

Singapore Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 May 2018

Jumbo Group (JUMBO SP) : HOLD

Mkt. Cap: US\$269m | **3m Avg. Daily Val:** US\$0.08m

Last Traded Price (14 May 2018): S\$0.56

Price Target 12-mth: S\$0.58 (3% upside)

Analyst

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Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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Incurring higher costs in expansion phase

- 2Q18 slightly below on higher staff costs
- Interim DPS of 0.5 Scts declared
- Trimmed FY18-19F earnings by 6% each
- Maintain HOLD and TP of S\$0.58 based on 23x blended FY18F/19F earnings

Forecasts and Valuation

FY Sep (\$m)	2017A	2018F	2019F	2020F
Revenue	145	159	172	179
EBITDA	22.1	22.1	25.8	27.2
Pre-tax Profit	17.8	17.6	21.1	22.4
Net Profit	14.5	15.0	17.2	18.2
Net Pft (Pre Ex.)	14.4	15.0	17.2	18.2
Net Pft Gth (Pre-ex) (%)	(20.0)	4.6	14.0	5.9
EPS (S cts)	2.26	2.34	2.67	2.83
EPS Pre Ex. (S cts)	2.24	2.34	2.67	2.83
EPS Gth Pre Ex (%)	(20)	5	14	6
Diluted EPS (S cts)	2.26	2.34	2.67	2.83
Net DPS (S cts)	1.20	1.29	1.47	1.56
BV Per Share (S cts)	10.2	11.3	12.7	14.1
PE (X)	24.8	23.9	20.9	19.8
PE Pre Ex. (X)	25.0	23.9	20.9	19.8
P/Cash Flow (X)	31.0	12.1	17.2	14.8
EV/EBITDA (X)	14.0	13.4	11.2	10.2
Net Div Yield (%)	2.1	2.3	2.6	2.8
P/Book Value (X)	5.5	4.9	4.4	4.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	22.3	21.8	22.3	21.2

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

What's New

2Q18 slightly below. 2Q18 earnings of S\$4.3m (-27% y-o-y) slightly trailed our FY18F estimates. Revenue was S\$41.7m (+6% y-o-y), contributed by China outlets including two new outlets in Beijing and Shanghai. Gross margin was 63.3% (-0.6ppt) on pricier fresh seafood. Operating profit declined 24.6% y-o-y to S\$4.8m on higher opex, particularly staff costs. An interim DPS of 0.5 Scts was declared, in line with expectations.

Higher operating expenses. Staff costs increased 26% to S\$13m. The higher staff cost has been a result of overseas expansion, largely for new outlets in Shanghai, Beijing and at Singapore and China headquarters. Operating lease expenses increased a slower 5.8% y-o-y to S\$3.7m as Jumbo secured favourable rental rates for new outlets in China. Other operating expenses increased by 16% y-o-y to S\$4m on more marketing and promotional expenses. Operating margins consequently fell from 16.2% to 11.5%.

In expansion mode. Jumbo now has four outlets in Shanghai and one in Beijing, with one in Xi'an due to open in June 2018. A second franchise outlet after Da Nang Vietnam will open in Taichung Taiwan in late 2018. It has already formed a JV to operate Hong Kong's Tsui Wah Cha Chuan Teng in Singapore and the first outlet is expected to open in June. We expect a few more outlets to open going forward.

Flash Note

Maintain HOLD and S\$0.58 TP. We have trimmed our FY18-19F earnings by 6% in each year to account for weaker 2Q18 numbers. Our TP is maintained at S\$0.58 as we rollover our valuation from 23x FY18F PE to blended FY18F/19F PE. Jumbo is still in an expansion phase, incurring start-up costs, as well as marketing and promotional

expenses for new outlets which are a drag to profitability for now. We look to turn positive when new regional franchises and partnerships contribute more meaningfully to overall earnings.

Quarterly / Interim Income Statement (S\$m)

FY Sep	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Revenue	39.4	35.7	41.7	6.0	16.8
Cost of Goods Sold	(14.2)	(13.3)	(15.3)	7.8	15.0
Gross Profit	25.2	22.4	26.4	5.0	17.9
Other Oper. (Exp)/Inc	(18.8)	(19.7)	(21.6)	15.1	9.7
Operating Profit	6.39	2.71	4.81	(24.6)	77.5
Other Non Opg (Exp)/Inc	0.41	0.06	0.14	(66.5)	128.3
Associates & JV Inc	0.05	(0.2)	0.05	(3.8)	-
Net Interest (Exp)/Inc	0.07	0.01	0.01	(93.2)	(61.5)
Exceptional Gain/(Loss)	(0.1)	0.00	0.00	-	-
Pre-tax Profit	6.83	2.55	5.01	(26.7)	96.0
Tax	(0.8)	(0.4)	(0.8)	(4.2)	76.1
Minority Interest	(0.2)	0.0	0.02	nm	nm
Net Profit	5.85	2.10	4.27	(27.0)	103.0
Net profit bef Except.	5.94	2.10	4.27	(28.1)	103.0
EBITDA	8.01	3.63	6.14	(23.3)	69.0
Margins (%)					
Gross Margins	63.9	62.7	63.3		
Opg Profit Margins	16.2	7.6	11.5		
Net Profit Margins	14.8	5.9	10.2		

Source of all data: Company, DBS Bank

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

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DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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