

Jumbo Group Ltd

7 December 2022

BUY

BBG	JUMBO
Market cap	S\$173.4m
Price (7 December 2022)	S\$0.27
52-week range	S\$0.24 – S\$0.33
Target Price	S\$0.38
Shares Outstanding	642.2m
Free Float	29.1%
Major Shareholder	<div> <div>Ang Hon Nam</div> <div>47.3%</div> </div> <div> <div>Ron Sim Chye Hock</div> <div>10.0%</div> </div> <div> <div>Kuang Ming Investments Pte Ltd</div> <div>7.0%</div> </div> <div> <div>Tan Gee Jian</div> <div>6.6%</div> </div>
P/BV (FY22)	3.5x
Net Debt to EBITDA (FY22)	net cash

Source: Company data, Bloomberg, SAC Capital

Riding on the tailwinds of reopening

Jumbo delivered 2H22 revenue of S\$6.6m (+81.3% hoh) and a net profit of S\$4.4m, a turnaround from a loss of S\$7.5m. Gross profit margin is at its highest at 66.3% (+3.2pp hoh) as higher footfall from no cap in the number of diners translates to higher revenue per table. FY22 revenue grew by S\$41.3% yoy to S\$115.6m and EBITDA increased by 7150% yoy to S\$17.0m. FY22 net loss of S\$0.1m beats our estimate of S\$5.7m loss on the back of the tailwind of reopening in Singapore.

Revenue from Singapore (81% of revenue in 2H22) surged 197.1% hoh to S\$53.3m as outlets experienced higher footfall from increased tourist arrivals and the complete removal of dining restrictions since April 22. PRC's revenue (17% of revenue in 2H22) declined by 33.8% due to their unswerving commitment to pursuing zero covid with mass testing, border restrictions and lockdowns. Shanghai and Beijing experienced mobility restrictions such as sporadic district lockdowns and suspension of schools.

The 5 new franchise outlets (Vietnam:3, PRC:1, South Korea:1) contributed to the 32.6% increase in franchise revenue to S\$0.6m in FY22. Jumbo's localized strategy of placing its brands in different cities through a franchise model will help boost the top line.

On a positive note, we think that China's harsh containment measures are unsustainable and will eventually transit away from it amid rising cases. China officials are under pressure from its public opposition and economy to move away from its Covid Zero strategy. Besides the 20-point playbook that officials introduced on Nov 22, covid-positive or low-risk patients are now allowed to self-isolate at home and PCR test is no longer required to board public transit in most cities. Beijing has also given the green light to resume dining-in with no proof of test needed. Encouraging vaccination among the elderly (c.70% of >60yrs old have had booster shots) in the less pathogenic environment is one of the focuses of officials. These will rejuvenate local consumption demand at Jumbo's restaurants.

Tourist arrivals in Singapore (c.817k) are subpar at 51.6% of pre-covid levels, mainly due to China's (5% of total arrivals from pre-covid of c.23%) border curbs. With more countries relaxing their border controls and pent-up demand for travelling persisting, we expect more tourists to contribute to F&B consumption in Singapore.

Headwinds are: (i) lower footfall due to pent-up demand from local travelling overseas; and (ii) tightening of wallet from higher food inflation (avg latest 3-months for CPI Food: +6.8% yoy), causing consumers to shift to lower ticket food choices.

We remain upbeat on the fundamentals of Jumbo as they ride on the tailwind of border reopening and China loosening curbs, and therefore, raise FY23E net earnings by 21% to S\$6.9m. Maintain BUY at TP of S\$0.41.

Analyst

Yeo Peng Joon
yeopj@saccapital.com.sg

FYE 30 Sep (\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	97.6	81.8	115.6	134.7	159.1
EBIT	(9.3)	(13.9)	1.5	9.3	11.4
Net profit (loss)	(8.2)	(11.8)	(0.1)	6.9	8.8
EPS (S cents)	(1.3)	(1.8)	(0.0)	1.1	1.4
DPS (S cents)	-	-	-	-	-
Net cash (Net debt)	26.0	14.0	18.3	30.0	45.8
Valuation					
EBIT margin (%)	(9.6)	(16.9)	1.3	6.9	7.2
ROIC (%)	(32.9)	(29.6)	(1.8)	14.4	22.2
EV/EBITDA (x)	117.9	639.2	8.6	4.3	3.3
P/E (x)	(23.1)	(13.9)	(1,780.0)	23.6	18.7
Dividend yield (%)	-	-	-	-	-

Income Statement

FYE 30 Sep (\$\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	97.6	81.8	115.6	134.7	159.1
Cost of sales	(36.1)	(30.9)	(40.6)	(45.5)	(55.7)
Gross profit (loss)	61.4	50.9	75.0	89.2	103.4
Employee costs	(38.5)	(34.9)	(36.9)	(37.7)	(44.6)
Other operating expenses	(21.5)	(15.7)	(21.1)	(20.5)	(22.9)
EBITDA	1.4	0.2	17.0	31.0	36.0
D&A	(17.1)	(19.5)	(17.7)	(21.7)	(24.6)
Associates & JV	(0.3)	(0.4)	0.0	0.0	0.0
Exceptional Items	6.7	5.8	2.1	0.0	0.0
EBIT	(9.3)	(13.9)	1.5	9.3	11.4
Finance costs	(0.6)	(1.0)	(1.1)	(1.273)	(1.176)
Pretax profit (loss)	(10.0)	(14.9)	0.4	8.1	10.3
Tax credit (expense)	0.1	3.7	(0.7)	(1.4)	(1.7)
Non-controlling interest	1.7	(0.6)	0.2	0.2	0.2
Net profit (loss)	(8.2)	(11.8)	(0.1)	6.9	8.8

Balance Sheet

FYE 30 Sep (\$\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Assets					
Investments	1.5	1.1	1.0	1.0	1.0
Intangible assets	0.2	0.5	0.4	0.4	0.4
ROU	23.3	23.4	24.6	23.4	19.8
PPE	23.6	23.8	22.9	20.5	17.6
Deferred tax assets	0.0	3.8	3.2	3.2	3.2
Other non-current assets	5.8	6.3	5.5	5.5	5.5
Total non-current assets	54.4	58.8	57.6	54.0	47.5
Cash and cash equivalents	27.7	20.5	17.0	26.6	43.3
Trade and OR	11.1	11.5	11.7	12.0	13.1
ST Investments	0.3	8.8	18.0	14.4	10.8
Inventories	2.4	2.3	2.7	2.8	2.5
Total current assets	41.6	43.1	49.5	55.8	69.7
Total Assets	96.0	102.0	107.1	109.8	117.2
Liabilities					
Lease Liabilities	12.9	14.4	15.8	15.8	15.8
Bank borrowings	0.5	10.9	11.1	11.1	8.3
Deferred tax liability	0.4	0.0	0.0	0.0	0.0
Total non-current liabilities	13.8	25.3	26.8	26.8	24.0
Trade and other payables	9.2	11.0	13.6	13.9	15.2
Provision for reinstatement costs	2.0	3.5	3.7	3.7	3.7
Lease Liabilities	11.8	10.6	10.5	10.5	10.5
Bank borrowings	1.6	4.5	5.6	0.0	0.0
Income tax payable	0.4	0.0	0.0	1.4	1.7
Total current liabilities	24.9	29.6	33.6	29.6	31.2
Total Liabilities	38.7	54.9	60.4	56.4	55.3
Net Assets	57.3	47.1	46.7	53.4	61.9
Equity					
Share Capital	48.8	49.4	49.4	49.4	49.4
Treasury shares	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Currency translation reserve	(0.2)	0.2	0.2	0.2	0.2
Merger reserve	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)
(Accumulated losses)/Retained earnings	10.0	(1.8)	(1.9)	5.1	13.8
Owner's Equity	55.3	44.6	44.5	51.4	60.2
Non controlling interests	2.0	2.5	2.2	2.0	1.7
Total Equity	57.3	47.1	46.7	53.4	61.9

Cash Flow Statement

FYE 30 Sep (\$\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Pretax profit (loss)	(10.0)	(14.9)	0.4	8.1	10.3
D&A	17.1	19.5	17.7	21.7	24.6
Impairment	3.7	0.1	0.0	0.0	0.0
Interest Expense	0.8	1.1	1.3	1.3	1.2
Interest income	(0.2)	(0.1)	(0.2)	0.0	0.0
Associate	0.3	0.4	(0.0)	(0.0)	(0.0)
Others	0.9	(0.7)	(0.3)	0.0	0.0
Changes in working capital	(4.8)	1.1	2.0	(0.0)	0.5
Interest income received	0.2	0.1	0.2	0.0	0.0
Interest paid	(0.8)	(1.1)	(1.3)	(1.3)	(1.2)
Income tax paid	(2.0)	(0.8)	(0.1)	(0.0)	(1.4)
Operating cash flow	5.2	4.7	19.7	29.7	33.9
Capex	(7.5)	(5.0)	(5.6)	(18.0)	(18.0)
Others	(2.1)	(9.8)	(9.1)	3.6	3.6
Investing cash flow	(9.6)	(14.8)	(14.6)	(14.4)	(14.4)
Free cash flow	(4.4)	(10.1)	5.0	15.3	19.5
Dividends paid	(4.5)	0.0	0.0	0.0	0.0
Net borrowings	(0.3)	13.2	1.4	(5.6)	(2.8)
Others	(9.7)	(10.5)	(9.8)	0.0	0.0
Financing cash flow	(14.5)	2.7	(8.5)	(5.6)	(2.8)
Net change in cash & equivalents	(18.9)	(7.5)	(3.4)	9.6	16.7

Ratios

FYE 30 Sep (\$\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Profitability (%)					
Gross margin	63.0	62.2	64.9	66.3	65.0
EBIT margin	(9.6)	(16.9)	1.3	6.9	7.2
Liquidity (x)					
Current ratio	1.7	1.5	1.5	1.9	2.2
Interest coverage ratio	-	-	-	-	-
Net Debt to Equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Valuation (x)					
P/E	(23.1)	(13.9)	(1,780)	23.6	18.7
P/B	3.3	3.5	3.5	3.1	2.6
EV/EBITDA	117.9	639.2	8.6	4.3	3.3
Cash Conversion Cycle (CCC)					
Trade receivable days	41.7	51.5	37.0	32.4	30.1
Inventory days	24.3	27.0	24.6	22.4	16.1
Trade payable days	92.8	129.9	122.7	111.8	99.9
CCC days	(26.8)	(51.4)	(61.1)	(57.0)	(53.7)

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