,376
<b>Total LT liabilities</b>	<b>1,151</b>	<b>1,586</b>	<b>2,086</b>	<b>2,175</b>	<b>2,553</b>
<b>Total liabilities</b>	<b>2,433</b>	<b>3,190</b>	<b>4,549</b>	<b>4,497</b>	<b>5,091</b>
Registered capital	510	510	510	510	510
Paid-up capital	510	510	510	510	510
Share premium	1,336	1,336	1,336	1,336	1,336
Retained earnings	389	355	490	531	682
Others	811	817	814	818	818
Minority interests	54	122	120	107	127
<b>Shares' equity</b>	<b>3,100</b>	<b>3,140</b>	<b>3,270</b>	<b>3,301</b>	<b>3,473</b>

## Cash flow statement

FY: Dec (Bt mn)	2017	2018	2019	2020E	2021E
Net profit	612	225	363	297	355
Depreciation	(395)	(348)	(342)	(411)	(456)
Chg in working capital	(12)	721	(189)	17	(54)
Others	322	(100)	621	1,000	511
<b>CF from operations</b>	<b>527</b>	<b>497</b>	<b>452</b>	<b>903</b>	<b>356</b>
Capital expenditure	975	(927)	(1,328)	(600)	(402)
Others	131	(416)	305	0	0
<b>CF from investing</b>	<b>1,106</b>	<b>(1,342)</b>	<b>(1,022)</b>	<b>(600)</b>	<b>(402)</b>
<b>Free cash flow</b>	<b>1,633</b>	<b>(845)</b>	<b>(570)</b>	<b>303</b>	<b>(46)</b>
Net borrowings	(502)	415	1,289	(139)	466
Equity capital raised	0	0	0	0	0
Dividends paid	(86)	(255)	(214)	(255)	(204)
Others	(86)	(76)	(85)	(176)	(180)
<b>CF from financing</b>	<b>(674)</b>	<b>84</b>	<b>990</b>	<b>(570)</b>	<b>82</b>
<b>Net change in cash</b>	<b>959</b>	<b>(761)</b>	<b>429</b>	<b>(267)</b>	<b>36</b>

## Income statement






FY: Dec (Bt mn)	2017	2018	2019	2020E	2021E
Sales	2,423	3,208	3,562	3,662	4,123
Cost of sales	(1,672)	(2,360)	(2,566)	(2,677)	(2,997)
<b>Gross profit</b>	<b>751</b>	<b>848</b>	<b>996</b>	<b>985</b>	<b>1,126</b>
SG&A	(466)	(568)	(698)	(663)	(755)
<b>EBITDA</b>	<b>1,219</b>	<b>705</b>	<b>859</b>	<b>927</b>	<b>1,045</b>
Depre. & amortization	(395)	(348)	(342)	(411)	(456)
Equity income	(6)	(6)	115	102	121
Other income	49	76	98	82	86
<b>EBIT</b>	<b>324</b>	<b>346</b>	<b>506</b>	<b>507</b>	<b>579</b>
Finance costs	(88)	(82)	(107)	(176)	(180)
Income taxes	(123)	(50)	(47)	(44)	(53)
<b>Net profit before MI</b>	<b>112</b>	<b>213</b>	<b>352</b>	<b>287</b>	<b>345</b>
Minority interest	9	(2)	10	10	10
<b>Core profit</b>	<b>121</b>	<b>211</b>	<b>363</b>	<b>297</b>	<b>355</b>
Extraordinary items	491	14	0	0	0
<b>Net profit</b>	<b>612</b>	<b>225</b>	<b>363</b>	<b>297</b>	<b>355</b>

## Key ratios

FY: Dec (Bt mn)	2017	2018	2019	2020E	2021E
<b>Growth YoY</b>					
Revenue	9.2%	32.4%	11.0%	2.8%	12.6%
EBITDA	150.0%	-42.2%	21.8%	8.0%	12.6%
Net profit	n.m.	-63.3%	61.6%	-18.2%	19.7%
Core profit	17.4%	90.3%	65.4%	-18.7%	20.4%
<b>Profitability ratio</b>					
Gross profit margin	31.0%	26.4%	28.0%	26.9%	27.3%
EBITDA margin	50.3%	22.0%	24.1%	25.3%	25.3%
Core profit margin	5.0%	6.6%	10.2%	8.1%	8.6%
Net profit margin	25.3%	7.0%	10.2%	8.1%	8.6%
ROA	2.2%	3.3%	4.6%	3.8%	4.1%
ROE	3.9%	6.7%	11.1%	9.0%	10.2%
<b>Stability</b>					
D/E (x)	0.78	1.02	1.39	1.36	1.47
Net D/E (x)	0.44	0.41	0.92	0.75	0.82
Interest coverage ratio	3.67	4.21	4.74	2.88	3.21
Current ratio (x)	1.45	1.24	0.92	0.88	0.84
Quick ratio (x)	1.44	1.20	0.90	0.85	0.81
<b>Per share (Bt)</b>					
Reported EPS	0.60	0.22	0.36	0.29	0.35
Core EPS	0.12	0.21	0.36	0.29	0.35
Book value	3.04	3.08	3.21	3.24	3.40
Dividend	0.25	0.21	0.25	0.20	0.25
<b>Valuation (x)</b>					
PER	12.83	34.98	21.65	26.48	22.12
Core PER	64.97	37.26	21.65	26.48	22.12
P/BV	2.53	2.50	2.40	2.38	2.26
EV/EBITDA	6.84	13.70	12.33	11.55	10.67
Dividend yield	3.2%	2.7%	3.2%	2.6%	3.2%

#### Corporate governance report of Thai listed companies 2017

##### CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

##### IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("listed companies") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

##### KTBST's stock rating definition

- BUY** The stock's total return is expected to exceed 10% over the next 6-12 months. The stock has good fundamentals and attractive valuations.
- HOLD** The stock's total return is expected to be between 0% - 10% over the next 6-12 months. The stock has good fundamentals, but may lack of near-term catalysts or its valuations are not attractive.
- SELL** The stock's total return is expected to fall below 0% or more over the next 6-12 months. Stock should be sold as negative total return is anticipated due to deteriorating fundamentals compared with its valuations.

The stock's expected total return is the percentage difference between the target price and the current price, which excludes dividend yields.

##### ESG rating (ESG: Environmental, Social, and Governance)

KTBST believes environment, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- ☐ **Environment.** Environment factors relate to corporate responsibility for its actions and how it manages its impact on the environment. KTBST analyzes revenue, which exposes to environment risks and opportunities.
- ☐ **Social.** Social factors deal with company's relationship with its employees and vendors. That also includes company's initiatives related to employee health and well-being, as well as community involvement. KTBST's evaluation on social practices is based on Bloomberg, which measure from company's social responsibility news.
- ☐ **Governance.** Corporate government factors include company's transparency, decision-making structure, concrete risk assessment method, treatment of minority shareholders and anti-corruption practices. KTBST conduct this analysis based on IOD's scores.

##### KTBST's ESG ratings score from 1-5

1. Excellent scores at 5
2. Very Good scores at 4
3. Good scores at 3
4. Satisfactory scores at 2
5. Pass scores at 1

KTBST provides "n.a." in cases of insufficient data.