

Hold (from Buy)

Share price: SGD0.35
 Target price: SGD0.36 (from SGD0.43)

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Stock Information

Description: A retailer and distributor for international luxury and lifestyle labels across Asia, including brands like Banana Republic, Catherine Deane, Celine, Gap, Givenchy, Goyard, Guess, La Senza, RAOUL and more. It also has an interest in St James Holdings. Today, the group has more than 190 stores.

| | |
|-----------------------------------|----------|
| Ticker: | FJB SP |
| Shares Issued (m): | 568.7 |
| Market Cap (USD m): | 159.3 |
| 3-mth Avg Daily Turnover (USD m): | 0.04 |
| ST Index: | 3,065.77 |
| Free float (%): | 54.7 |

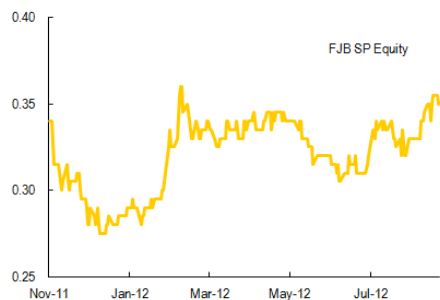
Major Shareholders:

| | |
|--------------|------|
| Lim Eng Hock | 11.4 |
| Segulah Pte | 16.2 |
| Raffles Inv | 11.0 |

Key Indicators

| | |
|---------------------|------|
| ROE (%) | 5 |
| Net debt (SGD m): | 51.8 |
| NAV/shr (SG ct): | 23.6 |
| Interest cover (x): | 7.4 |

Historical Chart



Performance:

52-week High/Low SGD0.27/0.37

| | | | | | |
|--------------|-------|-------|-------|------|------|
| | 1-mth | 3-mth | 6-mth | 1-yr | YTD |
| Absolute (%) | 7.7 | 9.4 | 4.5 | 16.7 | 20.7 |
| Relative (%) | 5.9 | -0.9 | 3.0 | 4.0 | 4.2 |

FJ Benjamin

Brand building, a long-term game

FYJun12 missed estimates. Full-year results came below our expectations, with sales of SGD393.2m, and net profit of SGD13.5m, making up 85% of our estimates. The group offered a final dividend of 1ct, as opposed to 2cts as of FYJun11; this is attributed to aggressive expansion and necessary increases in working capital. We lower our estimates for FY13-15 by 14-17% to account for higher operating expenses. We downgrade the stock to a HOLD on the basis of lower-than-expected margins and expensive valuations.

Higher expenses all around. Pre-tax profit came in within our expectations at SGD19.7m, but the group's tax rate rose 5.9ppt due to higher sales coming from Malaysia, where the effective tax rate is 30%. Tax is expected to normalize to 30% going forward. Cost-to-revenue ratio rose 1ppt to 40%, on the back of higher costs coming from development of RAOUL.

Sales growth still healthy. Regionally, fashion sales rose 10% YoY to SGD251.8m, boosted by markets in Malaysia, Hong Kong, the US and Europe. Timepieces performed well at SGD140.6m, up 14% YoY. The group is planning to open net 15 stores in FYJun13, adding to its current 191 stores.

Clinched a 10-year exclusive rights contract with Padini. FJB has signed a 10-year exclusive rights deal to distribute Vincci (VNC) shoes and accessories through FJB's associate PT Gilang Agung Persada in Indonesia. The group will open 25 stores within five years throughout Indonesia and the first store is expected to debut by year-end.

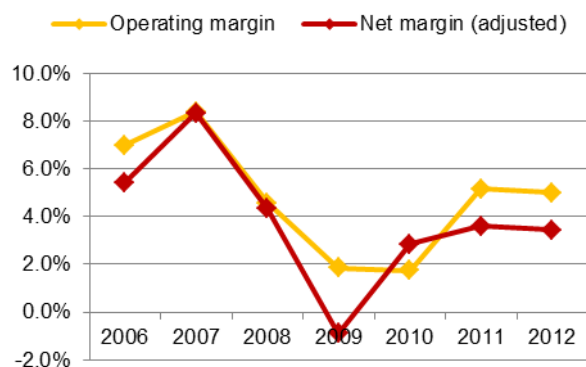
Downgrade to HOLD. We are changing our valuation methodology from DCF for P/E to better account for cyclical cycles. Downgrade to HOLD with a TP of SGD0.36, based on 14x FYJun13F PE. Catalysts include better visibility from RAOUL and margin improvement.

FJ Benjamin– Summary Earnings Table

| FYE Jun 30 (SGD m) | 2011 | 2012 | 2013E | 2014E | 2015E |
|------------------------------|-------|-------|-------|-------|-------|
| Revenue | 353.9 | 393.2 | 424.4 | 453.1 | 473.6 |
| EBITDA | 24.6 | 26.7 | 28.7 | 31.5 | 33.4 |
| Recurring Net Profit | 12.8 | 13.5 | 14.7 | 16.3 | 17.9 |
| Recurring Basic EPS (cents) | 2.2 | 2.4 | 2.6 | 2.9 | 3.1 |
| EPS growth (%) | 54.6 | 6.0 | 8.9 | 10.5 | 9.8 |
| DPS (cents) | 2.0 | 1.0 | 2.0 | 2.0 | 2.0 |
| PER | 15.6 | 14.7 | 13.5 | 12.2 | 11.1 |
| EV/EBITDA (x) | 7.2 | 9.3 | 8.3 | 7.7 | 7.2 |
| Div Yield (%) | 5.7 | 2.9 | 5.7 | 5.7 | 5.7 |
| P/BV(x) | 1.3 | 1.5 | 1.4 | 1.4 | 1.3 |
| Net Gearing (%) | -15.1 | 38.2 | 30.7 | 31.2 | 30.2 |
| ROE (%) | 4.5% | 5.0% | 4.9% | 5.3% | 5.6% |
| ROA (%) | 9.7% | 10.1% | 10.7% | 11.4% | 12.0% |
| Consensus Net Profit (SGD m) | | | 17.9 | 21.6 | |

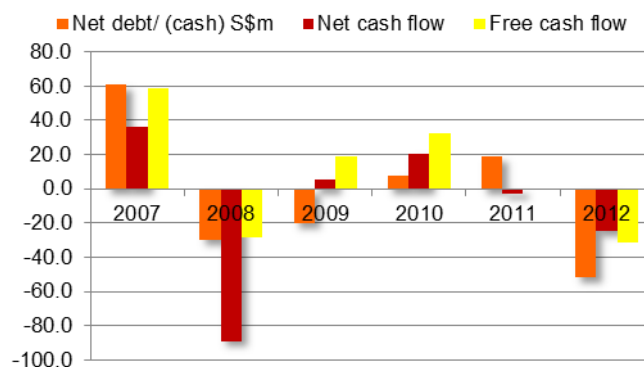
Source: Maybank IB

Figure 1: Operating & net margins



Source: company data

Figure 2: Net cash (debt)(SGD m)



Source: Company data

Figure 4: Retail brands under FJB

Fashion

| Luxury | Affordable Luxury | Lifestyle |
|-----------------|-------------------|--------------------|
| Catherine Deane | RAOUL (own) | Banana Republic |
| Goyard | | Gap |
| Celine | | GapKids/ babyGap |
| Givenchy | | Guess/ Guess Kids/ |
| | | Guess Accessories |
| | | Guess Kids |
| | | La Senza |
| | | Vincci |

Timepieces

| Luxury | Lifestyle |
|------------------|-----------------------|
| Bell & Ross | Chronotech |
| Chronoswiss | Gc Watches |
| DeWitt | Guess Watches |
| Girard-Perreganx | Nautica |
| RADO | Marc Ecko |
| | Victorinox Swiss Army |
| | Watchzone |

Source: company website

PROFIT AND LOSS (SGD m)

| FYJun30 | 2011 | 2012 | 2013E | 2014E | 2015E |
|------------------------------|---------|---------|---------|---------|---------|
| Sales | 353.9 | 393.2 | 424.4 | 453.1 | 473.6 |
| Cost of goods sold | (202.5) | (224.8) | (242.7) | (259.1) | (270.9) |
| Gross profit | 151.4 | 168.4 | 181.6 | 193.9 | 202.7 |
| Operating expenses | (133.1) | (148.7) | (160.6) | (170.5) | (177.8) |
| Operating profit | 18.3 | 19.7 | 21.1 | 23.4 | 24.9 |
| Net interest | (1.7) | (2.0) | (2.8) | (3.0) | (2.3) |
| Interest income | 0.1 | 0.6 | 0.1 | 0.1 | 0.1 |
| Interest expense | (1.8) | (2.7) | (2.9) | (3.1) | (2.4) |
| Net investment income/(loss) | 1.5 | 0.6 | 1.1 | 1.1 | 1.2 |
| Net other non-op. JV+Assoc. | (0.3) | 1.7 | 1.7 | 1.7 | 1.7 |
| Net extraordinaries | (0.8) | (0.3) | 0.0 | 0.0 | 0.0 |
| Pretax profit | 17.0 | 19.7 | 21.1 | 23.3 | 25.6 |
| Income taxes | (4.3) | (6.1) | (6.3) | (7.0) | (7.7) |
| Minority interests | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 12.8 | 13.5 | 14.7 | 16.3 | 17.9 |
| EBITDA | 24.6 | 26.7 | 28.7 | 31.5 | 33.4 |
| EPS (SGD) | 2.2 | 2.4 | 2.6 | 2.9 | 3.1 |

BALANCE SHEET (SGD m)

| FYJun30 | 2011 | 2012 | 2013E | 2014E | 2015E |
|-----------------------------|--------|--------|--------|--------|--------|
| Total assets | 284.1 | 271.3 | 303.3 | 306.5 | 318.6 |
| Current assets | 239.7 | 209.9 | 237.2 | 236.9 | 246.3 |
| Cash & ST investment | 65.2 | 14.7 | 33.2 | 26.3 | 27.2 |
| Inventories | 94.4 | 110.4 | 110.3 | 112.7 | 117.8 |
| Accounts receivable | 78.6 | 82.6 | 91.9 | 96.1 | 99.4 |
| Others | 1.5 | 2.2 | 1.7 | 1.8 | 1.9 |
| Other assets | 44.4 | 61.4 | 66.2 | 69.7 | 72.3 |
| LT investments | 17.8 | 33.8 | 35.7 | 36.8 | 37.9 |
| Net fixed assets | 24.7 | 26.6 | 29.0 | 31.4 | 32.9 |
| Others | 1.9 | 0.9 | 1.5 | 1.5 | 1.5 |
| Total liabilities | 126.6 | 138.3 | 166.0 | 164.3 | 169.8 |
| Current liabilities | 122.0 | 128.0 | 155.3 | 153.6 | 159.1 |
| Accounts payable | 75.2 | 65.0 | 84.1 | 86.8 | 90.8 |
| ST borrowings | 44.5 | 59.4 | 68.7 | 64.0 | 65.5 |
| Others | 2.3 | 3.6 | 2.5 | 2.7 | 2.8 |
| Long-term liabilities | 4.6 | 10.3 | 10.6 | 10.7 | 10.7 |
| Long-term debts | 1.6 | 7.2 | 7.5 | 7.6 | 7.6 |
| Others | 3.0 | 3.1 | 3.1 | 3.1 | 3.1 |
| Shareholder's equity | 131.5 | 134.0 | 137.4 | 142.3 | 148.8 |
| Paid-in capital | 165.4 | 165.4 | 165.4 | 165.4 | 165.4 |
| Reserve | (34.0) | (31.5) | (28.1) | (23.2) | (16.7) |

CASH FLOW (SGD m)

| FYJun30 | 2011 | 2012 | 2013E | 2014E | 2015E |
|---------------------------------|--------|--------|--------|--------|--------|
| Operating cash flow | 7.0 | (6.8) | 34.2 | 22.7 | 23.2 |
| Operating profit | 12.8 | 13.5 | 14.7 | 16.3 | 17.9 |
| Depreciation & amortisation | 6.3 | 7.1 | 7.6 | 8.2 | 8.5 |
| Change in working capital | (11.1) | (30.7) | 10.0 | (3.7) | (4.4) |
| Others | (0.9) | 3.3 | 1.8 | 1.9 | 1.2 |
| Investment cash flow | (8.2) | (23.8) | (10.0) | (10.6) | (10.0) |
| Net capex | (7.6) | (25.0) | (10.0) | (10.6) | (10.0) |
| Change in LT investment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in other assets | (0.5) | 1.2 | 0.0 | 0.0 | 0.0 |
| Cash flow after invt. | (1.2) | (30.6) | 24.2 | 12.1 | 13.2 |
| Financing cash flow | (1.7) | 6.2 | 1.1 | (19.0) | (12.3) |
| Change in share capital | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net change in debt | 10.8 | 20.4 | 9.7 | (4.6) | 1.5 |
| Dividend | (11.4) | (11.4) | (5.7) | (11.4) | (11.4) |
| Change in other LT liab. | (1.1) | (2.8) | (2.9) | (3.1) | (2.4) |
| Net cash flow | (2.8) | (24.4) | 25.3 | (6.9) | 0.9 |
| Free Cash flow | (0.6) | (31.8) | 24.2 | 12.1 | 13.2 |

KEY RATIOS

| FYJun30 | 2011 | 2012 | 2013E | 2014E | 2015E |
|------------------------------|-------|-------|-------|-------|-------|
| Growth (% YoY) | | | | | |
| Sales | 22.3 | 11.1 | 7.9 | 6.8 | 4.5 |
| Operating profit | 260.4 | 7.5 | 7.0 | 11.1 | 6.6 |
| EBITDA | 93.3 | 8.8 | 7.4 | 9.9 | 6.0 |
| Net profit | 54.6 | 6.0 | 8.9 | 10.5 | 9.8 |
| EPS | 54.6 | 6.0 | 8.9 | 10.5 | 9.8 |
| Profitability (%) | | | | | |
| Gross margin | 42.8% | 42.8% | 42.8% | 42.8% | 42.8% |
| Operating margin | 5.2% | 5.0% | 5.0% | 5.2% | 5.3% |
| EBITDA margin | 6.9% | 6.8% | 6.8% | 7.0% | 7.1% |
| Net margin | 3.6% | 3.4% | 3.5% | 3.6% | 3.8% |
| ROA | 4.5% | 5.0% | 4.9% | 5.3% | 5.6% |
| ROE | 9.7% | 10.1% | 10.7% | 11.4% | 12.0% |
| Stability | | | | | |
| Gross debt/equity (%) | 35.1 | 49.6 | 55.5 | 50.3 | 49.14 |
| Net debt/equity (%) | -14.5 | 38.7 | 31.3 | 31.9 | 30.83 |
| Int. coverage (X) | 10.3 | 7.4 | 7.3 | 7.6 | 10.52 |
| Int. & ST debt coverage (X) | 0.4 | 0.3 | 0.3 | 0.3 | 0.37 |
| Cash flow int. coverage (X) | 3.9 | -2.5 | 11.9 | 7.4 | 9.79 |
| Cash flow int. & ST debt (X) | 0.16 | -0.11 | 0.50 | 0.35 | 0.35 |
| Current ratio (X) | 2.0 | 1.6 | 1.5 | 1.5 | 1.5 |
| Quick ratio (X) | 1.2 | 0.8 | 0.8 | 0.8 | 0.8 |
| Net cash/(debt) (SGD m) | -19.1 | 51.8 | 43.0 | 45.3 | 45.9 |
| Per share data (SGD) | | | | | |
| EPS | 2.2 | 2.4 | 2.6 | 2.9 | 3.1 |
| CFPS | 1.2 | (1.2) | 6.0 | 4.0 | 4.1 |
| BVPS | 27.7 | 23.4 | 24.2 | 25.0 | 26.2 |
| SPS | 62.2 | 69.1 | 74.6 | 79.7 | 83.3 |
| EBITDA/share | 4.3 | 4.7 | 5.0 | 5.5 | 5.9 |
| DPS | 2.0 | 1.0 | 2.0 | 2.0 | 2.0 |

Source: Company, Maybank KE

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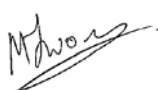
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Stephanie Wong | CEO, Maybank Kim Eng Research

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|-------------|---|
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| | | |
|--|--------------------------|---|
| Adex = Advertising Expenditure | FCF = Free Cashflow | PE = Price Earnings |
| BV = Book Value | FV = Fair Value | PEG = PE Ratio To Growth |
| CAGR = Compounded Annual Growth Rate | FY = Financial Year | PER = PE Ratio |
| Capex = Capital Expenditure | FYE = Financial Year End | QoQ = Quarter-On-Quarter |
| CY = Calendar Year | MoM = Month-On-Month | ROA = Return On Asset |
| DCF = Discounted Cashflow | NAV = Net Asset Value | ROE = Return On Equity |
| DPS = Dividend Per Share | NTA = Net Tangible Asset | ROSF = Return On Shareholders' Funds |
| EBIT = Earnings Before Interest And Tax | P = Price | WACC = Weighted Average Cost Of Capital |
| EBITDA = EBIT, Depreciation And Amortisation | P.A. = Per Annum | YoY = Year-On-Year |
| EPS = Earnings Per Share | PAT = Profit After Tax | YTD = Year-To-Date |
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