

JWD: Bright outlook in 4Q20 from seasonality



Update

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Last week analyst meeting came out with a slight positive tone. DG and automotive are quickly recovering. Cold storage to enters a peak season. New capacities await in 1Q21.

- We expects 4Q20 earnings to continue recovering QoQ, especially in automotive and DG management. Meanwhile, core cold storage to organically grow during peak season.
- In 2021E, we foresee a potential growth from 3 new capacity expansion in high margin businesses.
- We still like the company growth plan, which focuses on multi-modal logistics (railyard, barge, seaport) and property development (build to suit warehouse).

We reiterate a 'BUY' rating with a target price of Bt9.50, based on 25xPE'21E which is equal to its three year trading average.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	35.2	21.8	25.9	20.4	18.5
Recurring net profit growth (%)	(63.3)	61.6	(15.9)	27.2	10.3
Recurring EPS (Bt)	0.2	0.4	0.3	0.4	0.4
Recurring EPS growth (%)	(63.3)	61.6	(15.9)	27.2	10.3
PBV (x)	2.6	2.5	2.4	2.2	2.1
BVPS (Bt)	3.0	3.1	3.3	3.5	3.7
ROE (%)	7.4	11.8	9.4	11.3	11.7
DPS (Bt)	0.2	0.3	0.1	0.2	0.2
Dividend yield (%)	2.7	3.2	1.7	2.2	2.4
Enterprise value (Bt m)	9,612.5	10,553.9	10,660.5	10,695.5	10,734.7
EV-to-EBITDA (x)	16.3	14.5	14.0	12.5	11.6

JWD Infologistics PCL

Recommendation: BUY

Current price*: Bt7.75

Target price: Bt9.50

Up/(downside): 23%

IOD: 4 out of 5

CAC: N/A

Stock data

RIC code	JWD.BK
Index	.SETI
SET Index (13 November 2020)	1,346.47
Market cap (Bt m)	7,905
Shares outstanding (million)	1,020
Par (Bt)	0.50



Story

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Value

Risks

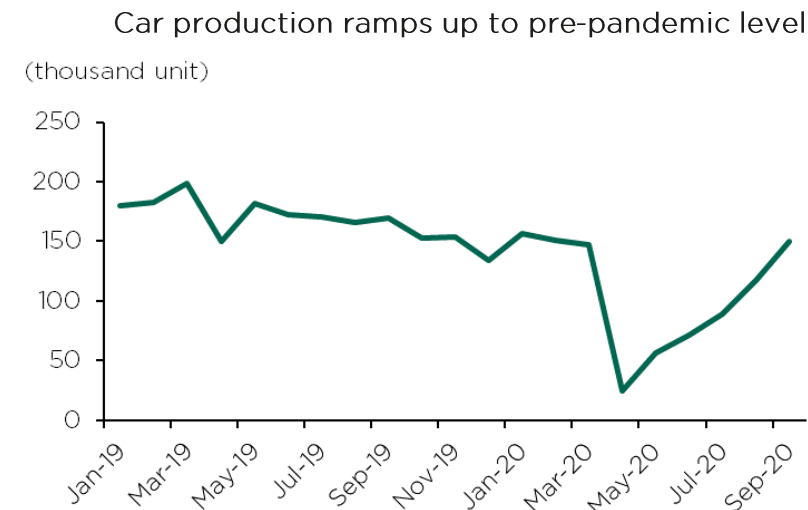
Key takeaway from analyst meeting

Core business remains solid in 4Q20

- We expect overall warehouse and yard management (52% total revenue) to continue its growth track in 4Q20E. Cold storage (19% total revenue) enters its high season, leading to higher occupancy rate and margin. Automotive service (9% total revenue) to fully recover following car production which has ramped up to pre-pandemic level. Dangerous goods storage (11% total revenue) also shows a sign of improvement after container throughput from major customers (petrochemical sector) gradually increase in October.
- Food logistic service (27% total revenue, low margin BU) showed a strong performance in 3Q20 from cutting vegetable sales growth and currently seeking for new customers.
- Meanwhile, JWD's new business, barge terminal management, reported a healthy container throughput in 3Q20, which we expect it to continue to 2021E.

Attractive long term growth in infrastructure and logistic

- In 2021, we conservatively expect the company to grow by 6% on the back of new 3 storage capacity and growth in barge terminal performance.
- There 3 upcoming storage to start operation in 1Q21, comprising of automated cold storage (+10% capacity), automated document storage, and built to suit warehouse (+5% capacity).
- The company also expect to sell 'build to suit in Nava Nakorn' (CAPEX Bt150m) to REIT in 2021.
- Meanwhile, its 3-5 growth plan remain focuses on multi-modal logistics (railyard, barge, seaport), property development (built to suit project) and B2C logistic (cold chain express, JWD store it), together with international expansion to potential market (Vietnam, Cambodia, Indonesia).
- The company financial status is currently manageable. Its D/E is at 1.4x (excluding TFRS), which still lower than limitation at 2.5x.
- Management also glimpses a capability of vaccine storage, using its existing cold storage with moderate upgrading cost.



JWD: Updated Scorecard

(Bt m)	3Q19	4Q19	1Q20	2Q20	3Q20	YoY (%)	9M20	20E	% of 20E
Revenue	884	970	943	874	981	11.0	2,798	3,945	70.9
Cost of sales	(646)	(690)	(683)	(660)	(747)	15.5	(2,090)	(2,937)	71.2
Gross profit	237	280	260	214	235	(1.2)	708	1,008	70.2
SG&A	(167)	(182)	(150)	(164)	(160)	(4.1)	(474)	(704)	67.4
Other (exp)/inc	10	10	16	3	4	(56.5)	23	40	58.7
EBIT	80	108	125	53	79	(2.1)	257	344	74.7
Finance cost	(28)	(27)	(51)	(48)	(43)	56.9	(143)	(194)	73.6
Other inc/(exp)	12	9	7	11	8	(29.7)	26	44	58.7
Earnings before taxes	64	89	81	15	43	(32.6)	140	194	72.1
Income tax	(9)	(11)	(16)	(2)	(4)	(58.3)	(21)	(31)	67.7
Earnings after taxes	55	78	66	14	40	(28.4)	119	163	73.0
Equity income	12	41	25	31	31	148.3	87	129	67.5
Minority interest	7	0	3	3	2	nm	8	13	61.3
Earnings from cont. operations	75	119	93	48	73	(3.3)	214	305	70.1
Forex gain/(loss) & unusual items	-	-	-	-	-	nm	-	-	na
Net profit	75	119	93	48	73	(3.3)	214	305	70.1
Recurring profit	75	119	93	48	73	(3.3)	214	305	70.1
EBITDA	166	212	308	245	109	(34.2)	662	762	87.0
Recurring EPS (Bt)	0.074	0.116	0.092	0.047	0.071	(3.3)	0.210	0.299	70.1
Reported EPS (Bt)	0.074	0.116	0.092	0.047	0.071	(3.3)	0.210	0.299	70.1
Profits (%)	3Q19	4Q19	1Q20	2Q20	3Q20	Diff (%)	9M20	20E	Diff (%)
Gross margin	26.9	28.8	27.5	24.5	23.9	(3.0)	25.3	25.6	0.3
Operating margin	9.1	11.1	13.3	6.1	8.0	(1.1)	9.2	8.7	(0.5)
Net margin	8.5	12.2	9.9	5.5	7.4	(1.1)	7.7	7.7	0.1

Result summary

- JWD 3Q20 earnings improved to Bt73m (-3%YoY, 51%QoQ), recovered from the bottom.
- A strong recovery QoQ was led by automotive and DG logistic, despite a continued growth in cold storage, infrastructure logistics and food services.
- Revenue increased to Bt981m (11%YoY, 12%QoQ), mainly driven by food service revenue, although overall warehouse management revenue flat YoY and increased by 5%QoQ.
- GPM fell to 23.9% (-3%YoY, -0.5%QoQ) as food service, low margin unit, strongly expanded YoY and QoQ.
- SG&A to sales improved to 16.3% from 18.9% and 18.7% in 3Q19 and 2Q20 respectively, due to cost saving.
- JV and associates showed a solid performance and delivered Bt31m in equity income (148%YoY, flat QoQ), mostly contributed from Transimex (Vietnam) growth.

JWD: Revenue breakdown

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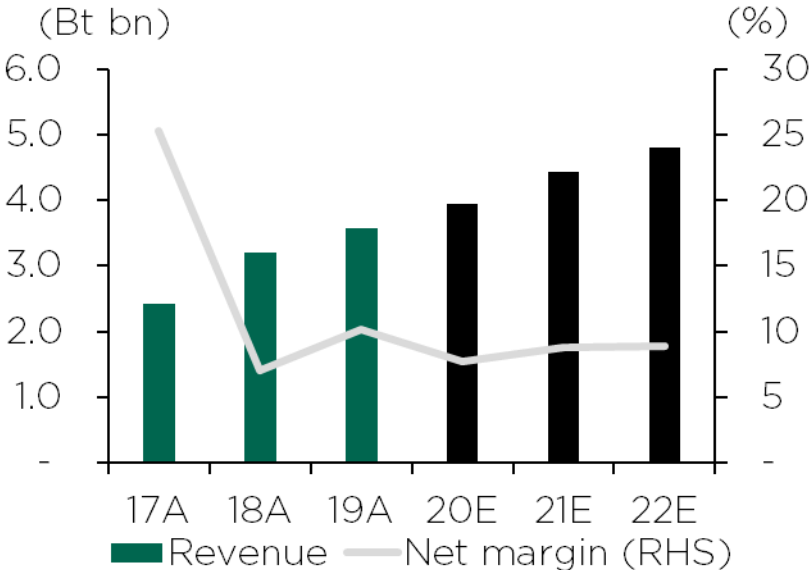
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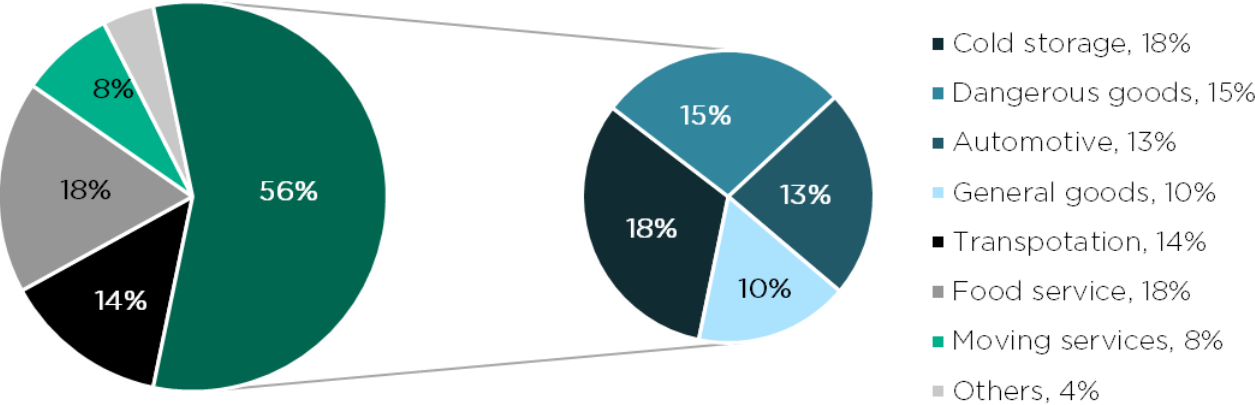
Value

Risks

- JWD's revenue mainly comes from warehouse management services, which contribute 56% to total revenue. This operation can be broken down into 18% cold storage, 16% dangerous goods, 13% automotive and 10% general goods.
- The company provides transportation services for customers, covering all domestic and cross border destinations to Laos, Cambodia and Myanmar. This segment includes new BUs such as barge & rail yard management, fulfillment center and cold chain express. Transportation services accounts for 14% of total revenues.
- Moreover, the company operates a food services business involved in raw material procurement and logistic services. This segment is responsible for 18% of total revenues.
- Moving services account for 8% of total sales. This segment refers to moving household items, office equipment, industrial machines and high-value goods.
- Others (4% sales contribution) refers to document/data storage, office and warehouse rentals and IT solutions for supply-chain management



Revenue by group of income, 2019



Warehouse Service Capacity

Unit(Sq.m)	2019
General warehouse	117,753
Dangerous goods warehouse	10,032
Cold storage	77,265
Document and data storage	14,815
Other services	9,951

Yard Service Capacity

Unit(Sq.m)	2,019
Dangerous goods warehouse	173,968
Automotive Yard	395,287
No-site automotive yard	204,800
Total	1,003,871

JWD: Summary financials

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Value

Risks

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	3,208	3,562	3,945	4,438	4,809	884	970	943	874	981
Cost of goods sold	(2,360)	(2,566)	(2,937)	(3,245)	(3,502)	(646)	(690)	(683)	(660)	(747)
Gross profit	848	996	1,008	1,193	1,307	237	280	260	214	235
SG&A	(572)	(703)	(704)	(825)	(894)	(167)	(182)	(150)	(164)	(160)
Other (exp)/inc	33	42	40	42	44	10	10	16	3	4
Operating profit	309	335	344	410	456	80	108	125	53	79
Finance cost	(82)	(107)	(194)	(184)	(190)	(28)	(27)	(51)	(48)	(43)
Other inc/(exp)	57	56	44	41	40	12	9	7	11	8
Earnings before taxes	283	284	194	267	306	64	89	81	15	43
Income tax	(50)	(47)	(31)	(43)	(49)	(9)	(11)	(16)	(2)	(4)
After-tax profit	233	238	163	224	257	55	78	66	14	40
Equity income	(6)	115	129	147	153	12	41	25	31	31
Minorities	(2)	10	13	17	18	7	0	3	3	2
Earnings from cont. operations	225	363	305	388	428	75	119	93	48	73
Forex gain/(loss) & unusual items	-	-	-	-	-	-	-	-	-	-
Net income	225	363	305	388	428	75	119	93	48	73
Recurring EPS (Bt)	0.22	0.36	0.30	0.38	0.42	0.07	0.12	0.09	0.05	0.07
Weighted average shares (m)	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Assets	6,330	7,819	8,628	9,059	9,440	7,130	7,819	9,098	9,101	9,244
Liabilities	3,190	4,549	5,203	5,438	5,602	3,932	4,549	5,806	5,979	6,033
Equity	3,017	3,150	3,318	3,531	3,767	3,086	3,150	3,179	3,008	3,096
Invested capital	3,337	3,681	3,713	3,697	3,701	3,497	3,681	4,773	4,741	4,601
Growth (YoY, %)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	32.4	11.0	10.7	12.5	8.4	4.1	2.7	7.3	5.2	11.0
Operating income	(1.1)	8.6	2.5	19.1	11.4	(3.3)	14.7	54.9	(20.3)	(2.1)
Recurring EPS	(63.3)	61.6	(15.9)	27.2	10.3	7.0	85.5	4.8	(39.7)	(3.3)
Assets	14.4	23.5	10.3	5.0	4.2	13.4	23.5	33.9	31.7	29.6
Liabilities	31.1	42.6	14.4	4.5	3.0	21.8	42.6	65.2	56.7	53.5
Equity	(0.9)	4.4	5.3	6.4	6.7	4.3	4.4	1.0	1.1	0.3
Profits (%)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Gross margin	26.4	28.0	25.6	26.9	27.2	26.9	28.8	27.5	24.5	23.9
Operating margin	9.6	9.4	8.7	9.2	9.5	9.1	11.1	13.3	6.1	8.0
Net margin	7.0	10.2	7.7	8.7	8.9	8.5	12.2	9.9	5.5	7.4
ROE	7.4	11.8	9.4	11.3	11.7	9.9	15.2	11.8	6.2	9.5
ROIC	8.9	8.0	7.8	9.3	10.4	8.1	10.5	9.6	4.0	6.1

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BUY:	Expected return excluding dividends of more than 10% within the next 12 months.
HOLD:	Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL:	Expected return excluding dividends of less than -10% within the next 12 months.
NR:	Not Rated- Stock is not in our research coverage.

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