

COMPANY RESULTS

Kimly (KMLY SP)

FY23: Results Slightly Above Expectations; Macro Headwinds Persist

Kimly reported FY23 core PATMI of S\$34m (-0.2% yoy), forming 104.5% of our full-year estimate and slightly above expectations. Revenue fell 1.2% yoy, mainly driven by the continued demand normalisation in food delivery. We note that Kimly continued to improve its net cash balance to S\$71.4m (+31.3% yoy), providing a buffer against inflationary pressures. Maintain HOLD with a target price of S\$0.36.

FY23 RESULTS

Year to 30 Sep (S\$m)	FY23	FY22	yoy% chg	2HFY23	yoy% chg	hoh% chg
Revenue	313.9	317.7	(1.2)	158.4	(1.6)	1.9
Gross Profit	88.9	91.5	(2.9)	46.4	6.0	9.2
Operating Profit	48.6	47.0	3.4	24.4	13.2	0.4
Headline PATMI	36.5	34.0	7.2	17.8	15.0	(4.6)
Core PATMI	34.0*	34.0	(0.2)	17.8	15.0	11.0
Gross Margin (%)	28.3	28.8	(0.5ppt)	29.3	2.1ppt	2.0ppt
Core PATMI Margin (%)	10.7*	10.7	0.0ppt	11.2	1.6ppt	(0.8ppt)

Source: Kimly, UOB Kay Hian, *Excluding one-off gain of S\$2.5m from confectionery business disposal

RESULTS

- Slightly above expectations.** For FY23, Kimly reported slightly lower revenue of S\$313.9m (-1.2% yoy) but higher headline PATMI of S\$36.5m (+7.2% yoy), forming 99.2% and 104.5% of our full-year forecasts respectively. Excluding the S\$2.5m gain on disposal of Kimly's confectionery business in 1HFY23, core PATMI was flat yoy (-0.2% yoy). Revenue decline was largely due to several food stall closures and lower contributions from existing food stalls, following the easing of COVID-19 restrictions. Gross margins also fell slightly by 0.5ppt yoy, as a result of rising wages along with higher cleaning and gas expenses, offset by lower food ingredient and utilities costs. Cost of sales as a percentage of revenue increased by 0.5ppt yoy to 71.7% in FY23.
- Better sequential performance.** FY23 was driven by a steady 2HFY23, where revenue (-1.6% yoy; +1.9% hoh) and core PATMI (+15.0% yoy; +11.0% hoh) improved sequentially. This was driven by more contributions from newly-opened coffeeshops and food stalls, offset by lower food delivery revenue and closures of underperforming stalls.
- Decent dividend yield.** Similar to 2HFY22, Kimly declared a final dividend of 1.12 S cents/share (FY22: 1.12 S cents/share), taking FY23 total dividends to 1.68 S cents/share (FY22: 1.68 S cents/share). This implies a dividend payout ratio of 57.2% (FY22: 61.4%) and decent yield of around 5%.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	318	314	328	345	362
EBITDA	53	55	55	59	63
Operating profit	47	49	49	53	58
Net profit (rep./act.)	39	41	43	46	50
Net profit (adj.)	39	41	43	46	50
EPS (S\$ cent)	3.1	3.3	3.4	3.7	4.0
PE (x)	10.1	9.5	9.2	8.5	7.8
P/B (x)	2.4	2.2	2.0	1.8	1.7
EV/EBITDA (x)	6.1	6.0	5.9	5.5	5.1
Dividend yield (%)	5.3	5.3	5.7	6.2	6.8
Net margin (%)	12.2	13.2	13.0	13.4	13.8
Net debt/(cash) to equity (%)	(33.6)	(40.4)	(64.3)	(85.3)	(103.4)
Interest cover (x)	13.8	25.4	34.7	37.3	40.1
ROE (%)	26.3	24.5	23.0	22.6	22.3
Consensus net profit	-	-	36	38	37
UOBKH/Consensus (x)	-	-	1.19	1.23	1.33

Source: Kimly, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.315
Target Price	S\$0.360
Upside	+14.3%

COMPANY DESCRIPTION

Kimly operates and manages coffee shops and food courts. The company offers prepared foods and drinks for on-premise consumption. Kimly serves customers in Singapore.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	KMLY SP
Shares issued (m):	1,240.6
Market cap (S\$m):	390.8
Market cap (US\$m):	293.6
3-mth avg daily t'over (US\$m):	0.0

Price Performance (%)

52-week high/low S\$0.365/S\$0.300

1mth	3mth	6mth	1yr	YTD
3.3	(3.1)	(8.7)	(8.7)	(10.0)

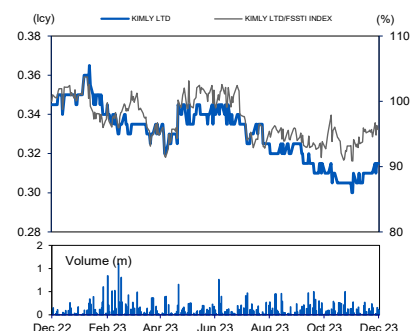
Major Shareholders

Shareholder	%
Lim Hee Liat	41.6
Peh Oon Kee	8.6
Ng Lay Beng	6.0

FY24 NAV/Share (S\$) 0.16

FY24 Net Cash/Share (S\$) 0.10

PRICE CHART



Source: Bloomberg

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- Cash war chest.** Kimly improved its strong balance sheet and boasts a net cash position of S\$71.4m at end-FY23 (end-1HFY23: S\$53.9m, end-2HFY22: S\$54.4m). Armed with a strong balance sheet along with strong operating cashflows due to its cash-generative business, Kimly has continued to maintain its policy of paying out more than 55-60% of annual earnings, which would imply a decent dividend yield of 5-7% moving forward.
- Mixed segmental performance.** The fall in overall FY23 annual revenue was largely due to lower food retail segment revenue (-3.9% yoy), dragged by a decline in food delivery revenue, the closure of five Tenderfresh restaurants/underperforming stalls and the disposal of the confectionery business. This was partially offset by higher contributions from the outlet management segment (+2.7% yoy), backed by three new coffeeshop openings in FY23, higher rental income, increased revenue from cleaning services and increased sales of beverages and tobacco products.

STOCK IMPACT

- Facing a challenging macroeconomic environment.** The F&B industry is no stranger to inflation, with rising ingredient and labour costs. Manpower shortage continues to plague the sector. The government's Progressive Wage Model (PWM) for F&B employees, introduced to uplift low wages, came into effect from 1 Mar 23 (start- 2HFY23). With such enactments, F&B industry players, including Kimly, will be impacted and would likely face margin compression in FY24.

EARNINGS REVISION/RISK

- We adjust our FY24-25 PATMI estimates slightly while adding our FY26 estimates.** Our new FY24/25/26 PATMI forecasts are S\$36.9m (S\$37.9m previously), S\$40.5m (S\$39.5m previously) and S\$44.2m respectively.

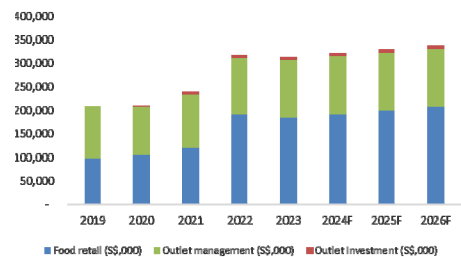
VALUATION/RECOMMENDATION

- Maintain HOLD with a PE-based target price of S\$0.36,** pegged to 12x (-0.5SD below mean) FY24F PE due to increasing costs from inflationary pressures. We have rolled over our valuation base year to 2024.

SHARE PRICE CATALYST

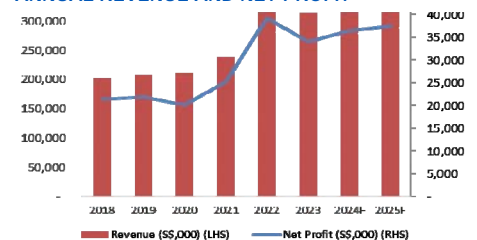
- Earnings-accretive M&As.

ANNUAL SEGMENTAL REVENUE



Source: Kimly, UOB Kay Hian

ANNUAL REVENUE AND NET PROFIT



Source: Kimly, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (S\$m)	2023	2024F	2025F	2026F
Net turnover	313.9	328.2	344.6	361.8
EBITDA	54.6	54.7	58.9	63.3
Deprec. & amort.	6.0	5.8	5.8	5.8
EBIT	48.6	48.9	53.1	57.5
Net interest income/(expense)	(2.1)	(1.6)	(1.6)	(1.6)
Pre-tax profit	46.5	47.3	51.5	55.9
Tax	(7.9)	(7.6)	(8.2)	(9.0)
Minorities	2.8	2.8	2.8	2.8
Net profit	41.4	42.5	46.1	49.8
Net profit (adj.)	41.4	42.5	46.1	49.8

CASH FLOW

Year to 30 Sep (S\$m)	2023	2024F	2025F	2026F
Operating	82.8	80.9	86.6	92.2
Pre-tax profit	46.5	47.3	51.5	55.9
Tax	(7.9)	(7.6)	(8.2)	(9.0)
Deprec. & amort.	6.0	5.8	5.8	5.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	(94.8)	(96.6)	(98.6)	(101.0)
Non-cash items	(0.2)	0.0	0.0	0.0
Other operating cashflows	133.2	131.9	136.1	140.5
Investing	(0.9)	(5.3)	(5.5)	(5.8)
Capex (growth)	(5.0)	(5.3)	(5.5)	(5.8)
Proceeds from sale of assets	0.2	0.0	0.0	0.0
Others	3.9	0.0	0.0	0.0
Financing	(70.5)	(22.2)	(24.3)	(26.5)
Dividend payments	(20.9)	(22.2)	(24.3)	(26.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	(49.7)	0.0	0.0	0.0
Net cash inflow (outflow)	11.4	53.5	56.8	59.9
Beginning cash & cash equivalent	77.6	89.1	142.6	199.3
Ending cash & cash equivalent	89.1	142.6	199.3	259.3

BALANCE SHEET

Year to 30 Sep (S\$m)	2023	2024F	2025F	2026F
Fixed assets	145.6	107.4	69.4	31.8
Other LT assets	83.2	82.2	81.3	80.3
Cash/ST investment	89.1	142.6	199.3	259.3
Other current assets	16.0	22.4	23.4	24.6
Total assets	333.8	354.5	373.5	395.9
ST debt	0.8	0.8	0.8	0.8
Other current liabilities	89.0	92.1	92.1	94.1
LT debt	16.9	16.9	16.9	16.9
Other LT liabilities	44.6	44.6	44.6	44.6
Shareholders' equity	176.5	194.1	213.0	233.5
Minority interest	6.1	6.1	6.1	6.1
Total liabilities & equity	333.8	354.5	373.5	395.9

KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	17.4	16.7	17.1	17.5
Pre-tax margin	14.8	14.4	14.9	15.5
Net margin	13.2	13.0	13.4	13.8
ROA	12.0	12.4	12.7	12.9
ROE	24.5	23.0	22.6	22.3
Growth				
Turnover	(1.2)	4.6	5.0	5.0
EBITDA	3.0	0.2	7.5	7.5
Pre-tax profit	7.6	1.8	8.8	8.6
Net profit	6.8	2.8	8.2	8.1
Net profit (adj.)	6.8	2.8	8.2	8.1
EPS	6.7	3.3	8.2	8.1
Leverage				
Debt to total capital	8.8	8.1	7.5	6.9
Debt to equity	10.0	9.1	8.3	7.6
Net debt/(cash) to equity	(40.4)	(64.3)	(85.3)	(103.4)
Interest cover (x)	25.4	34.7	37.3	40.1

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