

19 May 2021

Company Note

Rating

BUY

(Unchanged)

Company

JWD Infologistics

Bloomberg

JWD TB

SET

JWD

Exchange

SET

Sector

Thai Transportation

Revenue target of Bt10bn by 2025-26F via expansion and M&A

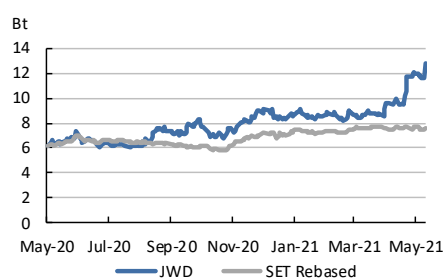
12mth price target (THB) Bt15.50
(From Bt12.80)

Current price (18/05/2021)	12.80
Upside/Downside	21%
CG rating	5
ESG rating	-
Thai CAC	n/a

Share summary

Issue shares :	(m shrs)	1,020.0
Market capitalization:	(THB bn)	13.1
	(USD bn)	0.4
Avg. Daily Turnover:	(THBm)	53.9
	(USDm)	1.7
Foreign Limit/Actual	(%)	49/5
Free Float:	(%)	41.2
NVDR:	(%)	1.8

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
JWD	33.33	43.82	100.00
SET	1.67	3.29	20.55

Major Shareholders

	%
Bunditkrisada family	42.92
Nimitpanya family	16.43
Hongkong and Shanghai Banking Corp.	4.96

Source: SET

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Five-year revenue target set at Bt10bn via both organic and inorganic sources

JWD's 1Q21 meeting with management has revealed its five-year plan revenue target of Bt10bn and target revenue of Bt5bn in 2021F. Net profit margin would be improved via adding new and higher margin business to the group while lower-margin food services in Taiwan should see wider margin towards year-end. We have revised up revenue and earnings forecasts to reflect cold storage business and general warehouse expansion and impressive DG and automotive business. We reiterate a Buy rating with a new TP of Bt15.50.

Aiming to be the country's largest fulfillment center and cold chain services

In order to achieve the country's largest fulfillment center and cold storage services, the company has prepared for logistics infrastructure, acquisition in transport/logistics related and warehouses and fleets etc. The acquisition of VNS via JWD Transport (JTS) and higher stake in JWD Asia Cambodia would be prepared for fleets expansion assisting both automotive and cold chain express unit (the latter partnered with CJ Logistics in fulfillment center).

2021-23F revenue and earnings forecasts revised upward

We have revised up 2021-23F revenue by 7%, 9% and 10% respectively to reflect DG growth assumption of 8% vs. 3% previously, cold storage and general warehouse expansion. But we lower gross profit margin assumption to 23.5-24% level from 28% previously and lower SG&A to revenue assumption to 14-15% from 18% previously. All considered, our 2021-23F earnings have been increased by 4%.

New target price of Bt15.50 is based on DCF method

Our new TP of Bt15.50 is based on DCF, supported by the company's secured long-term revenue concessions), occupancy rates and improving profit margins. Our assumptions include a WACC of 6.5%, CoE of 10.2%, Rf of 1.1%, market-risk premium of 8.4%, beta of 1.1x, average CoD of 4%, and terminal growth rate of 1%. Key risks include sudden concession termination, difficulty acquiring land bank or leasing assets, and delay in M&A.

Forecasts and ratios

Year ended Dec 31	2019	2020F	2021F	2022F	2023F
Revenue (THBm)	3,562	3,858	4,557	5,079	5,349
EBITDA (THBm)	853	1,161	1,291	1,429	1,518
Net profit (THBm)	363	290	423	463	507
Net Profit (% chg from prev)			4.0	4.1	2.5
EPS (THB)	0.36	0.28	0.42	0.45	0.50
EPS (% YoY)	61.6%	-20.1%	46.0%	9.5%	9.5%
EPS vs Cons (%)		-	1.2	(3.3)	-
PER (X)	23.8	24.6	30.8	28.2	25.7
Yield (%)	2.0	1.7	1.9	2.1	2.3
P/BV (X)	3.8	4.2	4.0	3.8	3.6
EV/EBITDA (X)	13.2	10.1	13.2	12.1	11.7
ROE (%)	11.0	8.9	13.2	13.7	14.2

Source: Company data, TISCO Research estimates

Logistics infrastructure and multimodal transport modes investment to prepare for 5-yr target

Based on JWD's 1Q21 meeting, the management has revealed its five-year plan revenue target of Bt10bn and target revenue of Bt5bn in 2021F. Net profit margin would be improved via adding new and higher margin business to the group while lower-margin food services in Taiwan should see wider margin towards year-end. We have revised up revenue and earnings forecasts to reflect cold storage business and general warehouse expansion and impressive DG and automotive business than previously expected. Yet, our forecasts have been conservative vs. the management's. We reiterate a Buy rating with a new TP of Bt15.50.

Figure 1. 5-Year Growth revenue target of Bt10bn

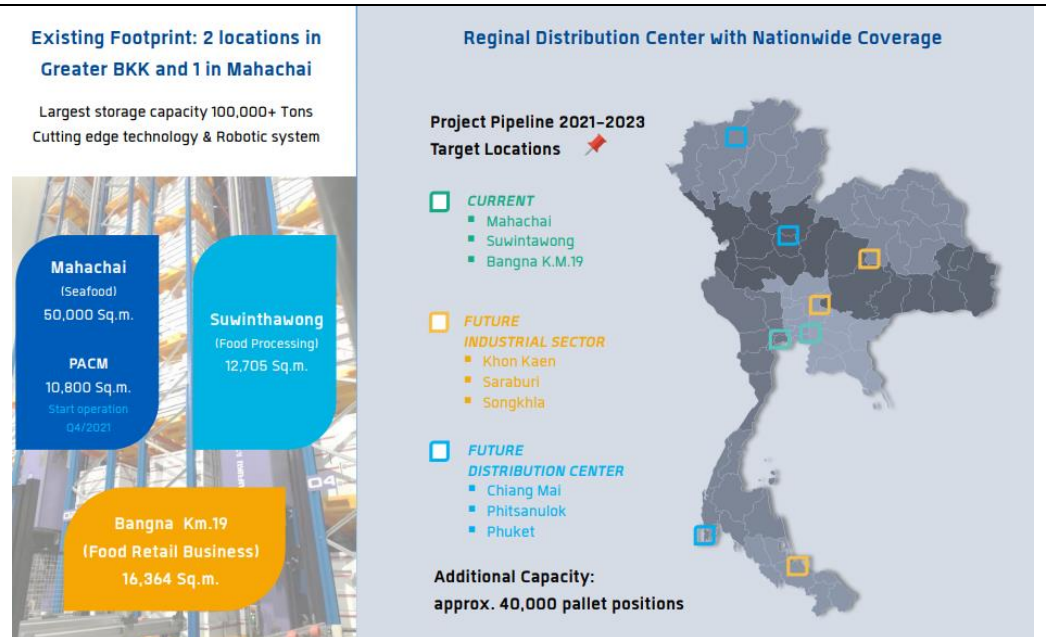


Source: Company data

Aiming to be the country's largest fulfillment center and cold chain services

In order to achieve the country's largest fulfillment center and cold storage services, the company has prepared for logistics infrastructure, acquisition in transport/logistics related and warehouses and fleets etc. Cold chain expansion after PACM would be Saraburi, Songkla, Khon Kaen, Chiang Mai, Pitsanulok and Phuket while partner with ORI on warehouse expansion. The acquisition of VNS via JWD Transport (JTS) and higher stake in JWD Asia Cambodia would be prepared for fleets expansion assisting both automotive and cold chain express unit (the latter partnered with CJ Logistics in fulfillment center). The company also plans to list JTS in the SET by end-2022F.

Figure 2. Cold storage expansion plan



Source: Company data

Figure 3. Acquire and scale up in transport business to support multimodel platform



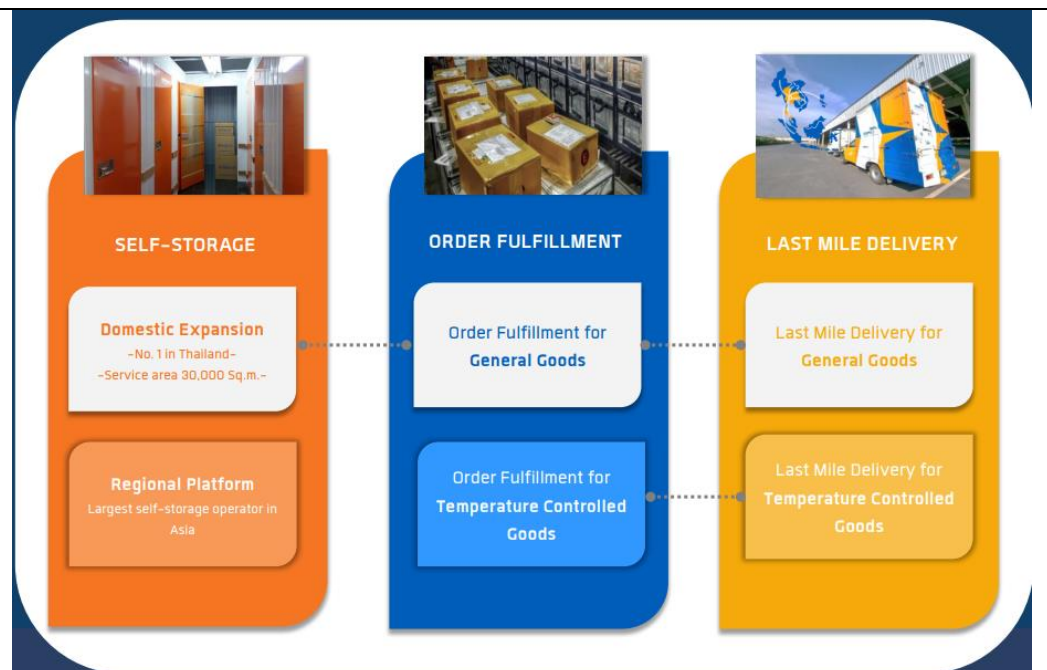
Source: Company data

Figure 4. Regional expansion focusing on Vietnam, Cambodia & Indonesia



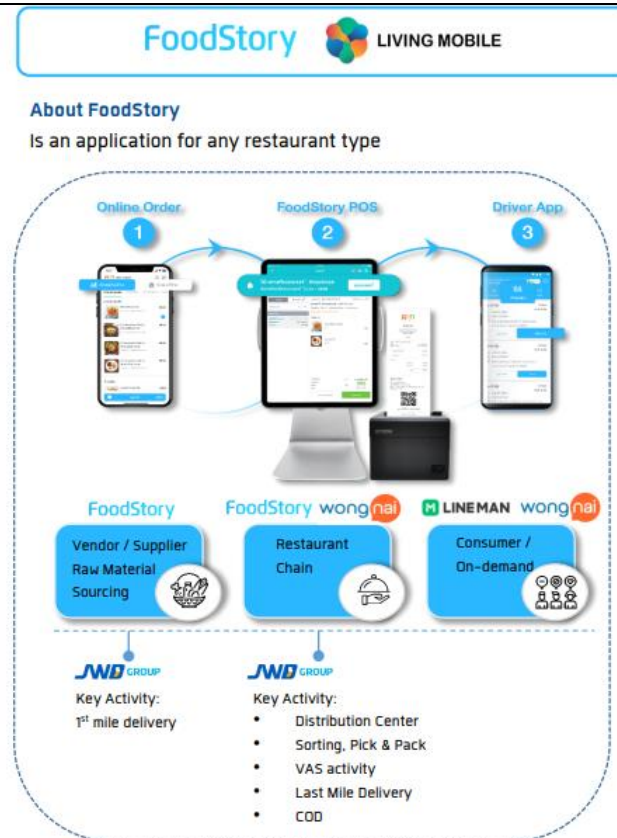
Source: Company data

Figure 5. Grow B2C segment for high growth e-commerce business



Source: Company data

Figure 6. Acquisition of FoodStory for cold chain express delivery completion



Source: Company data

Figure 7. Partner/ JV in property solutions



Source: Company data

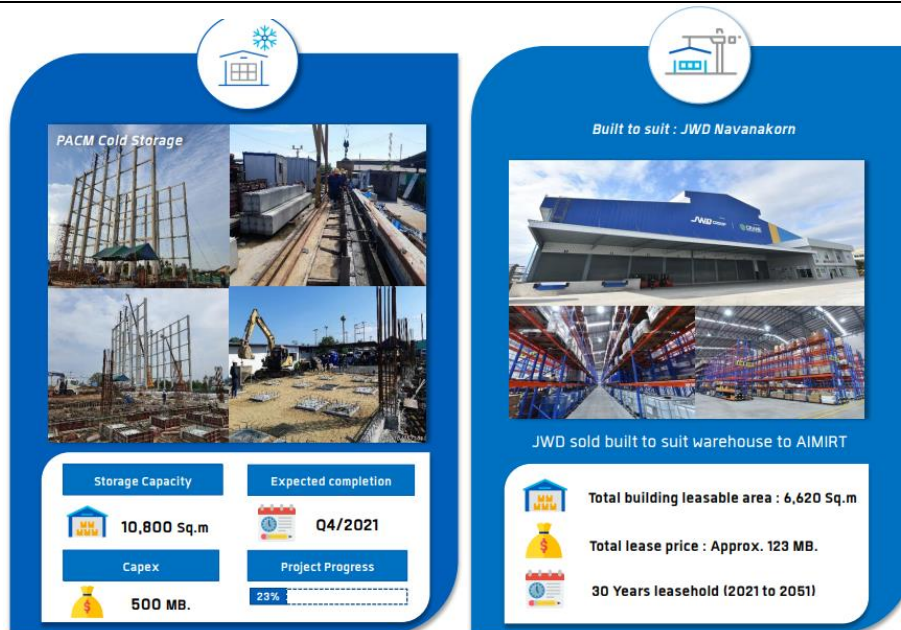
In an acceptable financial position

As of end-Mar-21, JWD's D/E ratio stood at 2x and net D/E at 0.5x. We expect net D/E ratio to increase to 0.7-0.8x level for the next five years due to all expansion in both organic and inorganic sources. But based on the company's target to invest in a higher or at least sustained profit margin business while gearing away from businesses with low barriers to entry, we expect its financial position to remain acceptable and would still below the covenant threshold.

2021-23F revenue and earnings forecasts revised upward

We have revised up 2021-23F revenue by 7%, 9% and 10% respectively to reflect DG growth assumption of 8% vs. 3% previously, cold storage and general warehouse expansion. For 24-31F, revenue has been up on an average of 10% p.a. Our 2021-23F earnings have been increased by 4% and 24-31F by 5% on average. But we lower gross profit margin assumption to 23.5-24% level from 28% previously to be conservative and adding new business impact (early stage before ramping up to full-scale and at their best effort) and lower SG&A to revenue assumption to 14-15% from 18% previously due to higher revenue (yet absolute terms are higher YoY).

Figure 8. Expansion/ partner in key business

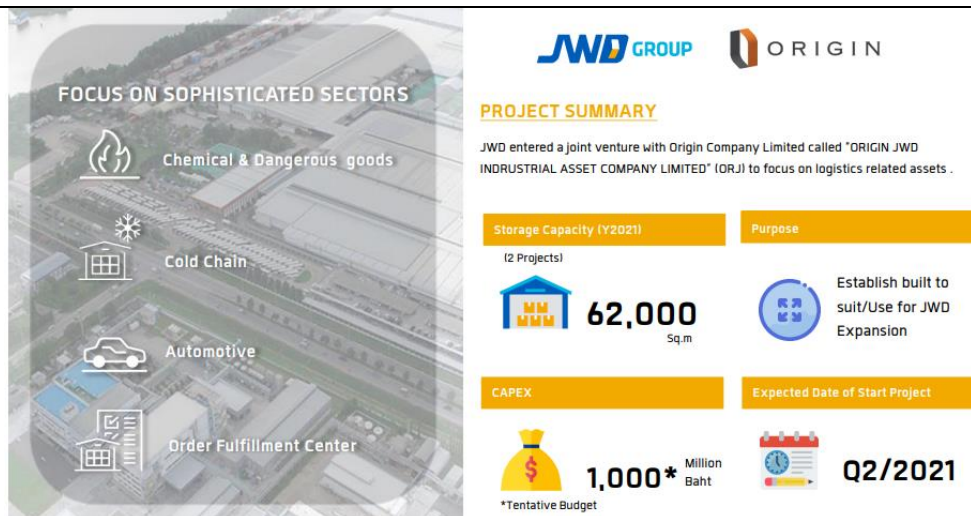


Source: Company data

New target price of Bt15.50 is based on DCF method

Our new TP of Bt15.50 is based on DCF, supported by the company's secured long-term revenue concessions), occupancy rates and improving profit margins. Our assumptions include a WACC of 6.5%, CoE of 10.2%, Rf of 1.1%, market-risk premium of 8.4%, beta of 1.1x, average CoD of 4%, and terminal growth rate of 1%. Key risks include sudden concession termination, difficulty acquiring land bank or leasing assets, and delay in M&A.

Figure 9. Origin JWD Industrial Asset



Source: Company data

JWD Infologistics

Rating : BUY

Bloomberg: JWD TB

Target price (THB)

15.50

Current Price (THB)

12.80

52-week Range

6.05 - 12.8

Market Capitalization

THBm

13,056

USDm

416

Fiscal year end 31-Dec

2019

2020

2021F

2022F

2023F

Income Statement (THBm)

Sales and Service Incomes	3,562	3,858	4,557	5,079	5,349
Cost of Sales and Services	2,566	2,898	3,488	3,880	4,058
Gross Profit	996	960	1,069	1,199	1,291
S&A Expenses	698	644	685	716	754
Interest Expense	107	191	163	174	194
Net Result of Inv. in Asso.	115	117	128	132	146
Other Income	98	65	75	94	99
Income Tax from Operations	47	25	64	80	88
Net (Profit) Loss of M.I.	10	8	8	8	8
Net Profit before Extra. Items	368	290	369	463	507
Extra items	(5)	0	54	0	0
Net Profit	363	290	423	463	507

Cash Flow (THBm)

Net Profit	363	290	423	463	507
Depreciation and Amortization	354	371	388	404	421
Change in working capital	(43)	(35)	(22)	(20)	(18)
Cash flow from operations (CFO)	707	773	837	890	933
Investment	0	0	0	0	0
Capex	(881)	(896)	(907)	(918)	(929)
Cash Flows from Investing (CFI)	(881)	(896)	(907)	(918)	(929)
Debt financing	300	300	250	250	200
Dividend paid	(158)	(175)	(188)	(202)	(212)
Share capital and premium	0	0	0	0	0
Cash Flows from Financing (CFF)	142	125	62	48	(12)
Net cash increase/Decrease	(32)	3	(8)	20	(8)

Balance Sheet (THBm)

Current Assets	1,687	1,799	1,853	1,933	1,986
Current Liabilities	1,512	1,587	1,628	1,668	1,710
Total Assets	7,049	7,685	8,259	8,852	9,413
Total Liabilities	3,560	3,935	4,226	4,516	4,758
Minority Interest	61	61	61	61	61
Total Equity	3,427	3,689	3,972	4,275	4,594
Paid-up Capital	510	510	510	510	510
Share Premium	1,336	1,336	1,336	1,336	1,336
Warrant	0	0	0	0	0
Retained Earnings	969	1,231	1,514	1,817	2,136
Equity Adjustment	(193)	(193)	(193)	(193)	(193)

Key Company Metrics

Sales growth (%)	11.0	8.3	18.1	11.5	5.3
Net Profit growth (%)	61.6	(20.1)	46.0	9.5	9.5
Gross Margin (%)	28.0	24.9	23.5	23.6	24.1
SG&A to sale (%)	19.6	16.7	15.0	14.1	14.1
EBITDA Margin (%)	23.9	30.1	28.3	28.3	28.3
Net Margin (%)	10.2	7.5	9.3	9.1	9.5
ROE (%)	11.7	12.1	12.1	12.1	11.8
ROA (%)	5.9	5.9	5.9	5.9	5.8
Net debt/equity (x)	0.7	0.7	0.7	0.7	0.7
Net interest cover (x)	9.0	5.5	6.9	6.9	6.4

Key Assumptions

Revenue Breakdown (%)					
- Logistics and supply chain	78.1	69.7	65.3	62.8	63.0
- Food services	17.7	26.0	23.3	21.9	21.8
+Other business	4.3	4.3	11.4	15.3	15.2

Quarterly Results (THBm)

	1Q20	2Q20	3Q20	4Q20	1Q21
Sales and Service Incomes	943	874	981	1,060	1,050
Cost of Sales and Services	683	660	747	814	798
Gross Profit	260	214	235	246	251
S&A Expenses	150	164	160	170	144
Interest Expense	51	48	43	48	47
Net Result of Inv. in Asso.	25	31	31	30	29
Other Income	23	14	13	15	19
Income Tax from Operations	16	2	4	4	12
Net (Profit) Loss of M.I.	3	3	2	3	1
Net Profit before Extra. Items	91	45	70	76	96
Extra items	0	0	0	0	44
Net Profit	93	48	73	76	141

Source: Company data, TISCO Research estimates

Company profile

Founded in 1979, JWD Group of Companies has 18 subsidiaries and operates warehouses and yards covering a total storage space of approximately 800,000 sqm. The Group currently employs 1,300 staff and has branch offices in 32 countries. JWD has expertise in logistics and supply chain management. Its services cover three industry sectors that drive the country's economy including Automotive and parts, Chemicals and dangerous goods and Food and cold chain.

Valuation

Target price is based on DCF and supported by the company's secured long-term revenue (concessions) and improving profit margins. Our assumptions include a WACC of 6.5%, CoE of 10.2%, Rf of 1.1%, market-risk premium of 8.4%, beta of 1.1x, average CoD of c4% and terminal growth rate of 1%.

Risk

Key downside risks: 1) Key risks include sudden concession termination, 2) difficulty acquiring land bank or leasing assets, and 3) delay in new M&A/JV projects.

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 Corporate Governance Report of Thai Listed Companies 2019	Score Range	Level	Description
	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
		N/R	Does not appear in the CGR report

Anti-Corruption Progress Indicator :

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into :

Certified :	Companies certified by CAC.
Declared :	Companies that have declared their intention to join CAC.
Ensure its compliance by parent company	Ensure its compliance by parent company The company declares that its parent company is under the Bribery Act or other similar laws that required parent company to be responsible for bribery act of its overseas subsidiaries. Such responsibilities shall include the establishment of policy, practices and investigation and ensure that its subsidiaries regularly comply with the policy and practices.
n.a.	Not intention to join CAC. / no policy

Disclaimer

The disclosure of the Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018)

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, TISCO Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

ESG Rating

The Thaipat ESG Index is designed to represent the performance of the selected Thai listed companies that are constituents of the ESG100 Universe, the 100 outstanding performers in terms of Environmental, Social and Governance (ESG) listed in Thai stock market (Both SET and mai), assessed by ESG Rating company, a whole subsidiary of Thaipat Institute.

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