

14 June 2022

## Company Note

Rating

**BUY**

(Unchanged)

Company

## JWD Infologistics

Bloomberg

JWD TB

SET

JWD

Exchange

SET

Sector

Thai Transportation

## Well-balanced between organic and inorganic growth

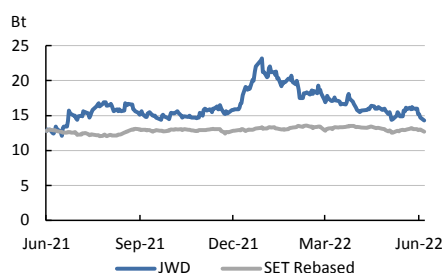
**12mth price target (THB) 24.00**

Current price (13/06/2022)	14.30
Upside/Downside	68%
CG rating	5
ESG rating	-
Thai CAC	n/a

### Share summary

Issued shares :	(m shrs)	1,020.0
Market capitalization:	(THB bn)	14.6
	(USD bn)	0.4
Avg. Daily Turnover:	(THBm)	123.0
	(USDm)	3.5
Foreign Limit/Actual	(%)	49/4
Free Float:	(%)	41.2
NVDR:	(%)	0.9

### Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
JWD	(4.67)	(15.38)	10.85
SET	(0.82)	(1.18)	(1.55)

### Major Shareholders

	%
Bunditkrisada family	41.57
Nimitpanya family	14.86
Orawan Voranij	3.34

Source: SET

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### Five key BUs and rising equity income to support 2022F growth

JWD's latest company update indicates that overall operations in Apr-May were relatively unchanged vs. 1Q despite a greater number of holidays (especially in April). Performance should stay intact in 2Q22F with limited impact on the cost side though we remain cautious on 2H22F due to margin squeeze concerns given surging inflation. We are still positive on the company's well-diversified business structure, continued decent return from overseas investment, and add-on M&As that bring in strategic business partners and help the company achieve the 5-year, Bt10bn revenue target. We reiterate our Buy rating and unchanged DCF-based TP of Bt24.00.

### All business units should hold their ground or improve QoQ in 2Q22F

At this point, we expect flat revenue QoQ from only two BUs, automotive and barge terminal (under the transportation and logistics infrastructure arms), while JWD's other key BUs should generate growth QoQ. Transimex should remain the key contributor to equity income while a +5% increase in JWD's stake in ESCO (second-biggest equity income contributor) should be completed before year-end.

### 2022-24F forecasts maintained

We maintain our 2022-24F revenue and earnings forecasts and our GPM and SG&A to revenue assumptions.

### Unchanged target price of Bt24.00 is based on DCF method

Our unchanged TP of Bt24.00 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 6.4%, CoE of 10.2%, Rf of 3.2% market-risk premium of 6.4%, beta of 1.1x, average CoD of 4%, and terminal growth rate of 1%. Key risks include sudden concession termination and difficulty/delays in acquiring assets.

### Forecasts and ratios

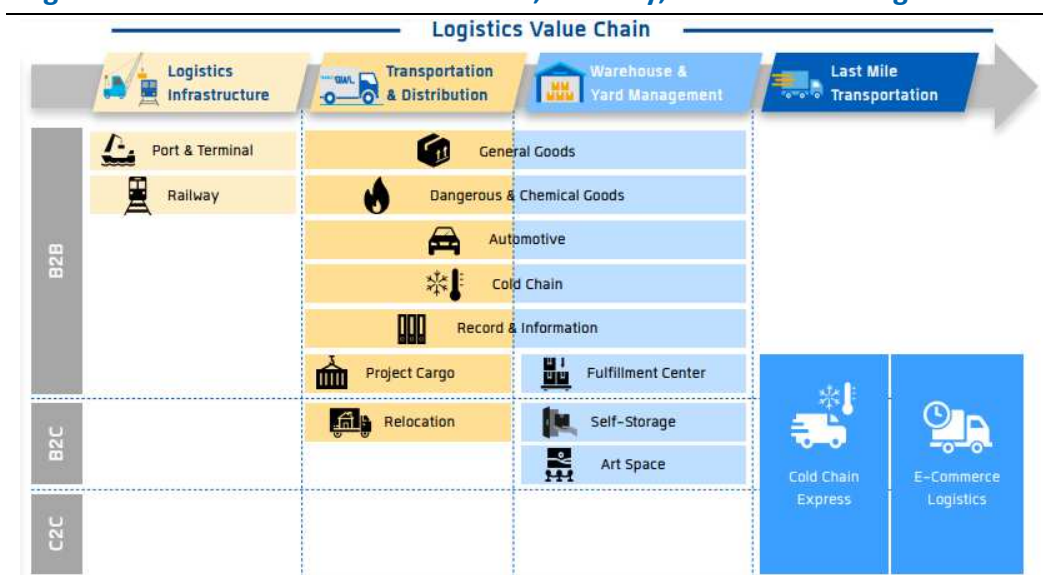
Year ended Dec 31	2020	2021	2022F	2023F	2024F
Revenue (THBm)	3,858	5,101	5,964	6,382	6,827
EBITDA (THBm)	1,161	1,409	1,637	1,712	1,797
Net profit (THBm)	290	572	652	666	690
NP (% chg. from prev)	-	-	-	-	-
EPS (THB)	0.28	0.56	0.64	0.65	0.68
EPS (% YoY)	(20.1)	97.1	14.1	2.1	3.5
EPS vs Cons (%)	-	-	5	(7)	-
PER (X)	24.6	25.5	22.4	21.9	21.1
Yield (%)	1.5	1.8	2.0	2.1	2.1
P/BV (X)	4.7	3.9	3.6	3.3	3.0
EV/EBITDA (X)	10.1	12.8	11.4	11.2	11.0
ROE (%)	8.9	16.7	16.6	15.6	14.8

Source: Company data, TISCO Research estimates

## Diversified revenue stream keeps earnings momentum positive

JWD's latest company update indicates that overall operations in Apr-May were relatively unchanged vs. 1Q despite a greater number of holidays (especially in April). Performance should stay intact in 2Q22F with limited impact on the cost side though we remain cautious on 2H22F due to margin squeeze concerns given surging inflation. We are still positive on the company's well-diversified business structure, continued decent return from overseas investment, and add-on M&As that bring in strategic business partners and help the company achieve the Bt10bn-revenue target of its 5-year roadmap.

**Figure 1. Diversified across value chain, industry, and customer segments**



Source: Company data

### Solid revenue growth QoQ expected for dangerous goods BU in 2Q22F

The dangerous goods terminal and chemical goods BUs held their ground QoQ for the first two months of 2Q22 despite the long Songkran holiday and early-May holidays. The company also guides for stable momentum in throughput QoQ and thus we believe revenue from this BU should hold up well QoQ.

### Cold storage flexing muscle with both revenue and occupancy rates

We expect both revenue and average occupancy rate from the cold storage BU to gain ground QoQ. This is supported by seafood volume, particularly tuna fish and chicken inventory (stocking up) after significant drawdown by customers in 1Q22. The company should also enjoy higher additional revenue from value-added services, e.g. freezing and thawing on top of storage fees, boosting revenue QoQ. Meanwhile, PACM cold storage, a JV project with the company's existing customers in the seafood manufacturing industry, has seen occupancy rate ramp up to 50% currently, adding +10,800 sqm. of capacity to the cold storage BU, while PACT (with Thai Union Group Plc. [TU], +4,500 sqm.) is expected to start operations in early 2023F. Saraburi cold storage should be completed and begin operations in October this year, adding +8,000 sqm. of storage capacity to the group. Finally, higher electricity cost should have limited impact on the cost side as c25% of energy at the cold storage BU is serviced by solar power while rental fees will be adjusted, in line with rising costs.

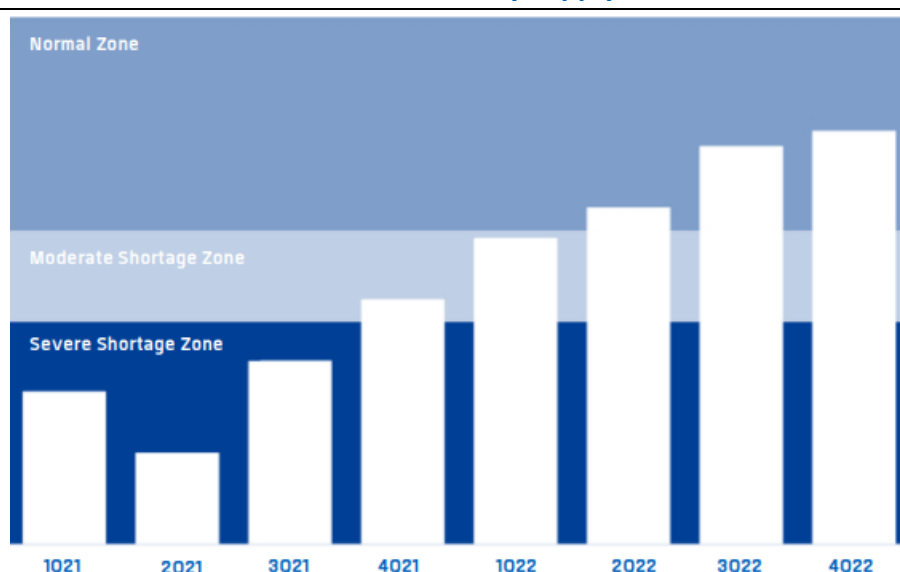
### New clients and longer leasing terms to help the general warehouse BU...

Average occupancy rate for the general warehouse BU is expected to improve thanks to new clients and longer leasable periods with existing customers. Revenue from storage, handling service, customs clearance and other value-added services is set to rise QoQ while overall costs should fall QoQ due to a lower proportion of third-party warehouses (outsourcing).

### ...but the automotive BU has yet to return to a normal level

JWD's automotive BU should be flat QoQ as it has yet to recover from supply chain disruption in semiconductor chips. We point to Gartner, which expects the inventory semiconductor supply chain to normalize from 3Q22F onwards. Covid-19 has created enormous supply chain pressure, especially in the electronics sector due to higher demand for such products. Indeed, emergence of the work/study-from-home trend has catalyzed computer/laptop demand, as well as that for electronic devices for at-home entertainment. This, combined with growing sales in the auto industry and shipping disruption, has sapped semiconductor supply. Gartner estimates it may take up to two years for equilibrium to return.

**Figure 2. Index of semiconductor inventory supply chain 2021-2022**



Source: Gartner.com (May 2021) Note: (This research did not include the impact from The Russia-Ukraine conflict situation).

### Barge terminal equipment defect rate and rising fuel cost to impact the transportation and logistics infrastructure BUs

Besides the auto BU, JWD's transportation and logistics infrastructure BUs are also expected to see only slight pain from rising fuel costs as the majority of their client contracts have room to increase service fees. Management guides for only 1% impact to gross profit margin (from 15% down to 14%).

Revenue from transport and logistics should still rise YoY in 2Q thanks to 1) consolidation of revenue from VNS Transport Co. Ltd., a new subsidiary in which JWD holds 82.8% and 2) rise in revenue from cross-border transportation and distribution thanks to the company's higher stake in JWD Asia Cambodia (to 60% from 50%) and revenue consolidation. We believe these two investments should fully compensated for the lackluster QoQ performance from some sub-segments under the BU such as barge terminal and railyard management. Equipment defect issues, which have hurt lifting capacity at the barge terminal, have yet to be fixed and thus should drag container lifting volume in 2Q22F.

### Transimex to remain the big contributor to equity income

Despite the c30% current drop in the BDI from last year's average, the index has still doubled from 2020's average. Hence, we expect Transimex's operations to perform well this year, with further help from increased stakes in its affiliate and freight subsidiary and greater economic activity in Vietnam vs. that in Thailand. Indeed, JWD's 14.6% stake in PPSP should come into play with the first transfer from backlog expected in 3Q22F while the 15% in Smile Sun (ESCO container port operator) should support total equity income with sustained operations and performance from ICD Ladkrabang and port operating revenue. The company also plans to add another 5% stake in Smile Sun by mid-22F, noting that ESCO was the second-biggest equity income contributor after Transimex in 1Q22 with high potential to continue performing.

### 2022-24F forecasts maintained

We maintain our 2022-24F revenue and earnings forecasts and our GPM and SG&A to revenue assumptions.

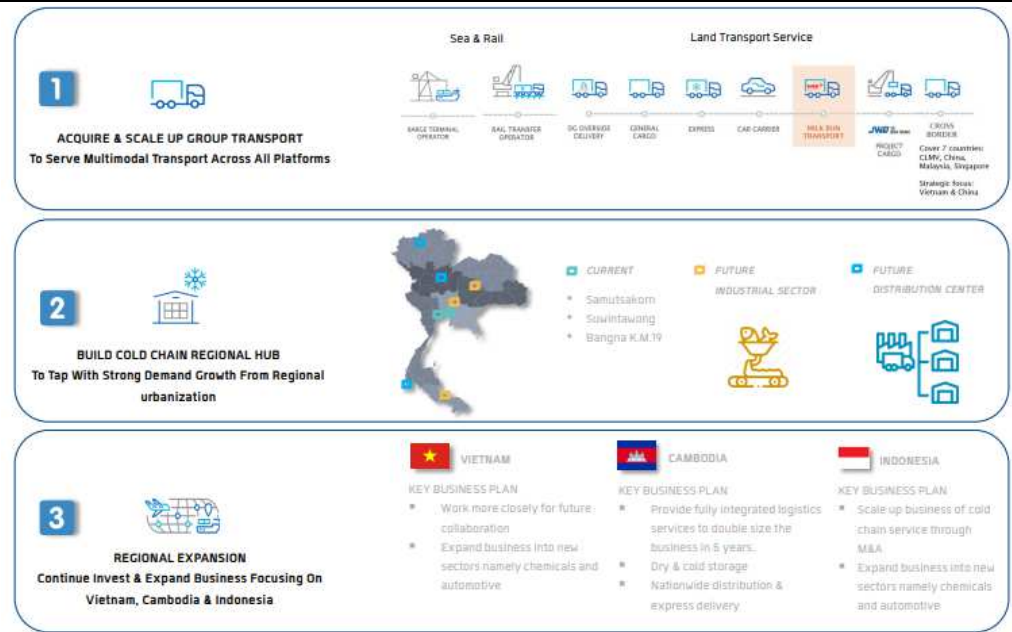
### Unchanged target price of Bt24.00 is based on DCF method

Our unchanged TP of Bt24.00 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 6.4%, CoE of 10.2%, Rf of 3.2% market-risk premium of 6.4%, beta of 1.1x, average CoD of 4%, and terminal growth rate of 1%. Key risks include sudden concession termination and difficulty/delayed acquiring assets.

**Figure 3. 5-Year Roadmap to Bt10bn Revenue**



Source: Company data

**Figure 4. 5-Year Roadmap to Bt10bn Revenue: Existing Business**


Source: Company data

**Figure 5. 5-Year Roadmap to Bt10bn Revenue: New S-Curve**


Source: Company data

Figure 6. Financial Leverage Still Below Covenants



Source: Company data



## JWD Infologistics

Rating : BUY

Bloomberg: JWD TB

Target price (THB)

24.00

Current Price (THB)

14.30

52-week Range

12.1 - 23.2

Market Capitalization

THBm

14,586

USDm

420

Fiscal year end 31-Dec

2020

2021

2022F

2023F

2024F

### Income Statement (THBm)

Sales and Service Incomes	3,858	5,101	5,964	6,382	6,827
Cost of Sales and Services	2,898	3,881	4,541	4,854	5,193
Gross Profit	960	1,220	1,423	1,528	1,634
S&A Expenses	644	814	952	1,019	1,090
Interest Expense	191	218	170	196	220
Net Result of Inv. in Asso.	117	221	245	240	240
Other Income	65	75	119	121	129
Income Tax from Operations	25	45	112	115	119
Net (Profit) Loss of M.I.	8	15	15	15	15
Net Profit before Extra. Items	290	454	652	666	690
Extra items	0	117	0	0	0
Net Profit	290	572	652	666	690

### Cash Flow (THBm)

Net Profit	290	572	652	666	690
Depreciation and Amortization	371	388	0	717	750
Change in working capital	(35)	(22)	6	(19)	(2)
<b>Cash flow from operations (CFO)</b>	<b>773</b>	<b>837</b>	<b>1,375</b>	<b>1,397</b>	<b>1,471</b>
Investment	0	0	(717)	(750)	(783)
Capex	(896)	(907)	(898)	(967)	(967)
<b>Cash Flows from Investing (CFI)</b>	<b>(896)</b>	<b>(907)</b>	<b>(1,614)</b>	<b>(1,717)</b>	<b>(1,750)</b>
Debt financing	300	250	(661)	650	600
Dividend paid	(175)	(188)	(294)	(300)	(310)
Share capital and premium	0	0	0	0	0
<b>Cash Flows from Financing (CFF)</b>	<b>125</b>	<b>62</b>	<b>(954)</b>	<b>350</b>	<b>290</b>
<b>Net cash increase/Decrease</b>	<b>3</b>	<b>(8)</b>	<b>(1,194)</b>	<b>31</b>	<b>11</b>

### Balance Sheet (THBm)

Current Assets	1,799	1,853	1,730	1,904	2,000
Current Liabilities	1,587	1,628	3,270	3,394	3,478
Total Assets	9,474	12,605	12,516	13,657	14,720
Total Liabilities	6,222	8,626	8,176	8,951	9,634
Minority Interest	133	241	241	241	241
Total Equity	3,252	3,978	4,340	4,707	5,086
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	455	802	1,161	1,528	1,907
Equity Adjustment	(193)	(193)	1,093	1,093	1,093

### Key Company Metrics

Sales growth (%)	8.3	32.2	16.9	7.0	7.0
Net Profit growth (%)	(20.1)	97.1	14.1	2.1	3.5
Gross Margin (%)	24.9	23.9	23.9	23.9	23.9
SG&A to sale (%)	16.7	16.0	16.0	16.0	16.0
EBITDA Margin (%)	30.1	27.6	27.6	27.6	27.6
Net Margin (%)	7.5	11.2	10.9	10.4	10.1
ROE (%)	12.1	12.1	15.7	14.7	14.1
ROA (%)	5.9	5.9	5.2	5.1	4.9
<b>Net debt/equity (x)*</b>	<b>0.9</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>
Net interest cover (x)	5.5	5.1	9.6	8.7	8.2

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

### Key Assumptions

Revenue Breakdown (%)					
- Logistics and supply chain	69.7	70.6	72.9	73.6	74.2
- Food services	26.0	24.9	23.4	22.9	22.5
- Other business	4.3	4.6	3.7	3.5	3.3

### Quarterly Results (THBm)

	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>	<b>1Q22</b>
Sales and Service Incomes	1,050	1,253	1,357	1,440	1,364
Cost of Sales and Services	798	940	1,035	1,107	1,033
Gross Profit	251	313	323	333	332
S&A Expenses	144	177	189	305	230
Interest Expense	47	52	54	65	71
Net Result of Inv. in Asso.	29	14	41	137	74
Other Income	19	29	31	(3)	33
Income Tax from Operations	12	13	13	7	22
Net (Profit) Loss of M.I.	1	2	0	12	(3)
Net Profit before Extra. Items	96	113	139	91	115
Extra items	44	0	0	39	13
Net Profit	141	116	139	176	126

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 6.4%, CoE of 10.2%, Rf of 3.2%, market-risk premium of 6.4%, 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.

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 <b>Corporate Governance Report of Thai Listed Companies 2021</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 October 26, 2021) 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 October 26, 2021)

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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