

COMPANY RESULTS

Kimly (KMLY SP)

1HFY23: Results Within Expectations; Macroeconomic Challenges Remain

For 1HFY23, Kimly's PATMI remained steady (+0.7% yoy), forming 53.4% of our full-year forecast. Revenue from the food retail segment fell 6% yoy, driven by the normalised demand for delivery sales. Kimly maintained its high net cash balance of S\$53.9m (+30.2% yoy). We opine that there is limited upside at current levels in the absence of near-term catalysts. Maintain HOLD with a target price of S\$0.36.

1HFY23 RESULTS

Year to 30 Sep (\$m)	1HFY23	1HFY22	yoy% chg
Revenue	155.5	156.9	(0.9)
Gross Profit	42.5	47.8	(11.0)
EBITDA	47.1	49.0	(3.9)
PATMI	18.7	18.5	0.7
Gross Margin (%)	27.3	30.4	(3.1ppt)
Net Margin (%)	12.7	12.8	(0.1ppt)

Source: Kimly, Bloomberg, UOB Kay Hian

RESULTS

- Margins under pressure.** For 1HFY23, Kimly reported stable revenue of S\$155.5m (-0.9% yoy) and positive PATMI growth (+0.7% yoy), forming 49.2% and 53.4% of our full-year forecasts respectively, largely within our expectations. Gross profit fell 11% yoy as a result of higher rental and employee benefit expenses incurred during the period. The absence of rental reliefs and governments grants, as well as rising wages, has led to a drop in 1HFY23 gross margin by 3.1ppt. Kimly declared a similar interim dividend to 1HFY22 of 0.56 S cents/share.
- Weak performance from Kimly's food retail segment offset by other segments.** The fall in revenue was attributable to the 6% yoy (-S\$5.5m) lower revenue contribution from its food retail division as food delivery demand normalised, along with the closure of restaurants/stalls. During FY22 and 1HFY23, five Tenderfresh Group restaurants and two stalls were closed upon resource rationalisation, while 11 stalls were closed due to poor performance. This was partially offset by revenue from the remaining outlet management (+S\$3.8m, +6.7% yoy) and outlet investment segments (+S\$0.3m, +9.1% yoy), as a result of five coffeeshop openings in FY22 and 1HFY23, higher rental income and increased sales of beverages and tobacco products.

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 (\$ 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)	6.4	6.3	6.8	6.3	6.1
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	37	40
UOBKH/Consensus (x)	-	-	0.98	1.01	1.00

Source: Kimly, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.345
Target Price	S\$0.36
Upside	+4.3%

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

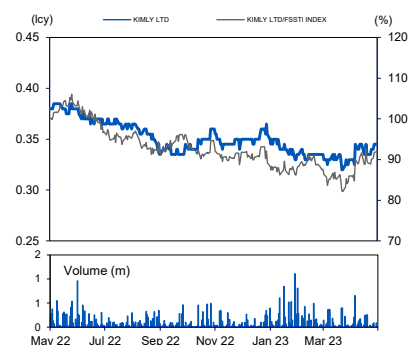
GICS sector	Consumer Discretionary
Bloomberg ticker:	KMLY SP
Shares issued (m):	1,241.8
Market cap (\$m):	428.4
Market cap (US\$m):	316.7
3-mth avg daily t'over (US\$m):	0.0
Price Performance (%)	

52-week high/low S\$0.385/S\$0.320

1mth	3mth	6mth	1yr	YTD
4.5	4.5	(4.2)	(9.2)	(1.4)

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

PRICE CHART



Source: Bloomberg

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- **Robust balance sheet still intact.** Kimly has maintained its strong balance sheet and net cash position of S\$53.9m at end-1HFY23 (end-1HFY22: S\$41.4m). 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 50% of annual earnings, which would imply a decent dividend yield of 4-5% going forward.

STOCK IMPACT

- **Slower growth in food outlet openings moving forward.** Kimly has successfully completed its disposal of seven Rive Gauche Pâtisserie branches for a sale consideration of S\$2.8m in 1HFY23. On top of this, another 18 restaurants/stalls have been closed across FY22 and 1HFY23. While Kimly has opened three new outlets in 1HFY23 and maintains its guidance of 3-5 new outlet openings annually, we foresee fewer food outlets on aggregate, which will negatively impact future earnings.
- **Macroeconomic headwinds persist.** The food and beverage (F&B) industry is no stranger to inflation, with rising ingredient and labour costs. However, manpower shortage also plagues the sector. To combat this, the Singapore government has raised minimum qualifying salaries for foreigners by 11-20% from Sep 22, with roughly 35% of the total workforce in the F&B sector being foreigners per RAS. Additionally, the government's Progressive Wage Model (PWM) for F&B employees, introduced to uplift low wages, came into effect from 1 Mar 23. With such enactments, F&B industry players, including Kimly, will be impacted.

EARNINGS REVISION/RISK

- **No changes.**

VALUATION/RECOMMENDATION

- **Maintain HOLD with a PE-based target price of S\$0.36**, pegged to 12.5x (-0.5SD below mean) FY23F PE due to increasing costs from inflationary pressures.

SHARE PRICE CATALYST

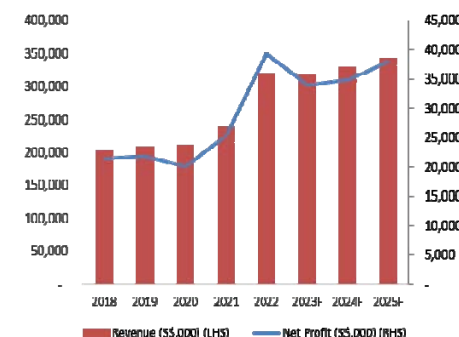
- Better-than-expected contributions from Tenderfresh Group acquisition.
- Earnings-accretive M&As.

ANNUAL SEGMENTAL REVENUE



Source: Kimly, UOB Kay Hian

ANNUAL REVENUE AND NET PROFIT



Source: Kimly, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$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
Total assets	357.3	370.7	386.6	403.3
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
Total liabilities & equity	357.3	370.7	386.6	403.3

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
Net cash inflow (outflow)	(17.4)	43.4	48.8	51.4
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
Profitability				
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
Growth				
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
Leverage				
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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