

### COMPANY UPDATE

## Kimly (KMLY SP)

FY22 Results In Line; Stable Outlook And Dividend

**Kimly's FY22 net profit fell 13.4% yoy, mainly due to persistently higher operating costs. Revenue from the food retail segment grew 60.2% yoy, attributable to the newly-acquired Tenderfresh Group. Despite the closure of 11 underperforming food stalls during the year, the opening of 8 Tenderfresh food stalls has boosted revenue. However, fewer food outlets are expected in the future due to the disposal of Rive Gauche. Maintain HOLD with target price slightly lowered to S\$0.36.**

### WHAT'S NEW

- Increased operating costs continue to dampen margins.** Kimly faces persistent higher energy costs, driven by rising global gas and oil prices exacerbated by the Russo-Ukraine conflict. Additionally, salaries of F&B staff have increased by 15-20% over the last two years due to manpower shortage, in accordance with the Restaurant Association of Singapore (RAS). The Singapore government has also raised minimum qualifying salaries for foreigners by 11-20% from Sep 22. As roughly 35% of the total workforce in the F&B sector is foreigners per RAS, this will significantly impact industry players, including Kimly. Kimly's gross profit margin has fallen by 3.6ppt yoy to 29.2% in FY22. With the addition of spiking raw material costs from inflationary pressures, margins will likely continue to decline.
- Strong performance from food retail segment.** FY22 revenue from the group's food retail segment has risen substantially from S\$119.4m to S\$191.2m (+60.2% yoy), mainly from the newly-acquired Tenderfresh Group in Oct 21. Despite the closure of 11 underperforming food stalls during the year, the opening of 8 Tenderfresh food stalls has boosted the group's revenue. As management continues to set up more Tenderfresh food stalls in its coffee shops, the group captures growth opportunities in the Halal dining scene, which was last estimated at S\$1b in 2019.
- Robust balance sheet still intact, final dividend proposed.** Kimly has maintained its strong balance sheet and net cash position of S\$77.6m at end-FY22 (FY21: S\$95.0m). The lower net cash balance was largely caused by the S\$34m cash purchase consideration for Tenderfresh. Kimly has also proposed a final dividend of 1.12 S cents/share, bringing the total FY22 dividend to 1.68 S cents/share. This indicates about a 5% dividend yield, and demonstrates Kimly's consistency in its policy of paying out over 50% of annual earnings.

### KEY FINANCIALS

Year to 30 Sep (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	239	318	316	330	342
EBITDA	53	53	49	53	55
Operating profit	48	47	46	49	51
Net profit (rep./act.)	39	39	35	38	39
Net profit (adj.)	39	39	35	38	39
EPS (S\$ cent)	3.3	3.1	2.8	3.0	3.2
PE (x)	10.5	11.1	12.3	11.3	10.9
P/B (x)	3.1	2.7	2.5	2.3	2.1
EV/EBITDA (x)	7.2	7.2	7.7	7.2	6.9
Dividend yield (%)	5.8	4.9	4.9	5.4	5.6
Net margin (%)	16.3	12.2	11.0	11.5	11.5
Net debt/(cash) to equity (%)	(52.9)	(33.6)	(55.8)	(77.1)	(96.4)
Interest cover (x)	12.7	13.8	12.3	13.2	13.8
ROE (%)	32.0	26.3	20.7	20.8	20.0
Consensus net profit	-	-	36	35	36
UOBKH/Consensus (x)	-	-	0.96	1.08	1.11

Source: Kimly, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	S\$0.345
Target Price	S\$0.360
Upside	+4.3%
(Previous TP)	S\$0.370)

### 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):	1,243.0
Market cap (S\$m):	428.8
Market cap (US\$m):	317.1
3-mth avg daily t'over (US\$m):	0.0
<b>Price Performance (%)</b>	

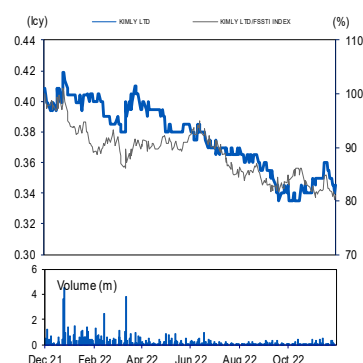
52-week high/low S\$0.419/S\$0.335

1mth	3mth	6mth	1yr	YTD
1.5	(2.8)	(10.4)	(15.6)	(15.6)

### Major Shareholders

	%
Lim Hee Liat	41.6
Peh Oon Kee	8.6
Ng Lay Beng	6.0
FY23 NAV/Share (S\$)	0.14
FY23 Net Cash/Share (S\$)	0.08

### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Fewer food outlets in the future.** In Sep 22, Kimly announced that it will sell Rive Gauche Pâtisserie, its confectionery business to Muginoho Global for a sale consideration of S\$2.8m. The disposal comprises seven branches, and is expected to be completed in FY23. On top of this, the agreements of nine coffee shops under a third-party brand were expected to be terminated in 2HFY22, upon completion of an internal reorganisation. As four coffee shops have yet to be terminated as of end-FY22, we foresee closure of these shops in the next financial period. Notwithstanding Kimly's guidance of 3-5 new outlet openings annually, we foresee fewer food outlets in aggregate, which will negatively impact future earnings.

### EARNINGS REVISION/RISK

- We have lifted our FY23-24 revenue forecasts slightly by 2.2% and 2.1% respectively, on greater contributions from the Tenderfresh Group network, reduced by the higher operating costs assumptions and fewer outlet openings.
- Accordingly, we have increased our FY23-24 net profit estimates slightly by 3.4% and 3.2% to S\$34.9m and S\$37.9m respectively, while adding our FY25 forecast.

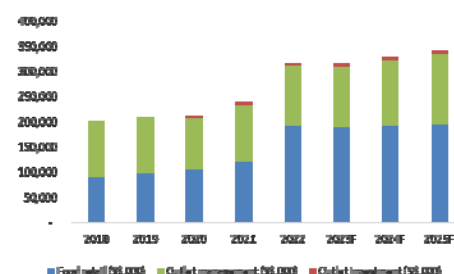
### VALUATION/RECOMMENDATION

- **Maintain HOLD with a lower PE-based target price of S\$0.36 (from S\$0.37)**, based on lowered valuation peg from 15.0x to 12.7x (-0.5SD below mean) FY23F PE due to increasing costs from inflationary pressures.

### SHARE PRICE CATALYST

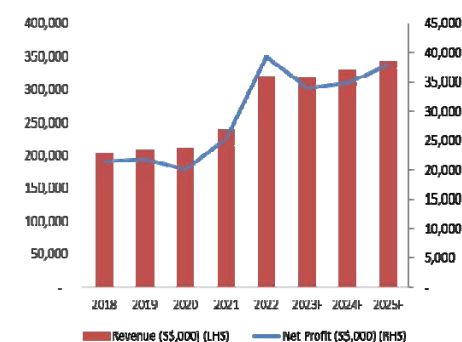
- Better-than-expected contributions from the Tenderfresh Group acquisition.

### ANNUAL SEGMENTAL REVENUE



Source: Kimly, UOB Kay Hian

### ANNUAL REVENUE AND NET PROFIT



Source: Kimly, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Sep (\$m)	2022	2023F	2024F	2025F
Net turnover	317.7	316.3	329.8	342.2
EBITDA	53.0	49.2	53.1	55.2
Deprec. & amort.	6.0	3.7	4.0	4.3
EBIT	47.0	45.5	49.1	51.0
Net interest income/(expense)	(3.8)	(4.0)	(4.0)	(4.0)
Pre-tax profit	43.2	41.5	45.1	47.0
Tax	(7.2)	(6.6)	(7.2)	(7.5)
Minorities	2.7	0.0	0.0	0.0
Net profit	38.7	34.9	37.9	39.5
Net profit (adj.)	38.7	34.9	37.9	39.5

### BALANCE SHEET

Year to 30 Sep (\$m)	2022	2023F	2024F	2025F
Fixed assets	175.4	140.6	106.0	71.4
Other LT assets	87.8	86.9	85.9	85.0
Cash/ST investment	77.6	121.0	169.8	221.2
Other current assets	16.4	22.2	24.8	25.7
<b>Total assets</b>	<b>357.3</b>	<b>370.7</b>	<b>386.6</b>	<b>403.3</b>
ST debt	1.1	1.1	1.1	1.1
Other current liabilities	95.0	94.8	95.9	97.2
LT debt	22.1	22.1	22.1	22.1
Other LT liabilities	72.3	72.3	72.3	72.3
Shareholders' equity	161.6	175.2	190.0	205.4
Minority interest	5.2	5.2	5.2	5.2
<b>Total liabilities &amp; equity</b>	<b>357.3</b>	<b>370.7</b>	<b>386.6</b>	<b>403.3</b>

### CASH FLOW

Year to 30 Sep (\$m)	2022	2023F	2024F	2025F
Operating	86.9	74.2	81.8	85.7
Pre-tax profit	43.2	41.5	45.1	47.0
Tax	(7.2)	(6.6)	(7.2)	(7.5)
Deprec. & amort.	6.0	3.7	4.0	4.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	(97.7)	(96.7)	(96.2)	(96.3)
Non-cash items	(0.1)	0.0	0.0	0.0
Other operating cashflows	142.7	132.3	136.1	138.3
Investing	(33.5)	(9.5)	(9.9)	(10.3)
Capex (growth)	(4.9)	(9.5)	(9.9)	(10.3)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	(28.8)	0.0	0.0	0.0
Financing	(70.8)	(21.3)	(23.1)	(24.1)
Dividend payments	(24.9)	(21.3)	(23.1)	(24.1)
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	(45.9)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>(17.4)</b>	<b>43.4</b>	<b>48.8</b>	<b>51.4</b>
Beginning cash & cash equivalent	95.0	77.6	121.0	169.8
Ending cash & cash equivalent	77.6	121.0	169.8	221.2

### KEY METRICS

Year to 30 Sep (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	16.7	15.6	16.1	16.1
Pre-tax margin	13.6	13.1	13.7	13.7
Net margin	12.2	11.0	11.5	11.5
ROA	11.3	9.6	10.0	10.0
ROE	26.3	20.7	20.8	20.0
<b>Growth</b>				
Turnover	33.1	(0.5)	4.2	3.8
EBITDA	0.5	(7.2)	7.9	4.0
Pre-tax profit	(2.2)	(3.8)	8.6	4.1
Net profit	(0.7)	(9.9)	8.6	4.1
Net profit (adj.)	(0.7)	(9.9)	8.6	4.1
EPS	(4.9)	(9.9)	8.6	4.1
<b>Leverage</b>				
Debt to total capital	12.2	11.4	10.6	9.9
Debt to equity	14.4	13.3	12.2	11.3
Net debt/(cash) to equity	(33.6)	(55.8)	(77.1)	(96.4)
Interest cover (x)	13.8	12.3	13.2	13.8

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