

31 August 2021

## Company Note

Rating

**BUY**

(Unchanged)

Company

## JWD Infologistics

Bloomberg

JWD TB

SET

JWD

Exchange

SET

Sector

Thai Transportation

## Plans for Alpha Industrial Solutions (JV with ORI) solidified

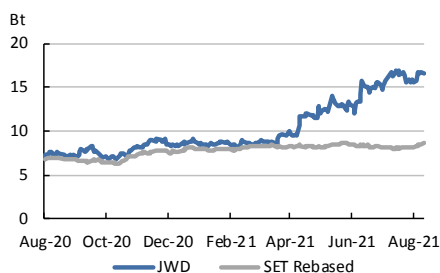
**12mth price target (THB) 20.00**

Current price (30/08/2021)	16.60
Upside/Downside	20%
CG rating	5
ESG rating	-
Thai CAC	n/a

### Share summary

Issued shares :	(m shrs)	1,020.0
Market capitalization:	(THB bn)	16.9
	(USD bn)	0.5
Avg. Daily Turnover:	(THBm)	90.7
	(USDm)	2.8
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	(1.19)	17.73	125.85
SET	6.24	2.52	24.04

### Major Shareholders

	%
Bunditkrisada family	42.68
Nimitpanya family	16.43
Hongkong and Shanghai Banking Corp.	4.32

Source: SET

Rasmiman Sermprasert

(ID: 018175)

(66) 2633 6421

rasmiman@tisco.co.th

### Aims for 1m sqm. on warehouse business by 2025F

At the Alpha Industrial Solutions meeting yesterday (a JV between ORI and JWD), the company stated its plans to be a top three player in the warehouse/RBF business, expanding by 120k sqm/yr organically and 80k sqm/yr inorganically, targeting 1m sqm total by 2025F with Capex of Bt2.5-3bn. The plan is to spin off the JV by 2023F to a REIT with expected value of Bt12bn and to list it on the SET by 2025F. We anticipate equity income contribution kicking in next year. Buy reiterated with an unchanged TP of Bt20.00.

### First 20k sqm project launched in 2Q21; backlog at 195k sqm

With its prototype project at Bangna km. 22 opened in 2Q, Alpha Industrial Solution is the first in Thailand to have a temperature-controlled fulfillment center. Another 135k sqm is due to open in 4Q21F (Bangna/Bangplee and northern part of Bangkok), followed by 60k in western Bangkok in 1Q22F. The company targets revenue of Bt1.05bn and net profit of Bt600m in 2024F from the JV.

### 2021-31F earnings maintained

We maintain our earnings forecasts but expect equity income to start kicking in from 2022F onwards. We caution that uncertainty in various factors impacting the logistics business overseas could affect equity income forecasts. Our assumptions for revenue, gross profit margin and SG&A to sales ratio are intact.

### Unchanged target price of Bt20.00 is based on DCF method

Our unchanged TP of Bt20.00 is based on DCF and supported by the company's secured long-term revenue concessions, occupancy rates, and improving profit margins. Our assumptions include a WACC of 6.3%, 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.

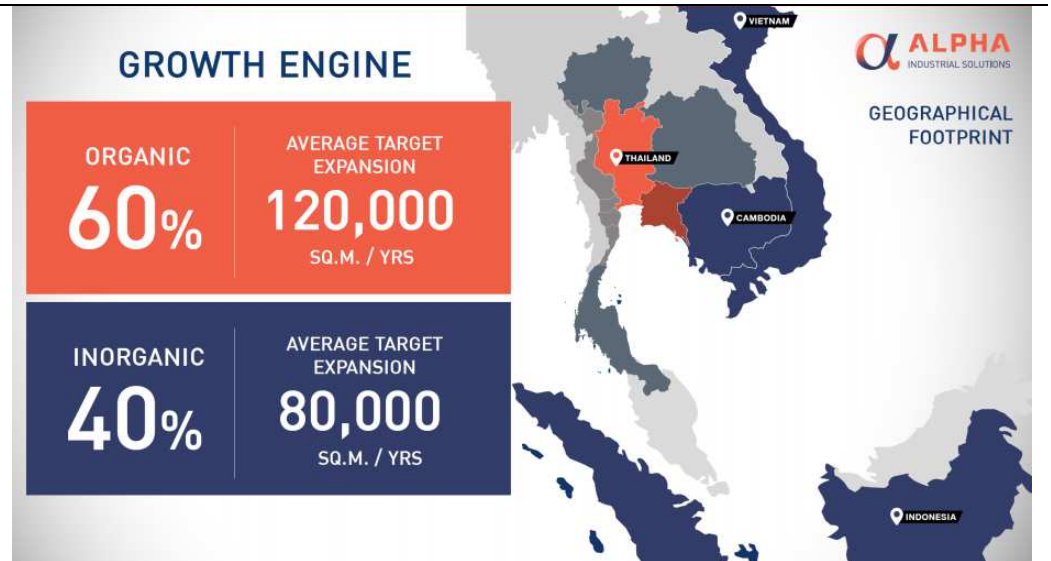
### Forecasts and ratios

Year ended Dec 31	2019	2020	2021F	2022F	2023F
Revenue (THBm)	3,562	3,858	4,557	5,079	5,349
EBITDA (THBm)	853	1,161	1,333	1,629	1,728
Net profit (THBm)	363	290	425	633	689
EPS (THB)	0.36	0.28	0.42	0.62	0.68
EPS (% YoY)	61.6	-20.1	46.7	48.9	8.8
EPS vs Cons (%)		-	(5)	11	-
PER (X)	23.8	24.6	39.8	26.7	24.6
Yield (%)	1.5	1.3	1.5	2.2	2.4
P/BV (X)	4.9	5.4	5.2	4.8	4.4
EV/EBITDA (X)	13.2	10.1	15.6	12.9	12.5
ROE (%)	11.0	8.9	13.3	18.6	18.8

Source: Company data, TISCO Research estimates

## Alpha Industrial Solutions Overview

Figure 1. Alpha Industrial Solutions: Geographical Footprint



Source: Company data

Figure 2. Alpha Industrial Solutions: Key Milestones



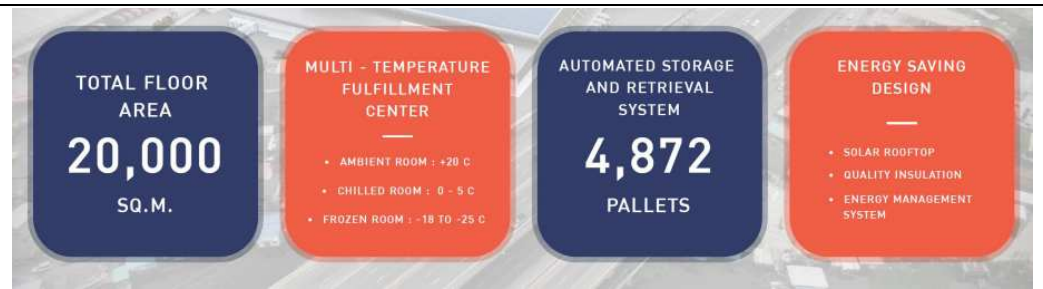
Source: Company data

Figure 3. Alpha Industrial Solutions: Organic vs. Inorganic Growth



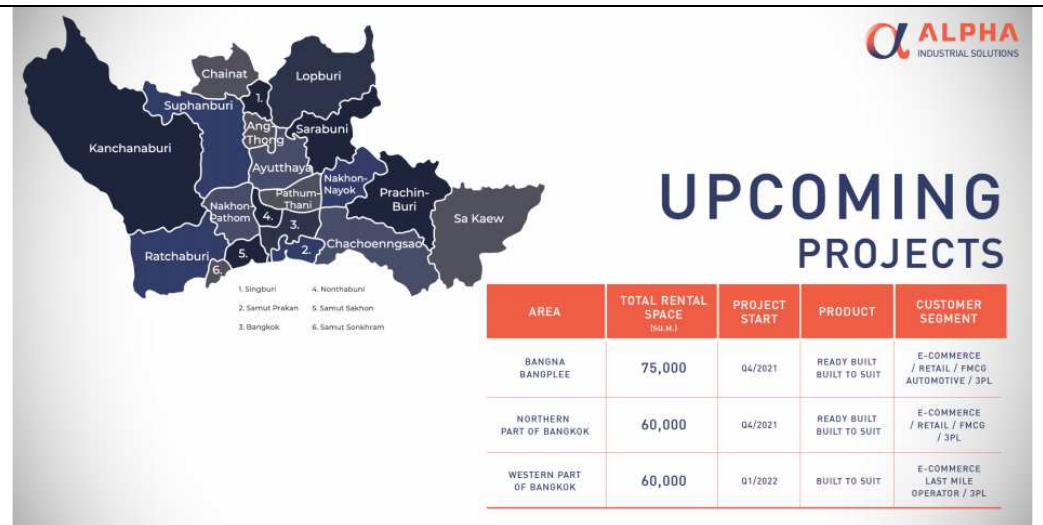
Source: Company data

**Figure 4. Alpha Industrial Solutions: First Prototype Project Alpha Bangna KM.22**



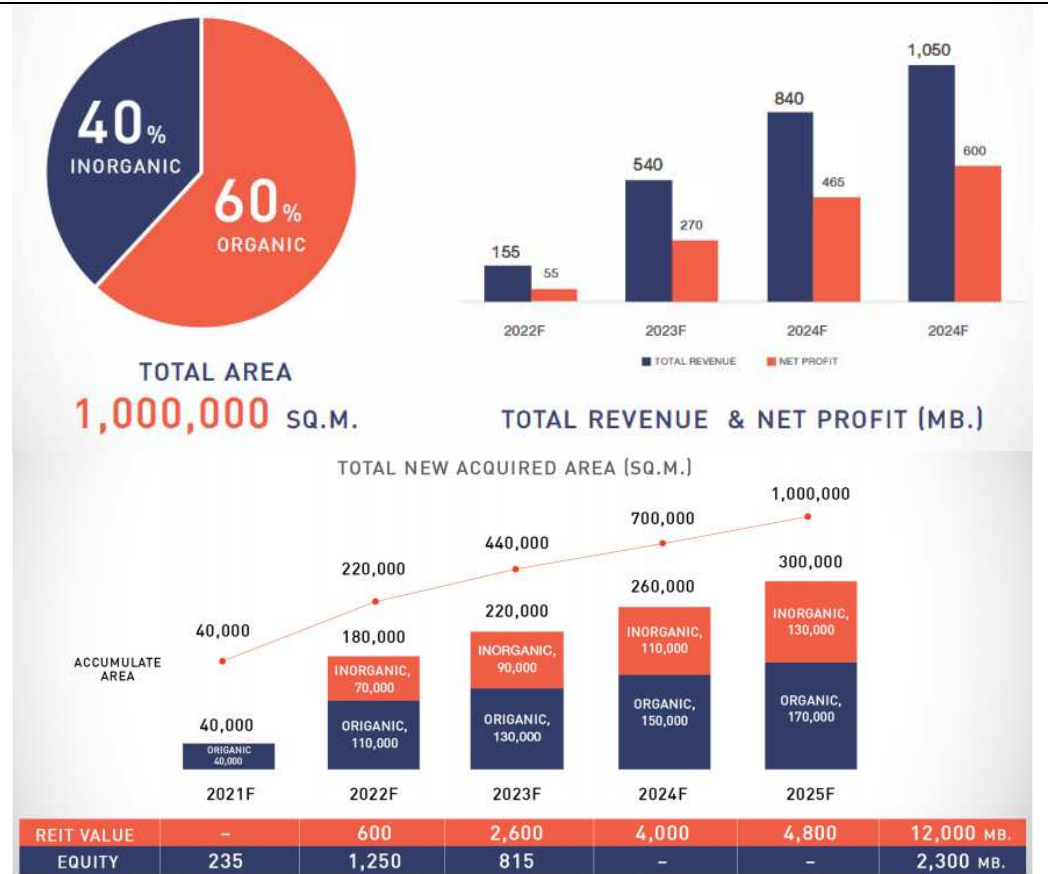
Source: Company data

**Figure 5. Alpha Industrial Solutions: Upcoming Projects**



Source: Company data

Figure 6. Alpha Industrial Solutions: Five-year Plan



Source: Company data

Figure 7. Alpha Industrial Solutions: REIT and Valuation



Source: Company data



# JWD Infologistics

Rating : BUY

Bloomberg: JWD TB

Target price (THB)

20.00

Market Capitalization

Current Price (THB)

16.60

THBm

16,932

52-week Range

6.8 - 16.9

USDm

519

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	191	174	190
Net Result of Inv. in Asso.	115	117	128	232	256
Other Income	98	65	75	94	99
Income Tax from Operations	47	25	66	110	120
Net (Profit) Loss of M.I.	10	8	8	8	8
Net Profit before Extra. Items	368	290	381	633	689
Extra items	(5)	0	44	0	0
Net Profit	363	290	425	633	689

## Cash Flow (THBm)

Net Profit	363	290	425	633	689
Depreciation and Amortization	354	371	388	404	421
Change in working capital	(43)	(35)	(22)	(20)	(18)
<b>Cash flow from operations (CFO)</b>	<b>707</b>	<b>773</b>	<b>837</b>	<b>890</b>	<b>933</b>
Investment	0	0	0	0	0
Capex	(881)	(896)	(907)	(918)	(929)
<b>Cash Flows from Investing (CFI)</b>	<b>(881)</b>	<b>(896)</b>	<b>(907)</b>	<b>(918)</b>	<b>(929)</b>
Debt financing	300	300	250	250	200
Dividend paid	(158)	(175)	(188)	(202)	(212)
Share capital and premium	0	0	0	0	0
<b>Cash Flows from Financing (CFF)</b>	<b>142</b>	<b>125</b>	<b>62</b>	<b>48</b>	<b>(12)</b>
<b>Net cash increase/Decrease</b>	<b>(32)</b>	<b>3</b>	<b>(8)</b>	<b>20</b>	<b>(8)</b>

## 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	7,819	9,474	10,447	10,378	11,111
Total Liabilities	4,549	6,222	6,977	6,655	7,113
Minority Interest	120	133	187	187	187
Total Equity	3,427	3,252	3,470	3,723	3,999
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	455	625	879	1,154
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)	46.7	48.9	8.8
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	29.2	29.2	29.2
Net Margin (%)	10.2	7.5	9.3	12.5	12.9
ROE (%)	11.7	12.1	12.1	12.1	11.8
ROA (%)	5.9	5.9	5.9	5.9	5.8
<b>Net debt/equity (x)*</b>	<b>0.8</b>	<b>0.9</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>
Net interest cover (x)	9.0	5.5	5.9	6.9	6.6

\* Net debt/equity excluded liabilities related to leases according to the loan agreements

## 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)

	2Q20	3Q20	4Q20	1Q21	2Q21
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	2	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 6.3%, 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.

Rasmiman Sermprasert  
+66 (2) 633 6421  
rasmiman@tisco.co.th

# TISCO Securities Company Limited

www.tiscosec.com

## Bangkok

48/8 TISCO Tower 4th Floor, North Sathorn Road,  
Bangkok 10500, Thailand  
Tel : (66) 2633 6000 Ext.5 Fax : (66) 2633 6490, (66) 2633 6660

## Chiang Mai

275/4, 2nd Floor, Chang Phuak Road, Chang Phuak,  
Muang District, Chiang Mai 50300  
Tel. 0 5322 4722 Fax. 0 5322 4711

## Nakhon Pathom


386, 388 Petchkasem Road, Prapatone, Muang District,  
Nakhon Pathom 73000  
Tel: 0 3414 2000 Fax: 0 3425 1676

## Nakhon Ratchasima

1936/3 Zone A, Mittraphap Road, Naimuang,  
Muang District, Nakhon Ratchasima 30000  
Tel: 0 4425 7752 Fax: 0 4425 3752

## Udon Thani

227/1 Soi Udondussadee 3, Udondussadee Road,  
Muang District, Udon Thani 41000  
Tel: 0 4224 6888 Fax: 0 4224 5793

 <b>Corporate Governance Report of Thai Listed Companies 2020</b>	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 19, 2020) 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 19, 2020)

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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