

Money Talk

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22 August 2012

FJ Benjamin Holdings (FJB SP)
FY12: On A Growth Trajectory

BUY +14.3%
Price/Target S\$0.350/S\$0.40
Mkt. Cap/F. Float S\$199m/55%

Company Update

Results

- **Slightly below expectation.** FJ Benjamin (FJB) reported 6% yoy growth in FY12 net profit to S\$13.9m, which was 6.7% below our expectations. This was mainly due to lower-than-expected sales in 4QFY12 and higher-than-expected costs related to the development of RAOUL.
- **Revenue up 11%.** FY12 revenue was up 11% yoy to S\$393.2m, driven by buoyant retail spending in Singapore, Malaysia, Hong Kong and China. Revenue from the fashion segment grew 10% yoy to S\$251.8m in FY12, while the timepiece business grew 14% yoy to S\$140.6m.
- **Operating expenses up 14%.** FY12 operating expenses were up 14% yoy due to higher headcount, store rental, a newly set up warehousing centre in Shenzhen and a showroom in Milan.
- **Declared 1 S cent dividend.** FJB has declared a first and final dividend of 1 S cent/share, implying dividend yield of 2.9%. This is down from 2 S cents/share paid out in FY10 and FY11, as FJB will re-invest earnings to further expand its brand portfolio and store network in FY13.

Stock Impact

- **Signs Vincci deal.** FJB recently signed an exclusive 10-year deal to distribute women's shoes and accessories under the Vincci brand in Indonesia. Under the agreement, FJB will, through its associate PT Gilang Agung Persada, open a total of 25 stores within five years. We forecast three store openings in the first year, which are expected to have an immediate uplift on associate contribution.
- **Eyeing more brands.** We believe that FJB could add a lifestyle brand and another high-end fashion label to its portfolio within the next 12 months. In our view, brand additions will drive the next leg of FJB's growth as the group has not acquired a mass market brand for six years prior to the recent Vincci deal.
- **Transitional year for RAOUL.** FY12 was very much a transitional year for RAOUL as FJB invested heavily to build key management and expand distribution channels. We expect RAOUL losses to narrow significantly in FY13 as a double-digit top-line growth will outpace stabilising operating expenses.

Earnings Revision

- **Tweaked earnings forecast.** We reduced our FY13 and FY14 net profit forecast by 12.0% and 17.5% respectively, accounting for higher-than-expected operating expenses and interest costs from higher gearing.

Valuation

- **Re-iterate BUY** with lower target price of S\$0.40 (previously S\$0.42), implying 14.3% upside. Our target price is based on 14.8x FY13F PE, at a 5% premium to Hong Kong and Indonesia peers' average of 14.1x. We raise our valuation peg from 13.4x to 14.8x as we believe FJB's brand expansion strategy will create a platform to improve future growth potential in Southeast Asia.

Technical View



Source: NextView

The stock is trending up and appears to be testing its immediate resistance at S\$0.36. The stock could test S\$0.40 if a breakout occurs at this level, while support is at S\$0.32

Financials

Year to 30 Jun (S\$m)	2010	2011	2012	2013F	2014F
Net turnover	289.4	353.9	393.2	450.6	478.5
Gross profit	119.3	151.4	168.4	193.8	205.8
EBITDA	12.7	24.6	71.5	27.1	30.5
EBIT	5.1	18.3	52.2	19.6	22.5
Net profit	8.3	13.0	13.9	15.4	17.5
EPS (S cent)	1.5	2.3	2.4	2.7	3.1
PE (x)	24.1	15.4	14.3	13.0	11.4
P/B (x)	1.5	1.5	1.5	1.4	1.3
EV/EBITDA (x)	35.5	10.5	4.2	9.9	9.0
Dividend yield (%)	5.7	5.7	2.9	3.1	4.6
Net margin (%)	2.9	3.7	3.5	3.4	3.7
Net gearing (%)	(5.7)	4.7	38.3	19.7	24.0
Interest cover (x)	2.9	10.3	19.6	9.9	11.4
ROE (%)	6.1	9.6	10.5	11.1	12.2
Consensus PATMI				17.9	21.6
UOBKH/Con (x)				0.86	0.81

Source: FJ Benjamin, Bloomberg, UOB Kay Hian

Background

FJB operates 191 retail outlets (as of end-FY12) in several territories in Southeast Asia and employs over 1,000 employees. FJB has retailing and/or distribution rights to brands such as Banana Republic, GAP, Guess, La Senza, Bell & Ross, Girard Perregaux, Jean Richard, Marc Ecko, Nautica and Victorinox Swiss Army.

Peer Comparison

Company	Ticker	Mkt. Cap (S\$m)	PE FY12F (x)	PE FY13F (x)	EPS CAGR FY12-14F (%)	PEG FY13F (x)	ROE FY13F (%)	P/B Current (x)
Hong Kong-listed Peers								
Trinity Ltd	891 HK	1,508	16.0	13.3	16.3	0.8	19.3	2.9
Ports Design Ltd	589 HK	772	8.7	7.7	9.3	0.8	23.6	2.2
Giordano International Ltd	709 HK	1,507	12.4	10.9	7.4	1.5	28.4	3.4
I.T Ltd	999 HK	704	8.4	7.0	14.1	0.5	21.7	1.9
Belle International Holdings	1880 HK	20,181	21.3	17.9	16.3	1.1	23.1	5.3
Daphne International	210 HK	2,167	14.0	11.3	12.7	0.9	24.2	3.3
Hong Kong Average			13.5	11.4	12.7	0.9	23.4	2.5
Indonesia-listed Peers								
Ace Hardware Indonesia	ACES IJ	1,354	28.9	22.7	26.1	0.9	26.6	7.7
Mitra Adiperkasa Tbk Pt	MAPI IJ	1,540	25.2	19.7	28.5	0.7	23.8	6.3
Ramayana Lestari Sentosa	RALS IJ	1,102	18.1	16.1	17.3	0.9	16.2	2.9
Indonesia Average			24.1	19.5	24.0	0.8	22.2	5.6
Peers' Average			17.0	14.1	16.4	0.9	23.0	4.0
FJ Benjamin	FJB SP	191	12.8	10.9	19.1	0.6	12.7	1.5

Source: Bloomberg, UOB Kay Hian

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MICA (P) 055/03/2012
RCB Regn. No. 198700235E