

Singapore

NON RATED


Current price:	S\$0.67
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	KODA.SI
Bloomberg:	KODA SP
Market cap:	US\$41.46m
	S\$54.57m
Average daily turnover:	US\$0.02m
	S\$0.02m
Current shares o/s:	82.36m
Free float:	37.0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.9	-18.9	95.6
Relative (%)	-3	-22	83.6

Major shareholders	% held
James Koh	16.5
Koh Teng Kwee	11.5
Koh Jye Eng	10.9

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Koda Ltd

Furnishing homes in China

- Founded in 1972, Koda is an original design manufacturer for home furniture.
- It owns the Commune retail brand and has 43 stores in China. Its modern designer furniture appeals to the younger generation in China.
- Koda plans to double the number of its outlets in China to 100 by 2020, with the help of IE Singapore and intends to equip its stores with Virtual Reality capabilities.
- Its net margin expanded from 0.9% in FY15 to 10.0% in 1HFY18 due to higher sales contribution from Commune and improved supply chain efficiency.
- Koda is trading at 9.0x CY17 P/E, below regional furniture retailers' average of 14.3x, based on Bloomberg consensus estimates.

Home-grown furniture maker with over 40 years of experience

Founded in 1972 by Koh Teng Kwee, Koda went public in 2001. The group specialises in household furniture as an original equipment manufacturer (OEM) and original design manufacturer (ODM), exporting furniture products to more than 50 countries currently. Its furniture design and lifestyle arm, Commune, had 43 stores in China and eight outlets in Singapore, Malaysia and Australia as at end-Dec 2017.

Multiplying the "Commune" brand stores via dealership model

The group's retail business started in 2011, with the opening of the first Commune outlet in Singapore. In 2014, Koda opened its first overseas Commune outlet in China and quickly expanded its number of stores through a dealership model – providing dealers with intellectual property, technology and supplying its ODM products at wholesale prices without charging royalty fees. Commune's target audience is the younger generation who have a preference for modern designer furniture.

Doubling capacity in China with VR shopping capabilities

Koda aims to double the number of Commune brand stores in China by 2020 to 100 outlets. It plans to partner up with trade development agency, International Enterprise (IE) Singapore, to tap into China's growing market via an omni-channel model – integrating Commune's online and offline presence through data analytics and business intelligence tools. The group also intends to equip its stores in China with Virtual Reality (VR) capabilities, to enhance customers' shopping experience.

Net margin continues to expand amidst retail transformation

Koda's net profit grew 147% yoy to S\$4.1m in FY17 due to higher revenue contribution from the Commune retail and distribution business, which commands higher operating margins than the OEM/ODM manufacturing segment, as well as improved supply chain efficiency. Koda registered net margins of 8.2% in FY17 and 10.0% in 1HFY18, to the low 0.9% in FY15. Koda's retail and distribution business turned profitable in FY17, with operating profit of S\$0.8m (FY16: S\$0.2m in operating losses).

CY17 P/E valuation at 37% discount to regional peers

The stock is trading at 9.0x CY17 P/E, based on an issued share capital of 82.36m ordinary shares (ex-treasury shares). Koda issued 1-for-1 bonus shares in Nov 2017 and 0.26m new shares under the Performance Share Plan in Dec 2017. Koda's CY17 P/E multiple represents a 37% discount to regional furniture retailers' average P/E of 14.3x. As at end-Dec 2017, Koda was in a net cash position of S\$7.6m, representing 25% of shareholders' equity.

Analyst(s)


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Financial Summary

FYE Jun (US\$m)	FY13	FY14	FY15	FY16	FY17
Revenue	50.5	52.3	47.3	37.1	49.5
Gross profit	14.6	12.4	11.3	10.3	15.9
Gross profit margin	28.9%	23.6%	23.9%	27.7%	32.2%
Pretax profit	0.5	(1.2)	(0.3)	2.4	5.0
Net profit	0.6	(1.2)	0.4	1.6	4.1
EPS^ (US cents)	0.7	(1.5)	0.5	2.0	4.9
EPS Growth (%)	na	na	na	303%	147%
P/E (x)	95.7	na	134.2	33.3	10.2
DPS^ (Scents)	-	-	0.33	0.66	1.67
Dividend Yield (%)	-	-	0.50	1.00	2.51
Net Gearing (%)	net cash				
P/BV^ (x)	1.8	1.8	1.9	1.8	1.5
ROE (%)	2.5%	-5.5%	1.9%	7.2%	14.3%

^Based on 82.36m shares after several share consolidation and share bonus issues in 2015-2017

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Furnishing homes in China

Tapping on China’s growing market

Aims to double number of outlets in China in three years >

Commune’s sales in China reached close to S\$7m in 2017, representing 64% of Commune’s total sales. Commune also has presence in Australia, Malaysia and Singapore, with China being its key market. According to the Hong Kong Trade Development Council, furniture sales grew to about S\$174.5bn in 2016. Commune stated that its goal is to open more than 100 outlets in China by 2020, under its collaboration with International Enterprise (IE) Singapore, a statutory board under the Ministry of Trade and Industry that facilitates the overseas growth of Singapore-based companies and promotes international trade. The furniture retailer also intends to work with IE Singapore to expand into Indonesia, Taiwan and Thailand, while supporting the development of a digital platform to complement Commune’s physical presence.

Virtual reality could reshape shopping habits >

A 2017 survey by Worldpay Research, which queried more than 16,000 consumers across eight markets (including China, Japan and Australia in Asia Pacific) revealed that 84% of the respondents in China believe virtual reality/augmented reality (VR/AR) is the future of shopping. IKEA (Unlisted) and Alibaba (BABA US, Not Rated) are among the retailers that are embracing VR/AR technology and have adopted it on their retail platforms.

Koda plans to equip its Commune China stores with VR capabilities, which would enable in-house designers to turn a customer’s floorplan into a VR environment and offer recommendations on design concept in order to boost sales and improve customer retention. As at end-Dec 2017, only eight Commune stores in China and all four outlets in Singapore were equipped with VR capabilities.

Figure 1: A Commune store in Yuexing Furniture Plaza, Shanghai **Figure 2: Customer trying out VR home-planning software at Commune’s experience centre in Defu Lane**



SOURCES: CGS-CIMB RESEARCH

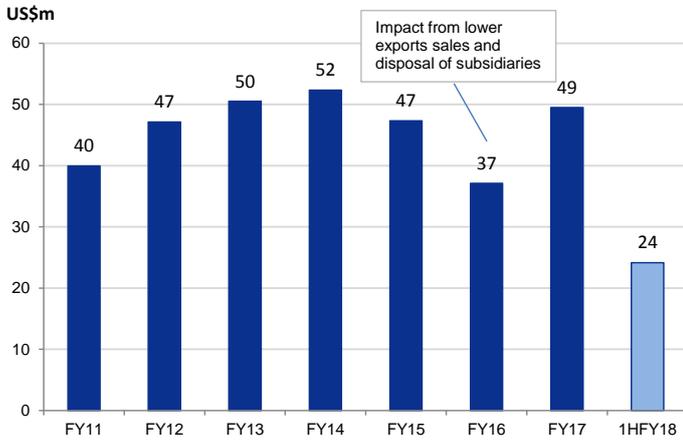


SOURCES: CGS-CIMB RESEARCH, COMPANY

Net margin expanded by 730bp over FY15-17 ➤

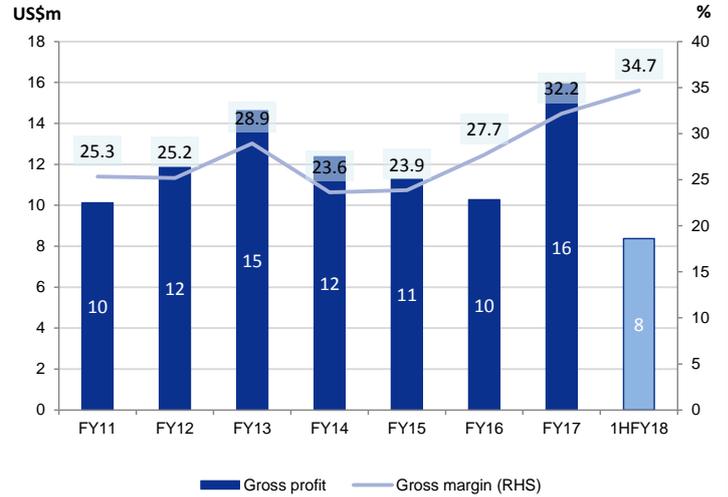
The group's net profit grew from US\$0.4m in FY17, and net margin expanded from 0.9% in FY15 to 8.2% in FY17. Koda's gross margin expanded from 23.9% in FY15 to 32.2% in FY17 thanks to improved supply chain efficiency and higher sales from Commune.

Figure 3: Revenue



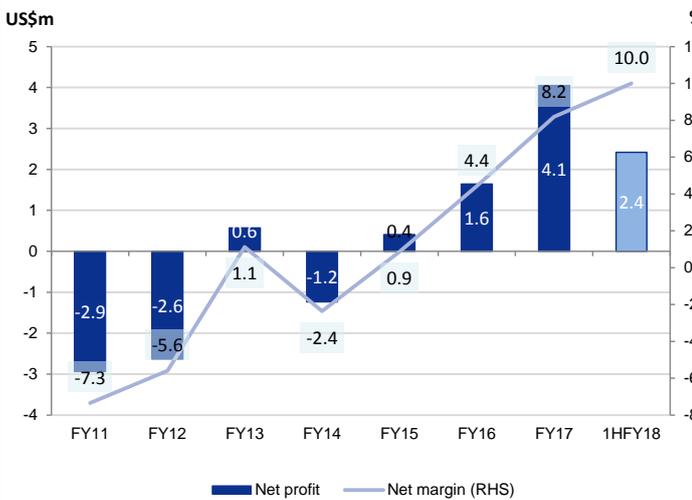
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Gross profit and margins



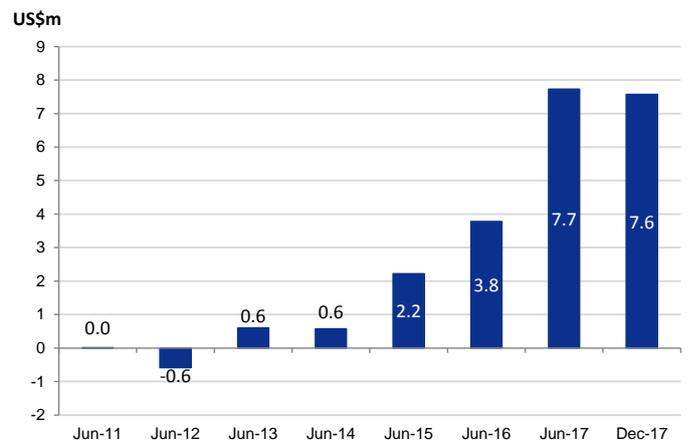
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Net profit (PATMI) and net margin

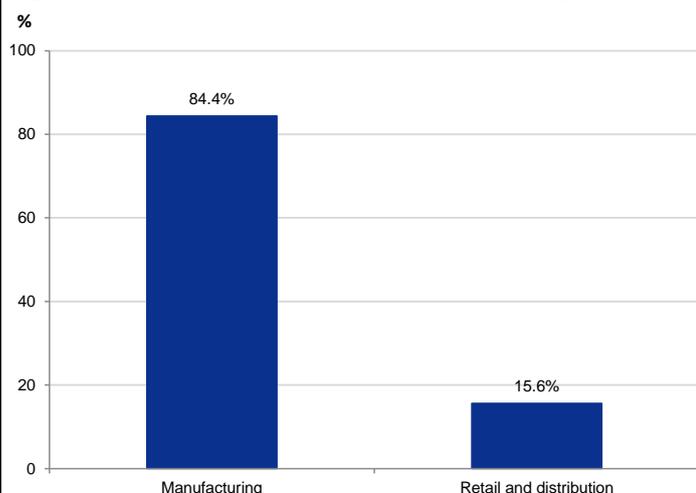


SOURCE: CGS-CIMB RESEARCH, COMPANY REPORTS

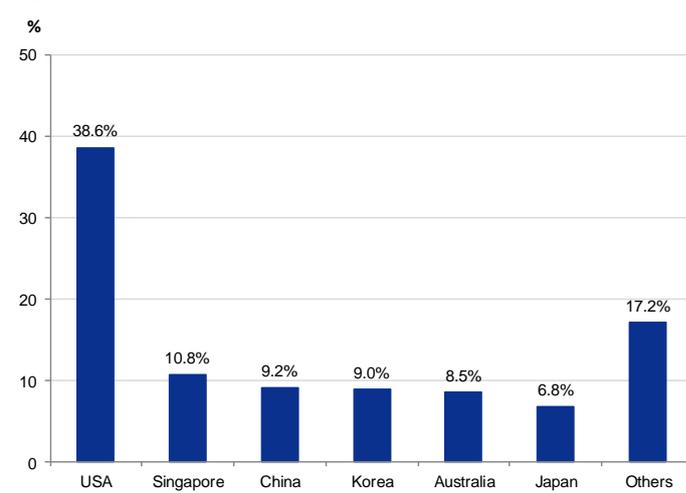
Figure 6: Historical net cash



SOURCE: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: FY17 revenue breakdown by business segment


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: FY17 revenue breakdown by country


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Regional peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)		
						CY17A	CY18F		CY17A	CY18F	CY17A	CY18F	CY19F	CY17A	CY18F	CY17A	CY18F	
Koda Ltd	KODA SP	Not rated	0.665	na	41	6.6	na	na	na	na	na	na	na	na	na	na	0.4%	na
Furniture manufacturers/distributors																		
LY Corp Ltd	LCL SP	Not rated	0.29	na	108	8.6	na	na	2.43	na	29.5%	na	na	na	na	na	na	na
Homeritz Corp Bhd	HMCB MK	Not rated	0.68	na	52	6.6	6.9	2.3%	2.08	6.94	22.6%	17.4%	15.3%	3.3	3.4	4.4%	7.4%	
Jaycorp Bhd	JAYC MK	Not rated	1.20	na	42	6.6	na	na	na	na	na	na	na	na	na	na	na	
Latitude Tree Holdings	LATI MK	Not rated	3.58	na	89	5.0	na	na	na	na	na	na	na	na	na	na	na	
Lii Hen Industries BHD	LHI MK	Not rated	2.66	na	122	6.7	6.3	1.0%	1.66	1.48	25.9%	23.1%	21.5%	3.8	4.0	4.5%	9.0%	
Poh Huat Resources Hol	PHR MK	Not rated	1.28	na	72	4.9	5.8	1.4%	0.94	0.84	20.3%	16.1%	15.6%	2.5	2.8	4.7%	5.3%	
Simple average						6.4	6.3	1.6%	1.78	3.09	24.6%	18.9%	17.5%	3.2	3.4	4.5%	7.2%	
Furniture retailers																		
Adairs	ADH AU	Hold	1.96	2.28	251	12.6	10.3	11.2%	3.02	2.69	25.0%	27.6%	26.6%	8.6	6.9	5.1%	6.3%	
Man Wah Holdings Ltd	1999 HK	Not rated	6.64	na	3,239	14.5	13.3	10.4%	4.50	3.86	31.0%	30.6%	31.3%	12.1	10.1	3.9%	4.4%	
Nick Scali Ltd	NCK AU	Not rated	7.13	na	446	15.5	13.6	13.1%	7.65	6.64	55.5%	51.1%	47.0%	9.9	8.9	2.2%	5.4%	
Uliferts International	1711 HK	Not rated	0.73	na	74	14.5	na	na	na	na	na	na	na	na	na	na	na	
Simple average						14.3	12.4	11.6%	5.06	4.40	37.2%	36.5%	35.0%	10.2	8.7	3.7%	5.4%	

NOTE: AS OF 23 MAR 2018

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2017		
1235 companies under coverage for quarter ended on 31 December 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.5%	6.4%
Hold	31.7%	2.6%
Reduce	9.0%	0.7%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand’s Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add The stock's total return is expected to exceed 10% over the next 12 months.
- Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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