

SMALL/MID CAP HIGHLIGHTS

Jumbo Group (JUMBO SP)

FY20: Challenging Outlook For Singapore Operations; Downgrade To Sell

Jumbo reported a loss of S\$8.2m for FY20. The earnings decline was largely attributed to lower revenue (-36.5%) and gross profit margin (-1.6ppt) due to the COVID-19 impact. We expect a slow recovery for its Singapore operations in FY21 as the return of mass tourism remains uncertain. Share price has recovered by 70% since the year's low in Mar 20. At current prices, valuation appears expensive at 22.1x FY22F PE. Downgrade to SELL with target price of S\$0.27.

FY20 RESULTS

Year to 30 Sep (\$m)	FY20	FY19	yoy % chg
Revenue	97.6	153.6	(36.5)
Gross profit	60.7	97.9	(38.0)
Gross margin (%)	62.2	63.8	(1.6ppt)
Net Profit	(8.2)	11.7	n.m.
Net margin (%)	n.m.	7.6	n.m.

Source: Jumbo, UOB Kay Hian

RESULTS

- Results below expectations.** Jumbo Group (Jumbo) reported full-year loss of S\$8.2m. This was below our profit expectations of S\$0.5m mainly due to lower-than-expected gross profit (92% of our full-year estimates) and impairments, while operating cost was largely in line. Included in the loss was impairment on financial assets amounting to S\$2.3m in relation to the write-off of loans to its associate company in South Korea. The group also recognised S\$1.4m of impairment loss on property, plant and equipment for non performing outlets.
- Decline in revenue due to COVID-19.** Revenue fell 36.5% yoy in FY20 as sales from its Singapore operations fell 45% yoy while sales from China fell 22% yoy. This was partially offset by revenue of S\$6.7m from its Taiwan operations that was consolidated to group revenue in FY20 post the acquisition of a majority stake in Taiwan Jumbo Seafood in Oct 19. The 60% yoy and 54% hoh decline the group's 2HFY20 revenue was largely attributable to the Circuit Breaker measures in Singapore. Furthermore, sales was impacted by: a) lower footfall for outlets located at tourist spots; b) lower demand from working crowd and fewer business gatherings; and c) reduced operating capacity.
- Cost control and government grants unable to offset fall in revenue.** Gross profit margin fell 1.2ppt in FY20 to 62.2% as the group engaged in more promotion campaigns and offered greater discounts to attract customers. With cost savings measures, employee benefits expense fell by 33.4% yoy and 18.4% yoy in 2HFY20 and FY20 respectively. The group also received government grants worth S\$6.3m, mainly relating to the Jobs Support Scheme (JSS), and property tax rebates and rental rebates which amounted to \$2.5m. Evidently, these measures were unable to fully mitigate the decline in sales.

KEY FINANCIALS

Year to 30 Sep (\$m)	2019	2020	2021F	2022F	2023F
Net turnover	154	98	126	153	163
EBITDA	18	1	20	29	32
Operating profit	12	(16)	2	11	13
Net profit (rep./act.)	12	(4)	4	10	11
Net profit (adj.)	12	(4)	4	10	11
EPS (\$ cent)	1.8	(0.7)	0.7	1.5	1.7
PE (x)	18.1	n.m.	47.6	22.1	19.3
P/B (x)	3.1	3.8	3.5	3.4	3.2
EV/EBITDA (x)	10.5	135.7	9.5	6.6	5.9
Dividend yield (%)	3.6	0.0	0.0	3.2	3.6
Net margin (%)	7.6	(4.6)	3.5	6.2	6.7
Net debt/(cash) to equity (%)	(67.8)	(46.3)	(47.5)	(48.8)	(52.9)
Interest cover (x)	n.a.	1.7	23.5	32.8	34.5
ROE (%)	17.4	n.a.	7.7	15.6	17.0
Consensus net profit	-	-	8	12	-
UOBKH/Consensus (x)	-	-	0.52	0.78	-

Source: Jumbo, Bloomberg, UOB Kay Hian

SELL

(Downgraded)

Share Price	S\$0.33
Target Price	S\$0.27
Upside	-18.2%
(Previous TP)	S\$0.23)

COMPANY DESCRIPTION

Jumbo is a seafood restaurant group offering multiple dining concepts catering to all types of consumers. The company offers restaurants in Singapore, China, and Japan.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	JUMBO SP
Shares issued (m):	640.4
Market cap (\$m):	211.3
Market cap (US\$m):	157.9
3-mth avg daily t'over (US\$m):	0.0

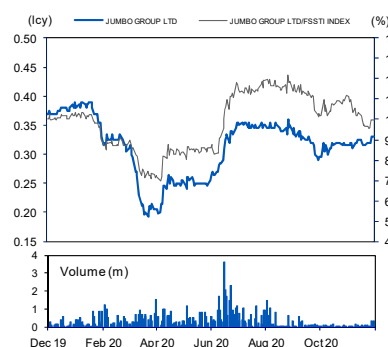
Price Performance (%)

52-week high/low				S\$0.390/S\$0.193
1mth	3mth	6mth	1yr	YTD
3.1	(4.3)	32.0	(12.0)	(13.2)

Major Shareholders

	%
JBO Hldgs	45.6
Ron Sim Chye Hock	10.0
FY21 NAV/Share (\$)	0.09
FY21 Net Cash/Share (\$)	0.04

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Challenging outlook for Singapore on the back of lower tourist footfall.** Going forward, we expect a slow recovery for its operations in Singapore as we are conservative on the return of mass tourism in Singapore in 2021. Management shared that outlets located at tourist spots, which include two of its highest revenue generating outlets – Jumbo Seafood at Riverside Point and The Riverwalk – continue to experience significant decline in sales due to lower footfall. Dine-in crowds on weekdays, particularly in the central business district area, stay muted on the back of general guidelines encouraging work-from-home arrangements. Furthermore, the seat capacity constraints have also impacted sales for better performing outlets, although this should gradually improve once Singapore moves to phase 3. We also highlight that the JSS in FY21 is likely to be lower at around S\$1.6m.
- **Initiatives that the group is implementing** include offering new products and rolling out high-tea concepts to lengthen revenue generating hours. The group is also introducing its new virtual brand, HACK IT, in Dec 20 which is the delivery of more affordable fresh food seafood with Jumbo's specially created sauce all in a bag to utilise excess resources in weaker performing outlets such as its outlet at The Riverwalk.
- **Outlook for China operations turns more positive.** Revenue from its operations in China grew by 35% hoh and management shared that performance in recent months in the country is close to/higher than pre-COVID-19 levels, mirroring the recovery in China's economy. Similarly, ever since the group took over the Jumbo Seafood Taiwan operations in Oct 19, the group has seen encouraging performance compared with the same period last year (excluding the impact from the COVID-19 pandemic). Management shared that the group is looking to improve its profitability in China, which has been loss making for the past three years, and is seeing encouraging trends. Expansion plans in FY21 would likely be through an expansion of its franchise network in China, Vietnam and Thailand.

EARNINGS REVISION/RISK

- We lower our FY21 and FY22 earnings by 50.3% and 26.0% respectively on the back of lower revenue and gross profit as we turn more conservative on the recovery of tourist arrivals in Singapore. Our FY21 revenue forecast incorporates close to 20% decline from FY19. We also introduce FY23 earnings of S\$11m.

VALUATION/RECOMMENDATION

- **Downgrade to SELL with target price of S\$0.27 (previously S\$0.23)**, pegged to 18x FY22F PE or close to 10% discount to peers' average, as we roll forward our valuation base to FY22 to account for more normalised earnings. Our downgrade comes as Jumbo's share price has recovered by approximately 70% since the year's low in Mar 20. At current prices, valuation appears lofty at 22.1x FY22F PE.

SHARE PRICE CATALYST

- Easing of border restrictions in Singapore.
- Improvement in cost structure.

PEER COMPARISON

Company	Ticker	Rec	Price @ 27-Nov-20 (lcy)	Target Price (lcy)	Market Cap (US\$m)	PE			P/B			ROE	Yield	Net Gearing
						2020 (x)	2021 (x)	2022 (x)	2020 (x)	2021 (x)	2022 (x)	2021 (%)	2021 (%)	
Koufu	KOUFU SP	BUY	0.66	0.73	274	25.4	14.3	12.3	3.3	3.1	2.8	20.7	3.2	(83.8)
Kimly	KMLY SP	BUY	0.29	0.36	258	13.3	12.1	11.1	3.1	3.2	3.0	11.5	5.7	(99.1)
Jollibee	JFC PM	NR	189	n.a.	4,347	n.a.	52.4	33.8	3.7	3.5	3.2	7.9	0.8	74.0
Mk Restaurants	M TB	NR	56	n.a.	1,703	58.9	25.9	21.4	3.7	3.6	3.5	14.0	3.5	25.8
Gourmet Master	2723 TT	NR	144.5	n.a.	912	28.2	21.5	19.3	2.4	2.3	2.1	11.0	2.5	12.4
Cafe De Coral	341 HK	NR	17.12	n.a.	1,294	22.4	20.1	17.9	3.3	3.1	2.9	16.0	3.4	33.4
China Quanjude	002186 CH	NR	11.52	n.a.	540	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(45.7)
Oishi	OISHI TB	NR	42.75	n.a.	529	15.0	n.a.	n.a.	2.3	n.a.	n.a.	n.a.	n.a.	(16.2)
Ajisen China	538 HK	NR	1.15	n.a.	162	5.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(25.5)
Berjaya Food	BFD MK	NR	1.7	n.a.	148	n.a.	24.6	20.0	1.8	1.9	1.8	7.6	1.8	186.5
Average						24.0	24.4	19.4	3.0	2.9	2.8	12.7	3.0	6.2
Jumbo	JUMBO SP	SELL	0.33	0.27	158	n.a.	47.6	22.1	3.8	3.5	3.4	7.7	0.0	(65.3)

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2020	2021F	2022F	2023F
Net turnover	97.6	126.2	153.0	162.8
EBITDA	1.4	19.7	28.6	31.6
Deprec. & amort.	17.1	17.3	18.0	18.9
EBIT	(15.7)	2.4	10.6	12.7
Total other non-operating income	10.6	4.3	2.7	2.7
Associate contributions	(0.3)	0.0	0.5	0.4
Net interest income/(expense)	(0.8)	(0.8)	(0.9)	(0.9)
Pre-tax profit	(6.3)	6.0	13.0	14.9
Tax	0.1	(1.0)	(2.9)	(3.3)
Minorities	1.7	(0.5)	(0.6)	(0.7)
Net profit	(4.5)	4.4	9.5	10.9
Net profit (adj.)	(4.5)	4.4	9.5	10.9

BALANCE SHEET

Year to 30 Sep (\$m)	2020	2021F	2022F	2023F
Fixed assets	23.6	24.5	24.2	23.4
Other LT assets	30.8	30.8	30.8	30.8
Cash/ST investment	27.7	30.5	32.7	37.0
Other current assets	13.9	17.9	21.6	23.0
Total assets	96.0	103.7	109.3	114.2
ST debt	1.6	1.6	1.6	1.6
Other current liabilities	23.3	26.0	28.3	29.1
LT debt	0.5	0.5	0.5	0.5
Other LT liabilities	13.2	13.2	13.2	13.2
Shareholders' equity	55.3	59.8	62.6	65.9
Minority interest	2.0	2.5	3.0	3.7
Total liabilities & equity	96.0	103.7	109.3	114.2

CASH FLOW

Year to 30 Sep (\$m)	2020	2021F	2022F	2023F
Operating	5.2	21.0	26.6	30.0
Pre-tax profit	(10.0)	6.0	13.0	14.9
Tax	(2.0)	(1.0)	(2.9)	(3.3)
Deprec. & amort.	6.7	6.1	6.7	7.4
Associates	0.3	0.0	0.0	0.0
Working capital changes	(4.8)	(1.3)	(1.5)	(0.5)
Non-cash items	(0.0)	0.0	0.0	0.0
Other operating cashflows	15.0	11.2	11.3	11.5
Investing	(9.6)	(7.0)	(6.5)	(6.5)
Capex (growth)	(7.5)	(7.0)	(6.5)	(6.5)
Investments	(0.0)	0.0	0.0	0.0
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	(2.1)	0.0	0.0	0.0
Financing	(14.5)	(11.2)	(17.9)	(19.2)
Dividend payments	(4.5)	0.0	(6.7)	(7.6)
Issue of shares	0.5	0.0	0.0	0.0
Proceeds from borrowings	(0.3)	0.0	0.0	0.0
Loan repayment	(10.3)	(11.2)	(11.3)	(11.5)
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	(18.9)	2.8	2.2	4.3
Beginning cash & cash equivalent	46.6	27.7	30.5	32.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	27.7	30.5	32.7	37.0

KEY METRICS

Year to 30 Sep (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	1.4	15.6	18.7	19.4
Pre-tax margin	(6.5)	4.7	8.5	9.2
Net margin	(4.6)	3.5	6.2	6.7
ROA	n.a.	4.5	9.0	9.8
ROE	n.a.	7.7	15.6	17.0
Growth				
Turnover	(36.5)	29.4	21.2	6.4
EBITDA	(92.2)	1,326.2	45.0	10.4
Pre-tax profit	(145.1)	n.a.	117.7	15.0
Net profit	(138.5)	n.a.	114.7	14.5
Net profit (adj.)	(138.5)	n.a.	114.7	14.5
EPS	(138.5)	n.a.	114.7	14.5
Leverage				
Debt to total capital	3.6	3.3	3.1	3.0
Debt to equity	3.9	3.6	3.4	3.2
Net debt/(cash) to equity	(46.3)	(47.5)	(48.8)	(52.9)
Interest cover (x)	1.7	23.5	32.8	34.5

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