

# Jumbo Group Ltd

1 June 2023

## BUY

<b>BBG</b>	JUMBO
<b>Market cap</b>	S\$182.7m
<b>Price (1 June 2023)</b>	S\$0.285
<b>52-week range</b>	S\$0.24 – S\$0.33
<b>Target Price</b>	S\$0.43
<b>Shares Outstanding</b>	641.2m
<b>Free Float</b>	26.5%
<b>Major Shareholder</b>	<div> <div>Ang Hon Nam</div> <div>45.6%</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>
<b>P/BV (03/23)</b>	3.6x
<b>Net Debt to EBITDA (03/23)</b>	net cash

Source: Company data, Bloomberg, SAC Capital

(in S\$'m)	New		Old		Chg (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	168.5	180.3	134.7	159.1	25.1	13.3
EBITDA	31.9	34.6	31.0	36.0	2.9	(4.0)
EBIT	15.3	13.1	9.3	11.4	64.8	14.5
Net profit	12.1	10.2	6.9	8.8	75.7	16.1
					Chg (ppt)	
Gross margin (%)	66.1	66.1	66.5	65.0	(0.4)	1.1

Source: SAC Capital

## Analyst

Yeo Peng Joon  
yeopj@saccapital.com.sg

## Exceeds expectations with yet returning Chinese

**1H23** revenue surged by 73% yoy to S\$85.9m, surpassing expectations and coming in at 64% of our FY23E estimate. Gross margins inched up by 3.1pp to 66.1%. Net profit rose to S\$8.0m in 1H23 (compared to a net loss of S\$4.3m in 1H22), forming 116% of our FY23E forecast, and 93% of street's consensus.

**Singapore** sales are back to pre-covid levels, rising by 134% to S\$70.2m fueled by (i) price hikes of certain menu items; (ii) increase in footfall due to Singapore's relaxation of covid restrictions and easing border restrictions worldwide; and (iii) Resurgence of large-scale bookings for corporate events, business entertainment, family gatherings, wedding occasions at Chui Huay Lim Club and Jumbo Seafood Riverside.

**Continual improvement.** In response to the staggering demand for Jumbo Seafood brand Singapore and lacklustre sales from Sui Yi Gastrobar at The Riverwalk, it was transformed into a Jumbo Seafood establishment in January 2023 to meet the high demand. The Group also made an inaugural foray into the world of Halal F&B by launching its very first halal seafood restaurant, Mutiara Seafood, located at Wisma Geylang Serai. This establishment spans two floors, with the second floor capable of hosting various functions. With this, it opens Jumbo up to a more diverse customer base.

**China** sales remained muted (+21% hoh, -21% yoy) as foot traffic in China outlets remained lacklustre due to the imposition of restrictions in 1Q23 (Oct-Dec 2022) and subsequently a surge in Covid-19 cases after abandoning most containment measures in Dec 2022. Jumbo Seafood at Universal Beijing Resort (UBR) still has ample room to further expand its sales and capitalize on the return of tourists. Taiwan sales declined 11% to 2.4m in 1H23 due to a week of renovation at Jumbo Seafood in Taipei.

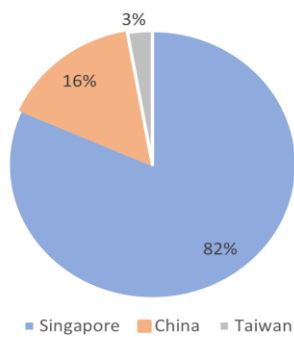
**Visitor arrivals** are currently at 71% of the levels seen before the onset of the Covid-19 pandemic. However, inbound Chinese arrivals continue to lag, standing at only 7% of the figures recorded in 2019, in contrast to c.23% in 2019. With their anticipated return, they are set to ignite the next wave of customers at Jumbo's restaurants and event venues, driving up foot traffic and bolstering sales.

**Headwinds** include tightening of wallet from the cooling economy, escalating operating costs (raw materials, manpower, rental, utilities) and ongoing manpower shortage.

**Raise FY23-24E earnings by 16-76%** and maintain BUY at a higher TP of S\$0.43 pegging it to FY23E EV/EBITDA and PE of 3.6x and 15.4x respectively. We remain upbeat on Jumbo's prospect fueled by essential factors that include Mutiara Seafood turning profitable, the return of international and Chinese visitors patronizing their restaurant, an upswing in large-scale events and the potential for a dividend payout.

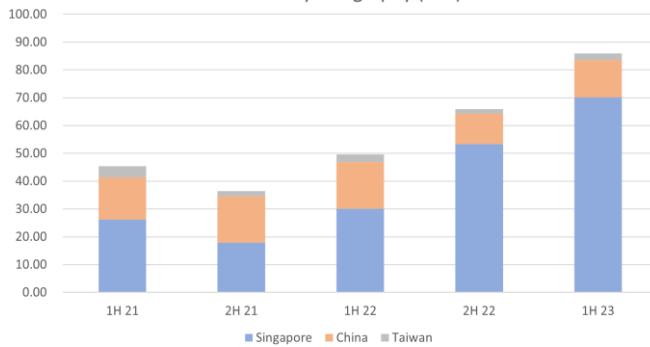
FYE 30 Sep (S\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	97.6	81.8	115.6	168.5	180.3
EBIT	(9.3)	(13.9)	1.5	15.3	13.1
Net profit (loss)	(8.2)	(11.8)	(0.1)	12.1	10.2
EPS (S cents)	(1.3)	(1.8)	(0.0)	1.9	1.6
DPS (S cents)	-	-	-	-	1.0
Net cash (Net debt)	26.0	14.0	18.3	48.8	64.1
<b>Valuation</b>					
EBIT margin (%)	(9.6)	(16.9)	1.3	9.1	7.2
ROIC (%)	(41.3)	(29.7)	(6.4)	22.3	36.3
EV/EBITDA (x)	102.1	544.7	7.2	3.6	2.8
P/E (x)	-	-	-	15.4	18.2
Dividend yield (%)	-	-	-	-	3.3

## 1H23 Revenue by Geography (\$'m)



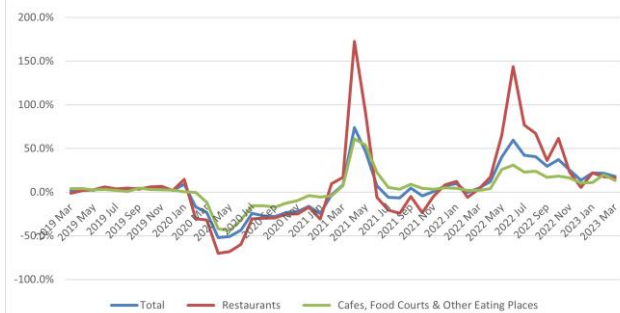
Source: SAC Capital

## Revenue by Geography (\$'m)



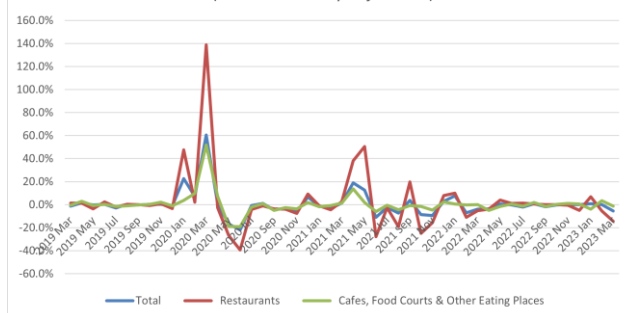
Source: SAC Capital

## F&B service index by industry (yoy %)



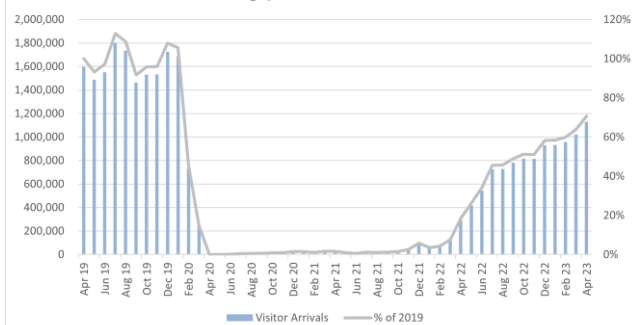
Source: DOS

## F&B service index by industry (mom seasonally adjusted %)



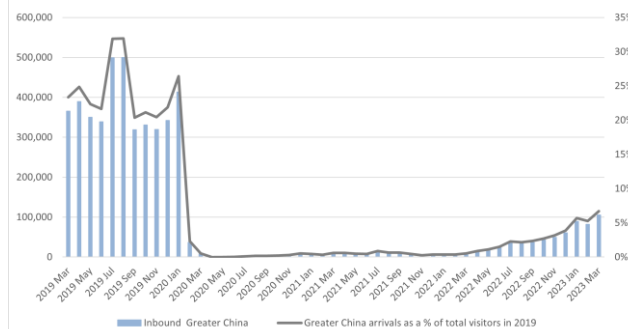
Source: DOS

## Singapore Visitor Arrivals



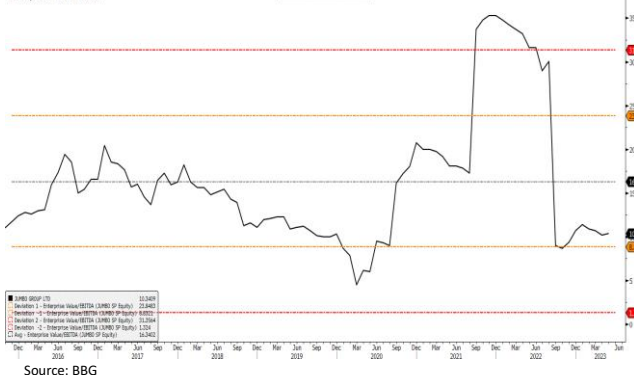
Source: Stan

## Greater China Visitor Arrivals



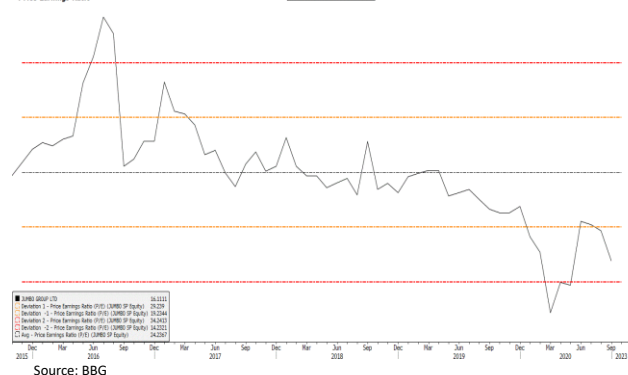
Source: Stan

## Enterprise Value/EBITDA



Source: BBG

## Price Earnings Ratio



Source: BBG

# Income Statement

FYE 30 Sep (S\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenue</b>	<b>97.6</b>	<b>81.8</b>	<b>115.6</b>	<b>168.5</b>	<b>180.3</b>
Cost of sales	(36.1)	(30.9)	(40.6)	(57.1)	(61.0)
<b>Gross profit (loss)</b>	<b>61.4</b>	<b>50.9</b>	<b>75.0</b>	<b>111.5</b>	<b>119.2</b>
Employee costs	(38.5)	(34.9)	(36.9)	(50.6)	(54.1)
Other gains	(7.3)	(3.8)	(6.9)	(10.9)	(11.2)
Other expenses	(14.3)	(11.8)	(14.2)	(18.1)	(19.4)
<b>EBITDA</b>	<b>1.4</b>	<b>0.2</b>	<b>17.0</b>	<b>31.9</b>	<b>34.6</b>
D&A	(17.1)	(19.5)	(17.7)	(20.1)	(21.5)
Associates & JV	(0.3)	(0.4)	0.0	0.0	0.0
Exceptional Items	6.7	5.8	2.1	3.5	0.0
<b>EBIT</b>	<b>(9.3)</b>	<b>(13.9)</b>	<b>1.5</b>	<b>15.3</b>	<b>13.1</b>
Finance costs	(0.6)	(1.0)	(1.1)	(1.0)	(1.0)
<b>Pretax profit (loss)</b>	<b>(10.0)</b>	<b>(14.9)</b>	<b>0.4</b>	<b>14.3</b>	<b>12.0</b>
Tax credit (expense)	0.1	3.7	(0.7)	(2.4)	(2.0)
Non-controlling interest	1.7	(0.6)	0.2	0.2	0.2
<b>Net profit (loss)</b>	<b>(8.2)</b>	<b>(11.8)</b>	<b>(0.1)</b>	<b>12.1</b>	<b>10.2</b>

# Balance Sheet

FYE 30 Sep (S\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Assets</b>					
Investments	0.3	0.3	0.3	0.3	0.3
Intangible assets	0.2	0.5	0.4	0.4	0.4
ROU	23.3	23.4	24.6	16.9	8.3
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	7.0	7.1	6.3	6.3	6.3
<b>Total non-current assets</b>	<b>54.4</b>	<b>58.8</b>	<b>57.6</b>	<b>47.5</b>	<b>36.0</b>
Cash and cash equivalents	27.7	20.5	17.0	35.5	54.5
Trade and OR	11.1	11.5	11.7	10.2	11.0
ST Investments	0.3	8.8	18.0	24.3	18.2
Inventories	2.4	2.3	2.7	2.2	2.4
<b>Total current assets</b>	<b>41.6</b>	<b>43.1</b>	<b>49.5</b>	<b>72.3</b>	<b>86.0</b>
<b>Total Assets</b>	<b>96.0</b>	<b>102.0</b>	<b>107.1</b>	<b>119.8</b>	<b>122.1</b>
<b>Liabilities</b>					
Lease Liabilities	12.9	14.4	15.8	15.8	15.8
Bank borrowings	0.5	10.9	11.1	8.6	6.1
Deferred tax liability	0.4	0.0	0.0	0.0	0.0
<b>Total non-current liabilities</b>	<b>13.8</b>	<b>25.3</b>	<b>26.8</b>	<b>24.3</b>	<b>21.9</b>
Trade and other payables	9.2	11.0	13.6	17.7	19.0
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	2.5	2.5
Income tax payable	0.4	0.0	0.0	2.4	2.0
<b>Total current liabilities</b>	<b>24.9</b>	<b>29.6</b>	<b>33.6</b>	<b>36.9</b>	<b>37.7</b>
<b>Total Liabilities</b>	<b>38.7</b>	<b>54.9</b>	<b>60.4</b>	<b>61.2</b>	<b>59.6</b>
<b>Net Assets</b>	<b>57.3</b>	<b>47.1</b>	<b>46.7</b>	<b>58.6</b>	<b>62.5</b>
<b>Equity</b>					
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)	10.3	14.4
Owner's Equity	55.3	44.6	44.5	56.6	60.7
Non-controlling interests	2.0	2.5	2.2	2.0	1.7
<b>Total Equity</b>	<b>57.3</b>	<b>47.1</b>	<b>46.7</b>	<b>58.6</b>	<b>62.5</b>

# Cash Flow Statement

FYE 30 Sep (S\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Pretax profit (loss)</b>	<b>(10.0)</b>	<b>(14.9)</b>	<b>0.4</b>	<b>14.3</b>	<b>12.0</b>
D&A	17.1	19.5	17.7	20.1	21.5
Impairment	3.7	0.1	0.0	0.0	0.0
Interest Expense	0.8	1.1	1.3	1.4	1.3
Interest income	(0.2)	(0.1)	(0.2)	(0.3)	(0.3)
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	6.1	0.4
Interest income received	0.2	0.1	0.2	0.3	0.3
Interest paid	(0.8)	(1.1)	(1.3)	(1.4)	(1.3)
Income tax paid	(2.0)	(0.8)	(0.1)	(0.0)	(2.4)
<b>Operating cash flow</b>	<b>5.2</b>	<b>4.7</b>	<b>19.7</b>	<b>40.5</b>	<b>31.5</b>
Capex	(7.5)	(5.0)	(5.6)	(10.0)	(10.0)
Others	(2.1)	(9.8)	(9.1)	(6.3)	6.1
<b>Investing cash flow</b>	<b>(9.6)</b>	<b>(14.8)</b>	<b>(14.6)</b>	<b>(16.3)</b>	<b>(3.9)</b>
<b>Free cash flow</b>	<b>(4.4)</b>	<b>(10.1)</b>	<b>5.0</b>	<b>24.2</b>	<b>27.6</b>
Dividends paid	(4.5)	0.0	0.0	0.0	(6.1)
Net borrowings	(0.3)	13.2	1.4	(5.6)	(2.5)
Others	(9.7)	(10.5)	(9.8)	0.0	0.0
<b>Financing cash flow</b>	<b>(14.5)</b>	<b>2.7</b>	<b>(8.5)</b>	<b>(5.6)</b>	<b>(8.6)</b>
<b>Net change in cash &amp; equivalents</b>	<b>(18.9)</b>	<b>(7.5)</b>	<b>(3.4)</b>	<b>18.5</b>	<b>19.0</b>

# Ratios

FYE 30 Sep (S\$m)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Profitability (%)</b>					
Gross margin	63.0	62.2	64.9	66.1	66.1
EBIT margin	(9.6)	(16.9)	1.3	9.1	7.2
<b>Liquidity (x)</b>					
Current ratio	1.7	1.5	1.5	2.0	2.3
Interest coverage ratio	-	-	-	-	-
Net Debt to Equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Valuation (x)</b>					
P/E	-	-	-	15.4	18.2
P/B	3.3	3.5	3.5	3.2	3.0
EV/EBITDA	102.1	544.7	7.2	3.6	2.8
<b>Cash Conversion Cycle (CCC)</b>					
Trade receivable days	41.7	51.5	37.0	22.2	22.2
Inventory days	24.3	27.0	24.6	14.1	14.1
Trade payable days	(92.8)	(129.9)	(122.7)	(113.4)	(113.4)
CCC days	(26.8)	(51.4)	(61.1)	(77.1)	(77.1)

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