

**DMG & Partners Research**  
**CONSUMER**

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**Consumer**

The company imports, exports, licenses, distributes and retails consumer fashion wear and accessories and timepieces. It also has its own proprietary brand, RAOUL.

**Stock Profile/Statistics**

	FJB SP
Bloomberg Ticker	STI
Issued Share Capital (m)	3065.1
Market Capitalisation (S\$m)	568.7
52 week H   L Price (S\$)	190.5
Average Volume ('000)	0.37   0.27
YTD Returns (%)	175.8
Net gearing (%)	15.5
Altman Z-Score	38.9
ROCE/WACC	2.6
Beta (x)	0.9
Book Value/share (S¢)	1.1
	23.6

**Major Shareholders (%)**

Benjamin Family	27.3
Lim Eng Hock	17.8
Raffles Investments	11.0
Aberdeen Asset Management	8.1

**Share Performance (%)**

Month	Absolute	Relative
1m	1.5	(1.2)
3m	4.7	(5.5)
6m	1.5	(1.7)
12m	0.0	(10.8)

**6-month Share Price Performance**

**4QFY12 Results Review**

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**F J BENJAMIN**

<b>BUY</b>	<b>↔</b>
<b>Price</b>	<b>S\$0.335</b>
<b>Previous Target</b>	<b>S\$0.41</b>
	<b>US\$0.39</b>

**Dividend disappoints**

FJB recorded a 3.0% YoY growth in 4QFY12 revenue to S\$91.5m, while PATMI declined 11% YoY to S\$1.8m. Revenue was within expectations, but PATMI came below expectation due to weaker than expected contribution from associates. Looking ahead, revenue growth is likely to be supported by (1) addition of two more brands; (2) expanding Raoul label to penetrate further into existing and new markets; (3) opening of 15 new stores (net of closures). FJB declared a dividend of 1.0 S¢/ share, as it moves to conserve cash for potential investments ahead. Outlook remains challenging, although FJB's portfolio of popular lifestyle and luxury brands would be able to help it ride through near term uncertainties. As we roll forward our earnings, we derive a TP of S\$0.39. Maintain BUY.

**Continues to expand.** The addition of VNC to its portfolio of brands would help raise its visibility in Indonesia and contribute to growth in associate income. However, this distribution business is not expected to have significant contribution in FY13, as the first store would only open in Dec 2012. FJB is currently negotiating to add two other lifestyle and luxury brands to its portfolio.

**FY12 payout was a tad disappointing.** FJB has been distributing at least 2.0 S¢/share over the past 5 years (except FY09). Nonetheless, FY12's dividend is a 40.9% payout, which translates into a yield of 2.9%. FY12 net gearing rose to 0.4x (from 0.1x) due to expansion taken on during the year. As its business continues to grow, we think management would revert to paying higher dividends.

**Effective tax rate expected to increase** as FJB completes utilising its brought forward tax losses and Group tax relief. This would dampen PATMI growth and net margins, going forward. Hence, we are estimating PATMI of S\$14.6m for FY13F (previously S\$18.2m). Based on our DCF methodology and WACC assumption of 8.2%, we have a TP of S\$0.39, which works out to 15x FY13F earnings. FJB historically trades at an average P/E of 16.8x.

FYE 30 Jun (S\$m)	FY10	FY11	FY12	FY13F	FY14F
Turnover	289.4	353.9	393.2	428.3	459.2
Net profit	8.3	13.0	13.9	14.6	16.1
% chg YoY	-410.4	56.9	7.2	5.2	10.0
Consensus				15.4	17.5
EPS (S¢)	1.5	2.3	2.4	2.6	2.8
DPS (S¢)	2.0	2.0	1.0	2.0	2.0
Div Yield (%)	6.0	6.0	3.0	6.0	6.0
ROE (%)	6.0	9.9	10.4	10.0	10.5
ROA (%)	3.2	4.6	5.1	4.7	5.0
P/E (x)	23.1	14.7	13.7	13.0	11.8
P/B (x)	1.4	1.4	1.4	1.3	1.2

Source: Company and DMG Estimates

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## Updates

**Associates still doing well.** FJB reported a 61% decline in share of associate's profits. Management highlighted that revenue at its Indonesian associate, PT Sukeses, is growing well. FJB has an agreement with Indonesian associate, whereby FJB charges the associate, a technical fee/market support fee (pegged to associate's revenue), for supporting the latter's operations. FJB records this as other income (+56% YoY). Hence, with increased revenue at associate level, technical fee charged to associate rises, which in turn, would impact the associate's profitability. This would result in a lower share of profits from associates.

**Working capital should improve going forward.** FY12's working capital declined, due to payments made to a trade creditor. FJB worked out a one-off deal with a supplier, for some discount off its purchases, should it pay the creditor within a certain timeframe. As a result, operating cash flow declined in FY12. Without such a deal in FY13, cash flows and hence, working capital, should improve.

Figure 1: Quarterly financials

YE 30 Jun (S\$m)	FY12	FY11	YoY%	4Q12	4Q11	YoY%	3Q12	QoQ%	Remarks	
Revenue	393.2	353.9	11.1%	91.5	88.9	3.0%	95.8	-4.5%	4Q is seasonally the weakest quarter. FJ had to close some stores at Suntec City due to refurbishment of the mall. In line with expectations.	
Cost of sales	(224.8)	(202.5)	11.0%	(55.1)	(52.3)	5.5%	(52.1)	5.8%		
Other income	9.4	6.0	56.0%	2.4	2.3	4.1%	2.5	-3.7%		
Depreciation	(7.1)	(6.3)	12.6%	(2.1)	(1.7)	24.7%	(1.8)	14.7%		
Rental of premises	(49.7)	(45.9)	8.3%	(13.0)	(11.7)	11.5%	(13.3)	-2.3%		
Other operating expenses	(101.4)	(86.9)	16.6%	(21.0)	(20.2)	4.0%	(25.0)	-16.1%		
Finance cost	(2.0)	(1.7)	17.7%	(0.6)	(0.6)	14.1%	(0.4)	48.8%		
Exceptional items	(0.3)	(0.8)	-62.5%	0.2	(0.4)	n.m.	(0.5)	n.m.		
Forex gain/(loss)	1.7	(0.3)	n.m.	0.5	(1.9)	n.m.	(0.1)	n.m.		
Share of associates	0.6	1.5	-61.2%	(0.4)	(0.2)	149.1%	0.3	n.m.		
<b>Profit before taxes</b>	<b>19.7</b>	<b>17.0</b>	<b>15.4%</b>	<b>2.5</b>	<b>2.4</b>	<b>1.6%</b>	<b>5.4</b>	<b>-54.1%</b>		Due to performance of St James, and partly due to higher technical fee charged to Indonesian associate, PT Sukeses.
Income tax	(6.1)	(4.3)	43.5%	(0.7)	(0.3)	114.6%	(1.9)	-60.4%		
Minority interest	0.4	0.2	85.0%	0.1	-	100.0%	(0.0)	n.m.		
<b>Net income</b>	<b>13.9</b>	<b>13.0</b>	<b>7.2%</b>	<b>1.8</b>	<b>2.1</b>	<b>-11.1%</b>	<b>3.5</b>	<b>-47.0%</b>		
<b>Margins</b>										
Gross	42.8%	42.8%	0.1%	39.7%	41.2%	-3.5%	45.6%	-12.8%		
Operating profit	5.0%	5.2%	-3.2%	3.0%	6.1%	-50.7%	6.4%	-52.6%		
PBT	5.0%	4.8%	3.9%	2.7%	2.7%	-1.3%	5.6%	-52.0%		
PATMI	3.5%	3.7%	-3.5%	2.0%	2.3%	-13.7%	3.6%	-44.5%		

Source: Company

## FINANCIAL SUMMARY

Year End 30 Jun (\$m)				
Income Statement				
	FY11	FY12	FY13F	FY14F
Revenue	353.9	393.2	428.3	459.2
Cost of sales	(202.5)	(224.8)	(244.5)	(261.8)
Other income	5.8	9.4	8.6	9.2
Depreciation	(6.3)	(7.1)	(8.1)	(7.6)
Rental of premises	(45.9)	(49.7)	(54.4)	(59.7)
Other operating expenses	(86.9)	(101.4)	(107.1)	(114.8)
Finance cost	(1.7)	(2.0)	(2.5)	(2.5)
Exceptional items	(0.8)	1.4	-	-
Share of associates	1.5	0.6	0.6	0.9
<b>Profit Before Taxes</b>	<b>17.0</b>	<b>19.7</b>	<b>20.9</b>	<b>23.0</b>
Income Tax Expense	(4.3)	(6.1)	(6.3)	(6.9)
<b>Net Income</b>	<b>13.0</b>	<b>13.9</b>	<b>14.6</b>	<b>16.1</b>
Balance Sheet				
	FY11	FY12	FY13F	FY14F
Fixed Assets	29.8	31.7	31.7	30.1
Others	14.1	29.6	30.1	31.1
<b>Non-Current Assets</b>	<b>44.4</b>	<b>61.9</b>	<b>62.4</b>	<b>61.7</b>
Inventories	94.4	110.4	119.9	128.6
Trade debtors	57.6	58.9	66.4	71.2
Others	22.5	25.9	29.6	31.7
Cash at bank and on hand	65.2	14.7	32.8	26.4
<b>Current Assets</b>	<b>239.7</b>	<b>209.9</b>	<b>248.7</b>	<b>257.8</b>
<b>Total assets</b>	<b>284.1</b>	<b>271.9</b>	<b>311.1</b>	<b>319.6</b>
Trade and other creditors	74.9	64.8	89.9	91.8
Bank borrowings	71.3	59.4	57.9	56.4
Others	2.6	3.9	6.6	7.2
<b>Current liabilities</b>	<b>148.8</b>	<b>128.0</b>	<b>154.4</b>	<b>155.5</b>
Bank borrowings	-	6.5	6.2	5.9
Others	3.8	3.8	4.6	4.8
<b>Non-current liabilities</b>	<b>3.8</b>	<b>10.3</b>	<b>10.7</b>	<b>10.6</b>
<b>Total liabilities</b>	<b>152.6</b>	<b>138.3</b>	<b>165.1</b>	<b>166.1</b>
<b>Net assets</b>	<b>131.5</b>	<b>133.6</b>	<b>145.9</b>	<b>153.4</b>
Share capital	165.4	165.4	165.4	165.4
Reserves	(33.9)	(31.5)	(19.2)	(11.7)
	131.6	134.0	146.3	153.8
Minority interest	(0.1)	(0.3)	(0.3)	(0.3)
<b>Shareholder's funds</b>	<b>131.5</b>	<b>133.6</b>	<b>145.9</b>	<b>153.4</b>

Cash Flow				
	FY11	FY12	FY13F	FY14F
<b>Profit Before Taxation</b>	<b>17.0</b>	<b>19.7</b>	<b>20.9</b>	<b>23.0</b>
Non-cash items	4.5	9.2	10.2	9.5
Changes in Working Capital	(11.1)	(30.7)	8.2	(11.6)
Income Tax Paid	(3.3)	(4.9)	(3.6)	(6.3)
<b>Net cash from operations</b>	<b>7.1</b>	<b>(6.8)</b>	<b>35.6</b>	<b>14.6</b>
Purchase of fixed assets	(7.8)	(8.5)	(8.0)	(6.0)
Interest received	0.1	0.6	0.1	0.1
Others	(0.4)	(15.9)	0.5	0.5
<b>Net cash used in investments</b>	<b>(8.2)</b>	<b>(23.8)</b>	<b>(7.4)</b>	<b>(5.4)</b>
Net proceeds from share issue	-	-	-	-
(Repayment of)/Proceeds from bank borrowings	11.4	20.2	(1.8)	(1.8)
Interest paid	(1.8)	(2.7)	(2.6)	(2.5)
Dividends paid	(11.4)	(11.4)	(5.7)	(11.4)
Others	-	-	-	-
<b>Net cash from financing</b>	<b>(1.7)</b>	<b>6.2</b>	<b>(10.1)</b>	<b>(15.7)</b>
Net increase / (decrease) in cash	(2.8)	(24.4)	18.1	(6.5)
Cash (beginning)	35.5	32.4	7.7	25.8
Net effect of exchange rate	(0.3)	(0.2)	-	-
<b>Cash (end)</b>	<b>32.4</b>	<b>7.7</b>	<b>25.8</b>	<b>19.4</b>

Ratios				
	FY11	FY12	FY13F	FY14F
<b>Growth &amp; Margin (%)</b>				
Revenue Growth	22.3	11.1	8.9	7.2
EBIT Growth	89.9	7.5	15.8	7.7
EBIT Margin	5.1	5.0	5.3	5.3
Pretax Profit Growth	84.7	15.4	6.2	10.0
Pretax Profit Margin	4.8	5.0	4.9	5.0
Tax rate	26.0	31.2	30.0	30.0
Net Income Growth	56.9	7.2	5.2	10.0

Revenue Breakdown				
	FY11	FY12	FY13F	FY14F
Retail	180.4	204.5	226.9	249.6
Distribution	98.4	105.3	112.6	118.3
Export	75.1	83.5	87.7	90.3
<b>Total</b>	<b>353.9</b>	<b>393.2</b>	<b>428.3</b>	<b>459.2</b>

Source: Company and DMG estimates

## DMG & Partners Research Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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