

Singapore Company Update

Jumbo Group

Bloomberg: JUMBO SP | Reuters: JUMB.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

27 Nov 2020

FULLY VALUED

Last Traded Price (26 Nov 2020): S\$0.320 (STI : 2,857.48)

Price Target 12-mth: S\$0.21 (34% downside)

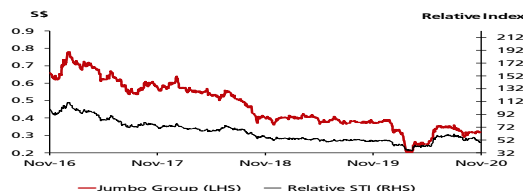
Analyst

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What's New

- 2H20 below on lower margins as opex was higher than expectations
- Challenging outlook as mass tourist arrivals are unlikely to materialise in the immediate term
- Market is pricing the stock too optimistically, expecting earnings to rebound to S\$10.3m in FY21F vs our expectation of S\$7.6m
- Maintain FULLY VALUED and S\$0.21 TP

Price Relative



Forecasts and Valuation

FY Sep (\$m)	2019A	2020A	2021F	2022F
Revenue	154	97.6	143	185
EBITDA	19.9	1.41	16.6	23.7
Pre-tax Profit	14.0	(10.0)	9.24	16.2
Net Profit	11.7	(8.2)	7.57	13.3
Net Pft (Pre Ex.)	12.5	(4.2)	7.57	13.3
Net Pft Gth (Pre-ex) (%)	15.9	nm	nm	75.8
EPS (S cts)	1.82	(1.3)	1.18	2.08
EPS Pre Ex. (S cts)	1.95	(0.7)	1.18	2.08
EPS Gth Pre Ex (%)	16	nm	nm	76
Diluted EPS (S cts)	1.82	(1.3)	1.18	2.08
Net DPS (S cts)	1.20	0.0	0.59	1.04
BV Per Share (S cts)	10.7	8.64	9.82	11.3
PE (X)	17.6	nm	27.1	15.4
PE Pre Ex. (X)	16.4	nm	27.1	15.4
P/Cash Flow (X)	14.0	39.1	7.2	6.3
EV/EBITDA (X)	8.1	128.5	9.4	5.6
Net Div Yield (%)	3.8	0.0	1.8	3.2
P/Book Value (X)	3.0	3.7	3.3	2.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	17.4	(13.2)	12.8	19.7
Earnings Rev (%):			2	6
Consensus EPS (S cts):			1.30	2.00
Other Broker Recs:		B: 0	S: 3	H: 1

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



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Weak outlook, lofty valuations

Investment Thesis:

Maintain FULLY VALUED, TP S\$0.21. Jumbo is over-priced at 27x FY21F PE. At the current share price, the market is expecting earnings to stage a strong turnaround to S\$10.3m profit based on a normalised 20x forward PE.

Key catalyst - When tourists return. Share price to re-rate when tourists return to visit Singapore, increasing footfall.

Slow recovery anticipated. Our recovery scenario assumes a measured and gradual easing of circuit breaker restrictions, with social distancing still practiced as a precaution, and a slow return of tourists to Singapore. Visibility for earnings recovery remains poor for now.

Potential catalyst. Faster-than-expected recovery from COVID-19, outlet expansion especially in China and regional franchises are potential stock catalysts, provided its cost structure does not deteriorate considerably.

Valuation:

TP pegged to 18x FY21F PE (from FY20-21F blended PE previously). Our TP of S\$0.21 is pegged to -1.5SD of its historical average forward PE.

Where we differ:

Where we differ. Our FY21F earnings is below consensus as we factor in slower recovery expectations.

Key Risks to Our View:

Including operational risks, we see China's failure to deliver earnings growth as a key risk to our earnings growth projection.

At A Glance

Issued Capital (m shrs)	640
Mkt. Cap (S\$m/US\$m)	205 / 153
Major Shareholders (%)	
JBO Holdings Pte Ltd	45.6
Sim Chye Hock	10.0
Tan Gee Jian	6.6
Free Float (%)	37.8
3m Avg. Daily Val (US\$m)	0.02
GIC Industry : Consumer Discretionary / Consumer Services	



Live more, Bank less

WHAT'S NEW**Weak outlook, lofty valuations**

2H20 below on lower margins. 2H20 losses of S\$10m was below our expectations. While revenue of S\$31m (-60% y-o-y) was in line, the earnings disappointment stemmed from higher than expected operating expenses. No final dividend was declared, in line with our zero-dividend forecast.

Revenue decline affected by COVID-19. Revenue decline was led by decline in Singapore (-75% y-o-y, S\$15.4m) as safe distancing measures and border restrictions kept diners away and impacted footfall negatively. Outlets in tourist areas were particularly impacted, especially Ng Ah Sio Bak Kut Teh outlets in Marina Bay Sands and Resort World Sentosa which were closed until July 2020, and Jumbo Seafood Riverside Point and The Riverwalk outlets which are mainly tourist dependent. China sales declined by 33% y-o-y to S\$8.8m, with lower footfall as a result of the pandemic as well, including the closure of Jumbo Kitchen Raffles City Shanghai outlet. Taiwan contributed S\$6.7m through a maiden consolidation in 2H20.

Lower margins led by higher than expected opex. COGS and gross margins of 61.6% were in line. However, higher than expected opex came in the form of other operating expenses. We had expected lower costs as some outlets were temporarily closed during the Circuit Breaker, but the cost savings were less than expected. There was impairment of

S\$3m for loan write off to its Korean associate (S\$2.3m) and S\$1.3m on impairment to property, plant and equipment for non-performing outlets of Ng Ah Sio Bak Kut Teh at Resort World Sentosa and Jumbo Seafood outlets in Xi'an and Taichung.

Maintain FULLY VALUED and TP S\$0.21. We believe Jumbo's outlook will continue to be challenging in the immediate term, as mass tourists are unlikely to return. Our forecasts remain largely unchanged, factoring in a gradual recovery as border restrictions open up and tourists return in the next few years. For now, the stock remains overpriced at 27x FY21F PE. At current price, market is expecting earnings to recover to S\$10.3m profit based on a normalised 20x forward PE. We would turn positive on the stock when visibility for return of mass tourists into Singapore improves. Maintain Fully Valued.

Company Background

Jumbo is an operator of F&B outlets in Singapore and China. Its anchor brand Jumbo Seafood is widely recognised for its signature Chilli Crab dish. Other brands include JPOT, Ng Ah Sio Bak Kut Teh, Chui Huay Lim Teochew Cuisine, and Singapore Seafood.

Interim Income Statement (\$\$m)

FY Sep	2H2019	1H2020	2H2020	% chg yoy	% chg hoh
Revenue	77	67	31	(59.9)	(53.7)
Cost of Goods Sold	(28)	(25)	(12)	(57.9)	(52.5)
Gross Profit	49	42	19	(61.0)	(54.4)
Other Oper. (Exp)/Inc	(42)	(42)	(33)	(21.3)	(21.2)
Operating Profit	7	0	(14)	nm	nm
Other Non Opg (Exp)/Inc	0	3	6	nm	88.6
Associates & JV Inc	(1)	0	0	nm	-
Net Interest (Exp)/Inc	0	0	0	-	-
Exceptional Gain/(Loss)	0	(1)	(3)	nm	248.1
Pre-tax Profit	5	2	(12)	nm	nm
Tax	(2)	(1)	1	nm	nm
Minority Interest	0	1	1	nm	(50.4)
Net Profit	4	2	(10)	nm	nm
Net profit bef Except.	5	3	(7)	nm	nm
EBITDA	6	6	(5)	nm	nm
Margins (%)					
Gross Margins	63.3	62.6	61.6		
Opg Profit Margins	8.5	(0.6)	(45.9)		
Net Profit Margins	5.5	3.2	(33.3)		

Source of all data: Company, DBS Bank

Key Assumptions

FY Sep	2018A	2019A	2020A	2021F	2022F
No of outlets Singapore	14.0	14.0	12.0	12.0	12.0
No of outlets PRC	6.00	6.00	6.00	6.00	6.00
Sales per outlet S\$m	7.69	7.68	5.42	7.97	10.3

Segmental Breakdown

FY Sep	2018A	2019A	2020A	2021F	2022F
Revenues (\$m)					
Singapore	122	126	69.7	104	135
PRC	31.3	27.2	21.2	32.7	42.5
Taiwan	0.0	0.0	6.70	7.04	7.39
Total	154	154	97.6	143	185

Income Statement (\$m)

FY Sep	2018A	2019A	2020A	2021F	2022F
Revenue	154	154	97.6	143	185
Cost of Goods Sold	(57.1)	(55.7)	(36.8)	(53.6)	(69.0)
Gross Profit	96.6	97.9	60.7	89.8	116
Other Opng (Exp)/Inc	(83.9)	(83.5)	(75.3)	(82.1)	(99.3)
Operating Profit	12.6	14.4	(14.6)	7.68	16.3
Other Non Opg (Exp)/Inc	0.70	0.85	9.58	2.50	1.00
Associates & JV Inc	(0.1)	(0.8)	(0.3)	(0.3)	(0.3)
Net Interest (Exp)/Inc	0.04	0.34	(0.6)	(0.6)	(0.7)
Exceptional Gain/(Loss)	0.22	(0.8)	(4.0)	0.0	0.0
Pre-tax Profit	13.5	14.0	(10.0)	9.24	16.2
Tax	(2.9)	(3.1)	0.10	(0.1)	(0.2)
Minority Interest	0.41	0.81	1.70	(1.6)	(2.8)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	11.0	11.7	(8.2)	7.57	13.3
Net Profit before Except.	10.8	12.5	(4.2)	7.57	13.3
EBITDA	18.1	19.9	1.41	16.6	23.7
Growth					
Revenue Gth (%)	5.9	0.0	(36.5)	47.0	28.7
EBITDA Gth (%)	(18.4)	10.2	(92.9)	1,078.3	42.7
Opg Profit Gth (%)	(24.0)	14.1	(201.3)	(152.5)	111.8
Net Profit Gth (Pre-ex) (%)	(24.9)	15.9	nm	nm	75.8
Margins & Ratio					
Gross Margins (%)	62.8	63.8	62.2	62.6	62.6
Opg Profit Margin (%)	8.2	9.4	(15.0)	5.4	8.8
Net Profit Margin (%)	7.2	7.6	(8.4)	5.3	7.2
ROAE (%)	16.9	17.4	(13.2)	12.8	19.7
ROA (%)	12.9	13.1	(8.8)	7.3	11.2
ROCE (%)	15.6	18.1	(6.6)	9.0	14.3
Div Payout Ratio (%)	69.9	65.9	N/A	50.0	50.0
Net Interest Cover (x)	NM	NM	(22.5)	11.9	22.6

Source: Company, DBS Bank

Interim Income Statement (\$5m)

FY Sep	2H2018	1H2019	2H2019	1H2020	2H2020
Revenue	75.9	76.7	76.9	66.7	30.9
Cost of Goods Sold	(28.4)	(27.5)	(28.2)	(25.0)	(11.9)
Gross Profit	47.5	49.2	48.7	41.7	19.0
Other Oper. (Exp)/Inc	(42.1)	(41.3)	(42.2)	(42.1)	(33.2)
Operating Profit	5.42	7.90	6.53	(0.4)	(14.2)
Other Non Opd (Exp)/Inc	0.50	0.75	0.10	3.32	6.26
Associates & JV Inc	0.07	0.01	(0.8)	(0.2)	(0.1)
Net Interest (Exp)/Inc	0.03	0.15	0.19	(0.2)	(0.5)
Exceptional Gain/(Loss)	0.22	(0.4)	(0.5)	(0.9)	(3.1)
Pre-tax Profit	6.23	8.46	5.49	1.65	(11.6)
Tax	(1.7)	(1.4)	(1.7)	(0.7)	0.77
Minority Interest	0.41	0.41	0.40	1.14	0.56
Net Profit	4.95	7.45	4.22	2.12	(10.3)
Net profit bef Except.	4.73	7.80	4.71	3.02	(7.2)
EBITDA	5.98	8.66	5.80	6.03	(4.6)

Growth

Revenue Gth (%)	nm	1.0	0.3	(13.3)	(53.7)
EBITDA Gth (%)	nm	44.8	(33.1)	4.0	nm
Opd Profit Gth (%)	nm	45.8	(17.4)	(106.5)	3,238.8
Net Profit Gth (%)	nm	50.6	(43.4)	(49.7)	(584.8)

Margins

Gross Margins (%)	62.6	64.2	63.3	62.6	61.6
Opd Profit Margins (%)	7.1	10.3	8.5	(0.6)	(45.9)
Net Profit Margins (%)	6.5	9.7	5.5	3.2	(33.3)

Balance Sheet (\$5m)

FY Sep	2018A	2019A	2020A	2021F	2022F
Net Fixed Assets	20.8	21.8	23.6	18.8	14.1
Invt in Associates & JVs	2.07	1.45	1.18	1.38	1.59
Other LT Assets	4.80	4.30	29.6	19.3	8.90
Cash & ST Invt	47.0	47.0	28.1	53.9	80.3
Inventory	1.54	1.71	2.41	3.00	3.86
Debtors	11.7	14.1	11.1	14.1	18.2
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	88.0	90.3	96.0	111	127
ST Debt	0.0	0.0	1.58	1.58	1.58
Creditor	13.8	13.5	9.19	14.5	18.7
Other Current Liab	4.37	4.52	14.1	14.1	14.1
LT Debt	0.0	0.0	0.55	0.55	0.55
Other LT Liabilities	0.30	0.37	13.2	13.2	13.2
Shareholder's Equity	65.4	68.7	55.3	62.9	72.4
Minority Interests	4.13	3.32	1.98	3.56	6.33
Total Cap. & Liab.	88.0	90.3	96.0	111	127
Non-Cash Wkg. Capital	(4.9)	(2.2)	(9.8)	(11.5)	(10.8)
Net Cash/(Debt)	47.0	47.0	26.0	51.7	78.1
Debtors Turn (avg days)	24.6	30.7	47.2	32.2	32.0
Creditors Turn (avg days)	83.4	99.0	137.3	92.3	97.4
Inventory Turn (avg days)	10.5	11.8	25.0	21.0	20.1
Asset Turnover (x)	1.8	1.7	1.0	1.4	1.6
Current Ratio (x)	3.3	3.5	1.7	2.3	3.0
Quick Ratio (x)	3.2	3.4	1.6	2.2	2.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	N/A	318.8	93.8	93.8
Z-Score (X)	10.0	10.1	5.7	5.6	5.8

Source: Company, DBS Bank

Cash Flow Statement (\$m)

FY Sep	2018A	2019A	2020A	2021F	2022F
Pre-Tax Profit	13.5	14.0	(10.0)	9.24	16.2
Dep. & Amort.	4.83	5.44	17.1	17.1	17.1
Tax Paid	(2.9)	(3.1)	0.10	(0.1)	(0.2)
Assoc. & JV Inc/(loss)	0.12	0.82	0.30	0.30	0.30
Chg in Wkg.Cap.	0.96	(2.9)	(4.8)	1.76	(0.7)
Other Operating CF	(0.3)	0.36	2.51	0.0	0.0
Net Operating CF	16.2	14.6	5.25	28.3	32.7
Capital Exp.(net)	(6.1)	(6.1)	(6.8)	(2.0)	(2.0)
Other Invt.(net)	(4.0)	0.0	(0.3)	0.0	0.0
Invt in Assoc. & JV	(1.1)	(0.6)	0.0	(0.5)	(0.5)
Div from Assoc & JV	0.0	0.38	0.0	0.0	0.0
Other Investing CF	(0.1)	(0.6)	(2.5)	0.0	0.0
Net Investing CF	(11.3)	(6.9)	(9.6)	(2.5)	(2.5)
Div Paid	(10.9)	(7.7)	(4.5)	0.0	(3.8)
Chg in Gross Debt	0.0	0.0	2.13	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	1.31	0.0	(12.2)	0.0	0.0
Net Financing CF	(9.6)	(7.7)	(14.5)	0.0	(3.8)
Currency Adjustments	0.03	0.0	0.04	0.0	0.0
Chg in Cash	(4.7)	0.0	(18.8)	25.8	26.4
Opg CFPS (\$ cts)	2.38	2.73	1.57	4.14	5.22
Free CFPS (\$ cts)	1.58	1.32	(0.2)	4.10	4.79

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	27 Nov 19	0.38	0.47	BUY
2:	06 Feb 20	0.34	0.38	BUY
3:	25 Mar 20	0.21	0.18	HOLD
4:	15 May 20	0.25	0.21	FULLY VALUED

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

Source: DBS Bank

Analyst: Alfie YEO

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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 share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 27 Nov 2020 08:04:01 (SGT)

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