

JWD: Solid earnings growth profile in 4Q21 and onward to 2022E



We expect the company to report 4Q21 net profit at Bt159m. (+110%YoY +14%QoQ), an all-time high level. YoY and QoQ expansion will be driven by a spike in equity income to Bt102m (+245%YoY) on the back of impressive performance for Transimex (Vietnam) and PPSP (Cambodia) along with first two-month profit sharing recognition from ESCO, the container port operator.

- Anticipate revenue to hit all-time high at Bt1.4bn in 4Q21, mainly driven by high season for logistics segment and consolidation of overseas business.
- Solid outlook for warehouse & yard management in 2022
- Potential upside from business expansion via multi-model strategy with JVs

We reiterate a BUY rating while raise target price to Bt22.20 (Previous TP: Bt18.60) derived from 37xPE'22E, its +1.0 S.D. to its 3-year average, which also implies 20% discount to Thai transportation peers. TP upgrade reflects solid earnings growth momentum that is expected to persist in 2020-23E together with potential synergy between various businesses in the group and partners.

Valuation table

Year end Dec	19A	20A	21E	22E	23E
PE (x)	54.8	68.6	41.5	32.4	29.0
Recurring net profit growth (%)	61.6	(20.1)	65.3	27.9	11.9
Recurring EPS (Bt)	0.36	0.28	0.47	0.60	0.67
Recurring EPS growth (%)	61.6	(20.1)	65.3	27.9	11.9
PBV (x)	6.3	6.4	5.8	5.2	4.8
BVPS (Bt)	3.1	3.1	3.4	3.7	4.1
ROE (%)	11.8	9.3	16.8	16.9	17.2
DPS (Bt)	0.3	0.2	0.2	0.3	0.3
Dividend yield (%)	1.3	1.1	1.1	1.4	1.6
Enterprise value (Bt m)	22,625	24,441	24,184	23,836	23,357
EV-to-EBITDA (x)	31.1	21.7	15.0	13.2	12.0

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Recommendation: BUY

Current price: Bt19.50

Target price 2022: Bt22.20

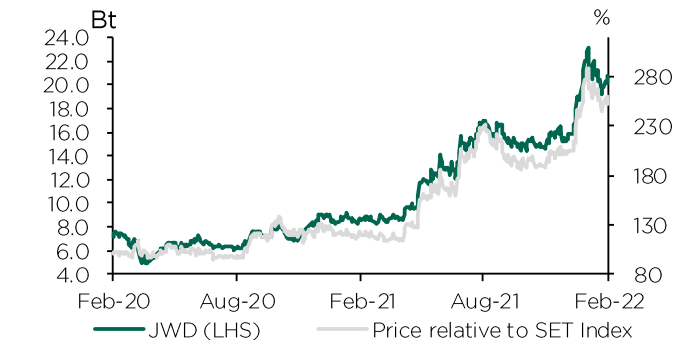
Up/(downside): 14%

IOD: 5 out of 5

CAC: N/A

Stock data

RIC code	JWD.BK
Index	.SETI
SET Index (3 February 2022)	1,669.05
Market cap (Bt m)	21,114
Shares outstanding (million)	1,020
Par (Bt)	0.50



(Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21E	%QoQ	%YoY
Revenue	1,060	1,050	1,253	1,357	1,400	3.1	32.1
Cost of sales	(808)	(780)	(940)	(1,035)	(1,112)	7.5	37.7
Gross profit	252	270	313	323	288	(10.8)	14.1
SG&A	(170)	(171)	(177)	(189)	(195)	3.2	15.0
Other (exp)/inc	9	14	23	25	20	(19.5)	125.6
EBIT	91	113	159	158	113	(28.9)	23.2
Finance cost	(48)	(47)	(52)	(54)	(54)	0.0	12.9
Other inc/(exp)	7	5	6	6	5	(15.9)	(24.2)
Earnings before taxes	50	71	112	110	64	(42.4)	26.7
Income tax	(4)	(27)	(13)	(13)	(8)	(39.4)	86.0
Earnings after taxes	46	44	99	98	56	(42.8)	21.5
Equity income	30	18	14	41	102	147.9	244.6
Minority interest	0	1	2	0	1	619.4	436.0
Earnings from cont. operations	76	62	116	139	159	14.3	109.6
Forex gain/(loss) & unusual items	0	79	-	-	-	NA	NA
Net profit	76	141	116	139	159	14.3	109.6
EBITDA	312	374	266	395	283	(28.5)	(9.4)
Recurring EPS (Bt)	0.07	0.07	0.11	0.14	0.16	14.3	109.6
Reported EPS (Bt)	0.07	0.14	0.11	0.14	0.16	14.3	109.6
Profits (%)	4Q20	1Q21	2Q21	3Q21	4Q21	chg	chg
Gross margin	23.8	25.7	25.0	23.8	20.5	(3.2)	(3.2)
Operating margin	29.4	35.7	21.2	29.1	20.2	(9.0)	(9.2)
Net margin	7.2	13.4	9.2	10.2	11.4	1.1	4.2

Preview summary

- We expect the company to report 4Q21 net profit at Bt159m. (+110%YoY +14%QoQ), an all-time high level.
- YoY and QoQ expansion will be driven by a spike in equity income to Bt102m (+245%YoY) on the back of impressive performance for TMS (Vietnam) and PPSP (Cambodia) along with first two-month profit sharing recognition from ESCO.
- Anticipate revenue to hit all-time high at Bt1.4bn in 4Q21, mainly driven by high season for logistics segment and consolidation of overseas business.
- GPM is assumed to drop QoQ from 23.8% in 3Q21 to 20.5% due to poor performance for food segment (26% of total revenue in 3Q21) and several logistic units.

JWD: Strong core operation to continue from 4Q21 onward to 2022

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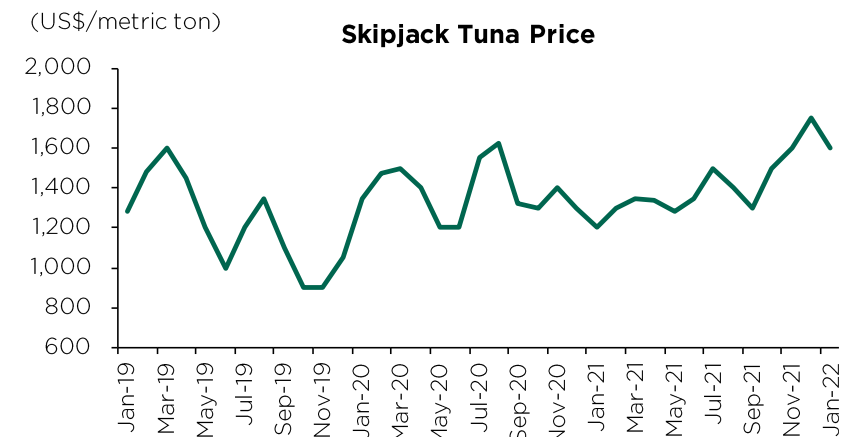
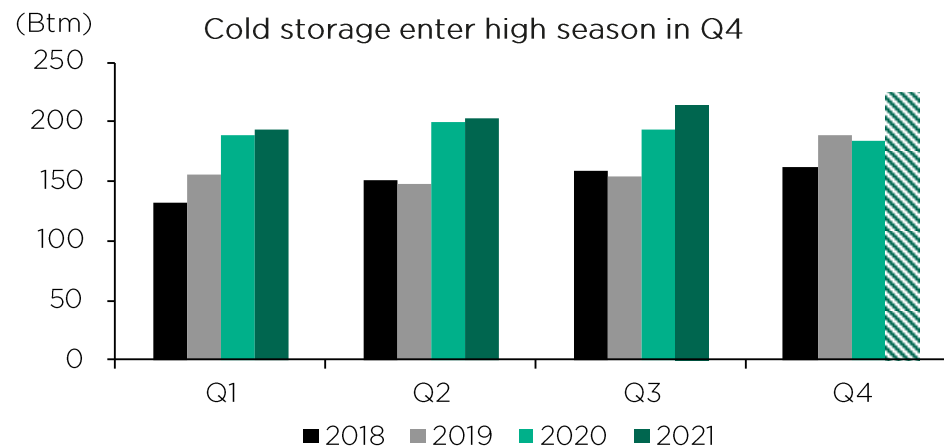
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Value

Risks

Business	Revenue	Q4'21	1H22	Outlook	New project
Cold Storage (high margin)	17%			<ul style="list-style-type: none"> High tuna prices may suppress demand in 1Q22 but revenue still remain high given solid overall demand. 	<ul style="list-style-type: none"> Two new storage commencements in 2022 (+23% capacity)
General Goods / Document	8% / 3%			<ul style="list-style-type: none"> Resilient demand from growing E-commerce trend 	<ul style="list-style-type: none"> Establish order fulfillment for temperature controlled goods
JV and associates	25-30% to net profit			<ul style="list-style-type: none"> Solid performance from Transimex (Vietnam) Revenue recovery after lockdown 	-



JWD: Strong core operation to continue from 4Q21 onward to 2022

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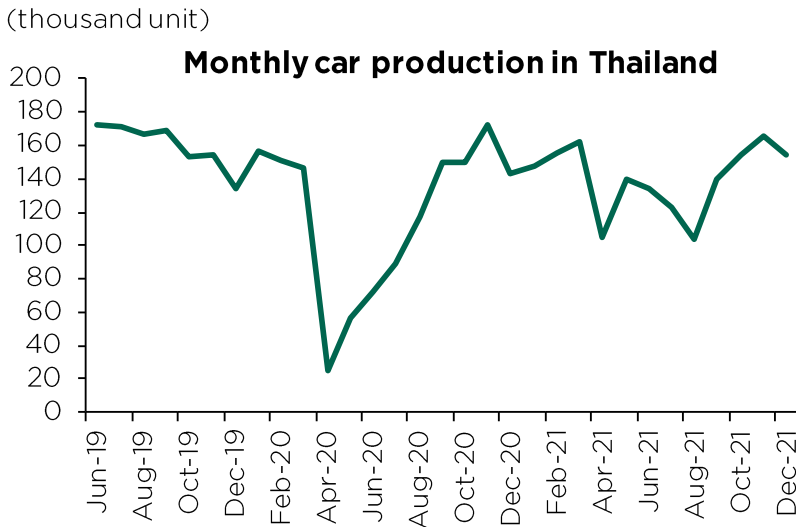
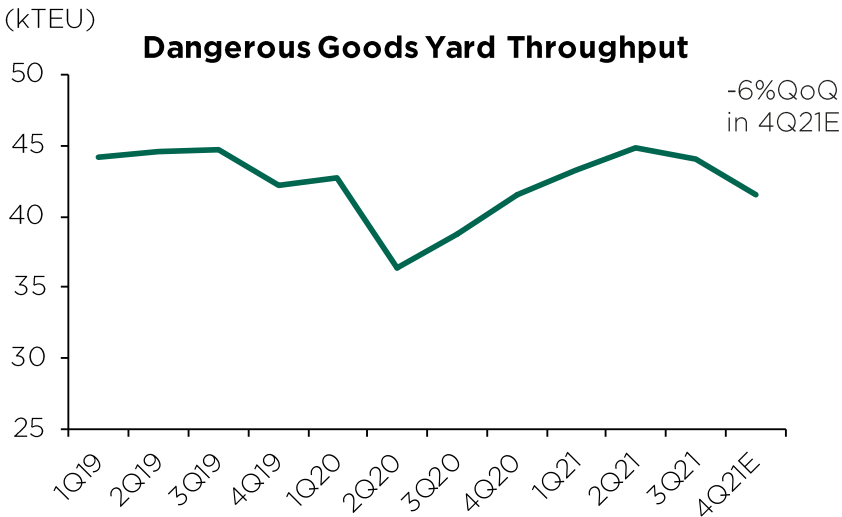
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Risks

Business	Revenue	Q4'21	1H22	Outlook	New project
Dangerous goods* (high margin)	12%		→ 	<ul style="list-style-type: none"> Shortage of global containers resulted a longer period for storage time and higher throughput volume of DG goods. However, we expect demand for storing DG goods to slow down from high base in 9M21. 	-
Automotive	9%		→ 	<ul style="list-style-type: none"> Expects a gradual recovery in 4Q21-1Q22 supported by car production resumption after hit low base in 3Q21. 	-



JWD: Business expansion via multi-model strategy

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Risks

ESCO Container Port

- Recognize as equity income in 4Q21
- Will deliver Bt90m to equity income per annual (+20% to JWD 2021 core profit)
- Synergy to its value chains, targets to acquire more shares up to 20% from 14%



Alpha Industrial Solutions (JV 50%)

- First warehouse with total area of 20,000 sqm. will be completed by mid-2022
- Target to expand 200,000 sqm. per annual in the next five years



B2C

- Cold chain express (2022) under JV "Fuze Post"
- Target revenue Bt100m in 2022
- Plenty of opportunity in growing cold chain business



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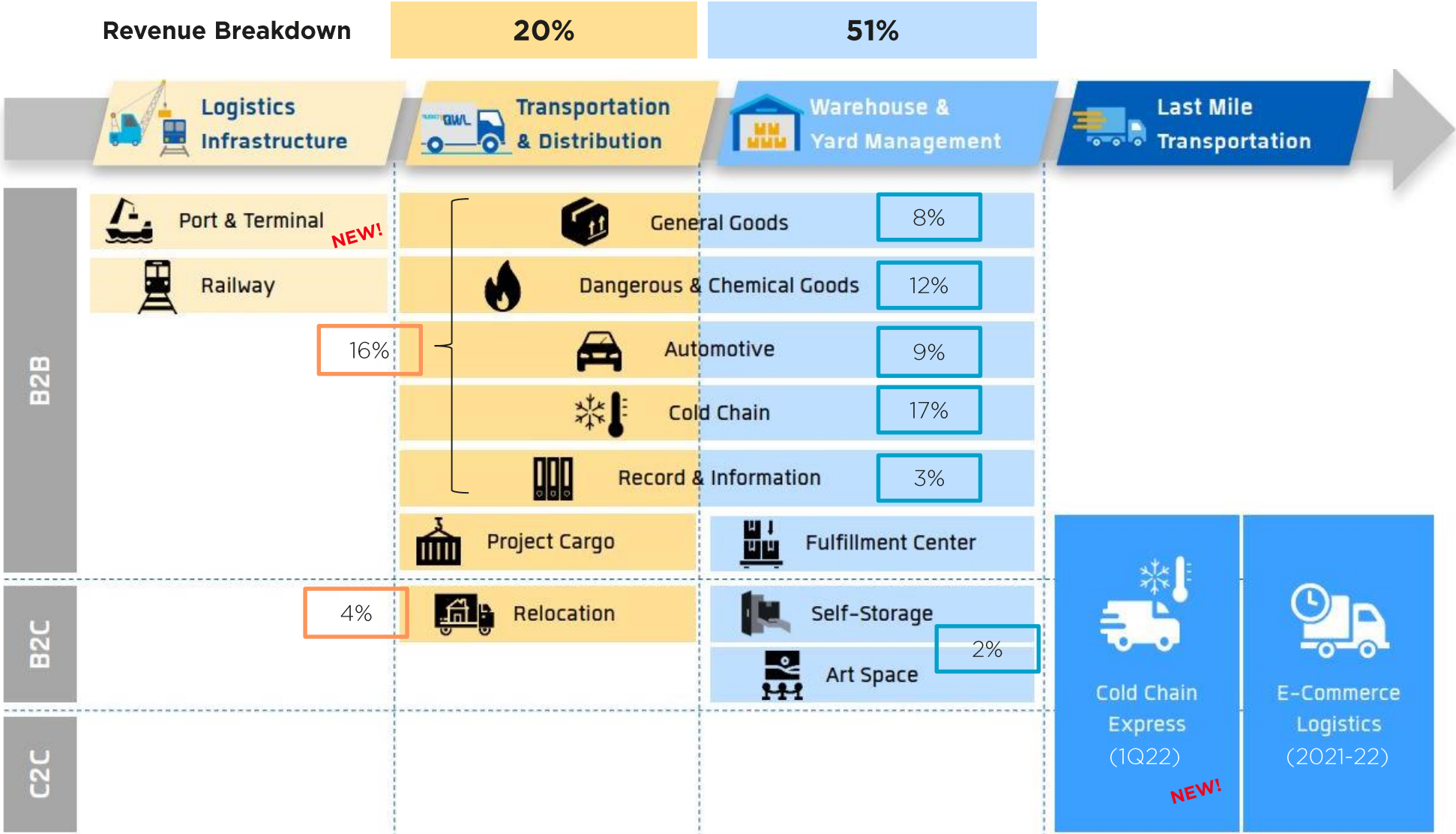
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JWD: Revenue breakdown

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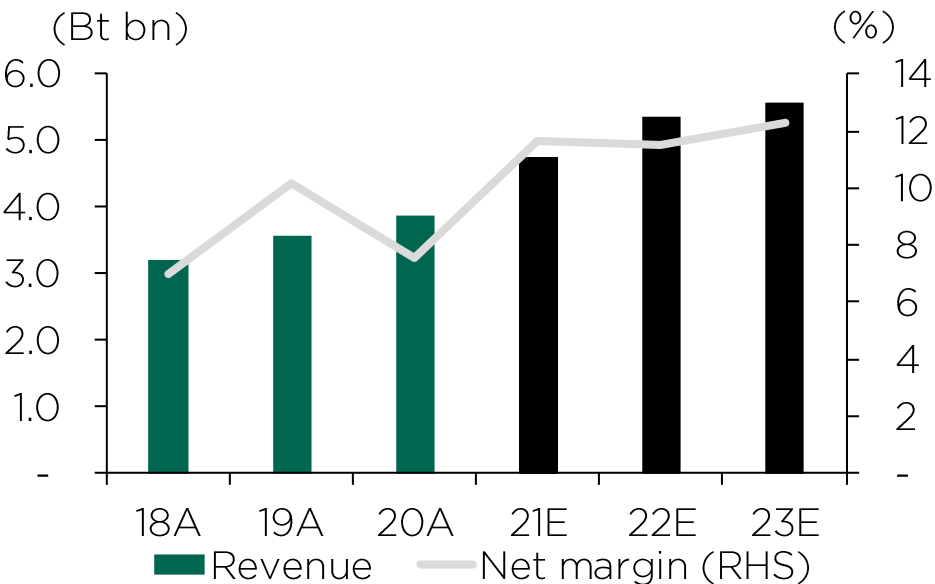
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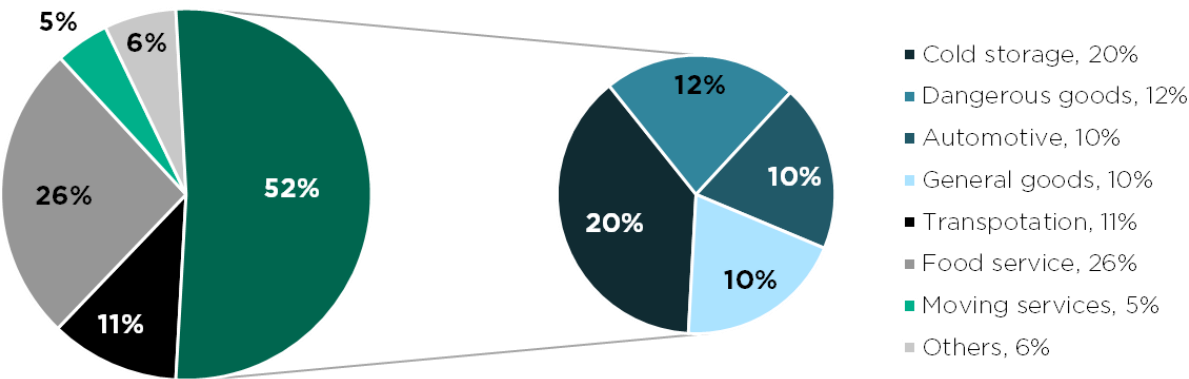
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Risks

- JWD's revenue mainly comes from warehouse management services, which contribute 52% to total revenue. This operation can be broken down into 20% cold storage, 12% dangerous goods, 10% 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 11% of total revenues.
- Moreover, the company operates a food services business involved in raw material procurement and logistic services. This segment is responsible for 26% of total revenues.
- Moving services account for 5% of total sales. This segment refers to moving household items, office equipment, industrial machines and high-value goods.
- Others (6% sales contribution) refers to document/data storage, office and warehouse rentals and IT solutions for supply-chain management



Revenue by group of income, 2020



Equity income	Holding percentage
Transimex (TMS VN)	23.7%
ESCO	14.0%
Phnom Penh SEZ (PPSP KH)	14.6%
CJ JWD Logistics	49.0%
Bok Seng PPSEZ Dry port	40.0%
Adib Cold Logistic (ACL)	32.8%

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Risks



Chairman

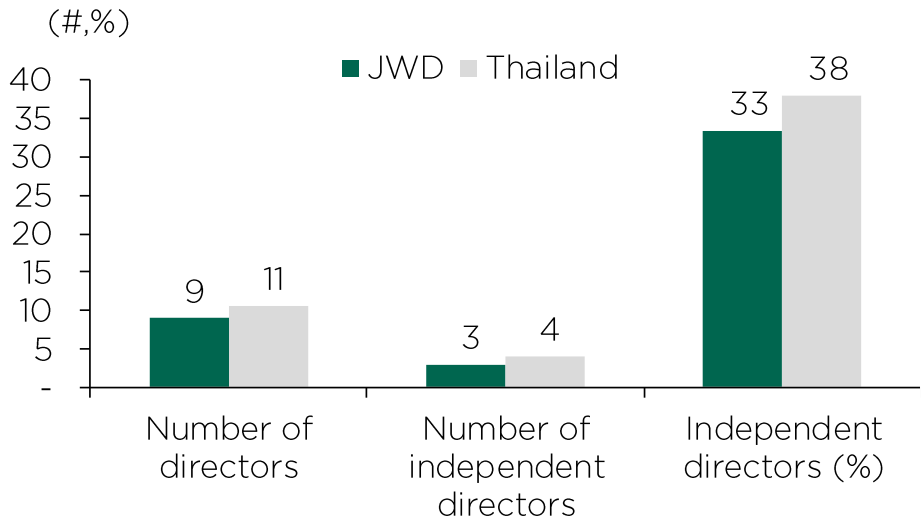
Mr. Mangkorn Dhanasarnsilp



CEO

Mr. Charvanin Bunditkitsada

Board composition



Leadership

Board of Directors	Position*	Board of Directors	Position*
Dr. Mangkon Dhanasarnsilp	Chairman	Mrs. Achara Nimitpanya	Director
Mr. Vichate Tantiwanich	Director, I	Mr. Tanate Piriyothinkul	Director
Mr. Vichaya Chatikavanij	Director, I	Key Management	
Mr. Somboon Prasitjutrakul	Director	Mr. Charvanin Bunditkitsada	Chief Executive Officer
Mr. Charvanin Bunditkitsada	Director	Mr. Jitchai Nimitpanya	Deputy Chief Executive Officer
Miss Amrapharn Bunditkitsada	Director	Dr. Eakapong Tungsriranguan	Chief Financial Officer
Mr. Jitchai Nimitpanya	Director		

Ownership

Shareholder	% of O/S	Note
Bunditkitsada Family	42.68	
Nimitpanya	16.43	
HSBC Corporation LTD	4.32	
Ms. Orawan Woranij	3.54	
Miss Saowanee Apiwanopas	3.48	
Top 5 shareholders	70.45	
Institutional & Management		
Total institutional ownership	4.32	HSBC Corporation LTD
Total management ownership	42.44	
Foreign ownership	4.32	Foreign ownership limit is 49%

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Risks



Environmental	Yes/No?
Does the company have a resource reduction policy?	Yes
Yes. The company has installed solar panels, which can reduce electricity consumption at the company’s warehouses. Moreover, the company has launched a campaign to cut fuel consumption by its trailer trucks, in order to reduce the fuel consumption of its fleet.	
Has the company faced any environmental controversies?	No
None found.	
Does the company have an emissions/waste policy?	Yes
Yes, the company monitors its environmental performance and the environmental and social impacts of its operations, and annually compares environmental quality against selected parameters. Moreover, JWD has a water-treatment system that can reduce hazardous waste disposal into the environment.	
Does the company know the amount of its total waste?	Yes
Yes, the company declares the amount of total waste in its annual report.	
Does the company have any environmental, eco, "green", or organic products?	No
No clearly defined products.	

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Social	Yes/No?
Does the company have any health & safety policy?	Yes
The company has developed a policy regarding work quality, sustainability, occupational safety and health, and environment, in order to demonstrate its dedication to the issue and to provide an organizational framework of Quality, Safety, Health & Environment (QSHE) for managers and employees.	
Does the company have a human rights policy?	Yes
The company's employees are treated with equality and fairness with regards to career opportunities, job promotions and transfers, and remuneration and benefits, based on their knowledge and proficiency. The company provides the employees with provident funds, a safe and secure working environment, channels for filing a complaint in case of encountering unfair treatment, and respect toward their individuality and human dignity.	
Does the company have a fair competition policy, e.g. anti-corruption, anti-bribery, business ethics?	Yes
The company emphasizes good corporate governance under the concepts of integrity and transparency, Anti-corruption guidelines are provided to all employees to prevent any kind of corruption. Also, the company provides a whistle-blowing channel to receive complaints about misconduct.	
Has the company implemented quality management systems?	Yes
The company has invested intensively in information technology in order to maximize its data storage and goods management efficiency, to allow it to quickly respond to the needs of customers and reduce possible operational errors, which is vital in a logistics business.	
Does the company derive any revenue from weapons, alcohol, gambling, tobacco or pornography?	No
None of the company's operation are related to the trade in these products.	

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Risks



Governance	Yes/No?
Is the percentage of independent directors more than Thailand’s average of 38%?	No
Thirty-three percent of directors are independent, which is lower than the average for Thailand.	
Is the Chairman also CEO (or equivalent)?	No
Chairman Mr. Mangkorn Dhanasarnsilp is not the CEO whereas Mr. Charvanin Bunditkitsada is the CEO.	
Does the company have any shareholder rights policy?	Yes
Available under the Corporate Governance section of the company’s annual report.	
Does the company have any insider dealings or accounting controversies?	No
None.	
Does the company have any CSR sustainability or ESG reporting?	No
No, JWD doesn’t publish a CSR report.	

JWD: Summary financials

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Risks

Profit & loss (Bt m)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Revenue	3,566	3,858	4,736	5,342	5,574	981	1,060	1,050	1,253	1,357
Cost of goods sold	(2,568)	(2,898)	(3,424)	(3,911)	(4,080)	(747)	(808)	(780)	(940)	(1,035)
Gross profit	998	960	1,311	1,431	1,493	235	252	270	313	323
SG&A	(700)	(644)	(758)	(855)	(892)	(160)	(170)	(171)	(177)	(189)
Other (exp)/inc	38	32	34	36	37	4	9	14	23	25
Operating profit	337	348	588	612	639	79	91	113	159	158
Finance cost	(108)	(191)	(199)	(194)	(198)	(43)	(48)	(47)	(52)	(54)
Other inc/(exp)	56	33	24	21	42	8	7	5	6	6
Earnings before taxes	284	190	413	439	483	43	50	71	112	110
Income tax	(47)	(25)	(90)	(79)	(87)	(4)	(4)	(27)	(13)	(13)
After-tax profit	238	165	323	360	396	40	46	44	99	98
Equity income	115	117	119	230	264	31	30	18	14	41
Minorities	10	8	21	24	26	2	0	1	2	0
Earnings from cont. operations	363	290	463	613	686	73	76	62	116	139
Forex gain/(loss) & unusual items	0	0	89	-	-	-	0	79	-	-
Net income	363	290	552	613	686	73	76	141	116	139
EBITDA	728	1,128	1,612	1,811	1,940	263	312	374	266	395
Recurring EPS (Bt)	0.36	0.28	0.47	0.60	0.67	0.07	0.07	0.07	0.11	0.14
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)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Assets	7,819	9,474	9,441	10,153	10,545	9,244	9,474	10,417	10,689	11,001
Liabilities	4,549	6,222	5,874	6,272	6,313	6,033	6,222	6,977	7,204	7,299
Equity	3,150	3,118	3,455	3,792	4,170	3,096	3,118	3,253	3,256	3,471
Invested capital	3,767	5,807	5,646	5,282	4,791	5,803	5,807	6,003	6,327	6,333
Growth (YoY, %)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Revenue	11.2	8.2	22.8	12.8	4.3	11.0	9.3	11.3	43.5	38.3
Recurring EPS	61.6	(20.1)	65.3	27.9	11.9	(3.3)	(36.1)	(18.4)	140.0	91.7
Assets	23.5	21.2	(0.3)	7.5	3.9	29.6	21.2	14.5	17.5	19.0
Liabilities	42.6	36.8	(5.6)	6.8	0.7	53.5	36.8	20.2	20.5	21.0
Equity	4.4	(1.0)	10.8	9.8	10.0	0.3	(1.0)	2.3	8.2	12.1
Profits (%)	19A	20A	21E	22E	23E	Sep '20	Dec '20	Mar '21	Jun '21	Sep '21
Gross margin	28.0	24.9	27.7	26.8	26.8	23.9	23.8	25.7	25.0	23.8
EBITDA margin	20.4	29.3	34.0	33.9	34.8	26.8	29.4	35.7	21.2	29.1
Net margin	10.2	7.5	11.7	11.5	12.3	7.4	7.2	13.4	9.2	10.2
ROE	11.8	9.3	16.8	16.9	17.2	9.5	9.8	17.7	14.2	16.5
ROIC	7.8	6.3	8.0	9.2	10.4	4.8	5.8	4.7	9.1	8.9

Disclaimer

Investment ratings

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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