

Jumbo Group Ltd

Chili Crab has started taking orders

SINGAPORE | FOOD & BEVERAGE | IPO NOTE

04 November 2015

- Valuation seems attractive, as compared to its peers
- Strong support from cornerstone investors
- Given its strong free cash flow with net cash on hand, Subscribe

Investment summary

Jumbo's first outlet was established in 1987 and today they have a total of 14 food and beverage (F&B) outlets in Singapore, and two in the People's Republic of China (PRC).

The IPO price of S\$0.25 translates to 11.4x FY09/15e annualized PER and 1.4x PBR which seems attractive for its strong free cash flow (free cash flow to equity of 25.7% and 24.4% as of FY09/13 and FY09/14 respectively) and AROE of 25% over the last two years. Together with strong net cash per share of 8 cents (post-invitation shares), we call for a **Subscribe**. It does not have a fixed dividend policy.

Jumbo has attracted two cornerstone investors – Temasek's Heliconia, which will pay S\$10 million for a 6.2% stake; and, OSIM's founder Ron Sim, who will order slightly over S\$8 million for a 5% stake. To demonstrate their commitment, a period of 24 months moratorium applies to controlling shareholder, JBO; and 6 months moratorium applies to cornerstone investors.

Subscribe

IPO PRICE	SGD 0.250
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

IPO STATISTICS

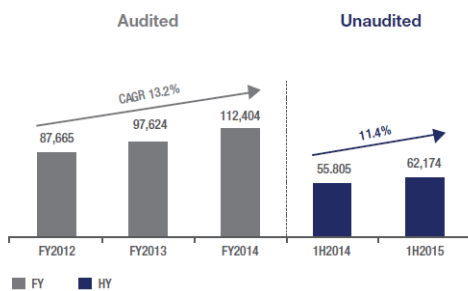
Total new share issue	88,233,000
- Placement tranche	86,233,000
- Public tranche	2,000,000
Listing status	Catalist
Closing date (public)	noon, 5 Nov 2015
Trading date	9-Nov-15
Lead manager	UOB

MAJOR SHAREHOLDER (%)

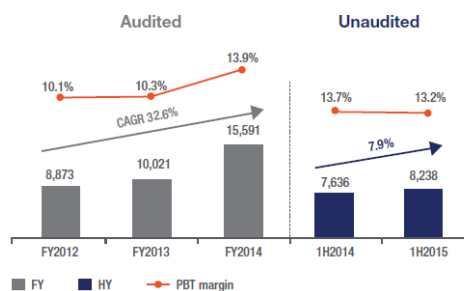
JBO	57.9%
Mr. Tan Gee Jian	6.6%
Heliconia Capital Management	6.2%
Mr. Ron Sim Chye Hock	5.0%

Financial highlights

Revenue (S\$'000)



Profit before tax ("PBT") and PBT margin (S\$'000)



KEY FINANCIALS

Y/E Sep	FY 12	FY 13	FY 14	1H15
Revenue (SGD mn)	88	98	112	62
NPAT, adj (SGD mn)	7.7	9.5	13.8	7.0
EPS, adj. (Cents)	10	13	18	11
P/E, adj. (x)	25.0	19.2	13.9	
BVPS (Cents)	6.7	8.3	9.8	
P/B (x)	3.7	3.0	2.6	
DPS (Cents)	N/A	N/A	N/A	
Div. Yield (%)	N/A	N/A	N/A	

Source: Company

CAGR: Compounded Annual Growth Rate; HY: Half year ended 31 March; FY: Financial year ended 30 September
Source: Company

Peer comparison

Name	Code	Price (Local)	MktCap (\$m)	Actual PER (x)	Y1 PER (x)	PBT Margin (%)	EV/ EBITDA (x)	PBR (x)	ROE (%)	Yield (%)
JUMBO GROUP LTD	JUMBO SP	0.25	160.3	11.6	11.4	13.9	4.0	1.4	25.0	na
BREADTALK GROUP	BREAD SP	1.19	335.1	26.6	25.9	3.9	7.2	3.2	12.7	1.3
NEO GROUP LTD	NGL SP	0.73	105.1	16.3	nm	13.1	14.0	5.1	33.8	1.5
OLD CHANG KEE LT	OCK SP	0.71	86.2	16.3	nm	9.4	8.0	2.6	16.3	2.1
JAPAN FOODS HOLD	JFOOD SP	0.45	78.5	16.5	nm	8.2	7.5	2.6	15.8	4.4
SELECT GROUP LTD	SCSL SP	0.44	62.6	8.2	nm	4.8	4.5	2.6	35.7	4.1
SAKAE HOLDINGS L	SAKAE SP	0.42	58.6	48.3	nm	4.1	8.3	1.1	2.4	2.4
TUNG LOK RESTAUR	TUNG SP	0.11	31.0	125.6	nm	-1.2	18.6	1.9	5.1	na
Average			114.7	33.7	18.6	7.0	9.0	2.6	18.3	2.6

Source: Bloomberg; PSR

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Business strategies and future plans

Establishing new outlets and refurbishing existing outlets

- The PRC presents good growth potential in view of population size and expanding middle class
- Leverage strength of its restaurant brands to further expand network
- Intends to open at least four additional outlets in the PRC and Singapore, within next 24 months
- Also intends to refurbish and renovate existing outlets

Acquiring new premises, equipment and machinery for its corporate headquarters, Central Kitchen and Research and Development Kitchen

- Caters to future growth and development
- Enhances communication among various departments within the Group
- Increases operational efficiency

Expansion of its business through acquisitions, joint ventures or strategic alliances

- May expand its business, whether in Singapore or overseas, to strengthen market position, adds value to existing business, and expands to new businesses
- Expansion strategy could bring about greater economies of scale and provide impetus for future growth

Prospects

GDP and population growth in Singapore

- Economy expected to grow by around 2.0% to 2.5% in 2015
- Steady population growth to translate into increase in size of targeted customer base

Increase in consumer affluence and willingness to spend on food

- As a percentage of average monthly household expenditures, spending on food serving services increased from 13.9% in 2003 to 16.2% in 2013

Growth in Singapore's tourism and hospitality industry

- For 2015, visitor arrivals are forecasted at between 15.1 million and 15.5 million, while tourism receipts are forecasted at between S\$23.5 billion and S\$24.0 billion
- Of the total tourism receipts, visitor expenditures on F&B amounted to S\$2.3 billion in 2014, representing approximately 9.6% of total tourism receipts for the year

Regional opportunities for growth

- Opportunities in Asia, with consumerism on the rise, driven by large domestic markets and growing middle income group
- F&B industry in the PRC presents attractive opportunities – expanding middle class expected to constitute approximately 40% of the country's population by 2020
- Revenues recorded by full-service restaurants in the PRC have increased at a CAGR of 11.5% from 2009 to 2014, and reached US\$334.7 billion in 2014

Company background

Jumbo was established in 1987 after it acquired Mermaid Beach Seafood (Laguna) Pte Ltd, which was subsequently renamed Jumbo Seafood Pte. Ltd. Today, the Jumbo Group has a total of 14 F&B outlets in Singapore and 2 F&B outlets in the PRC, under 5 restaurant brands. The Group also manages 1 Singapore Seafood Republic outlet and 1 Yoshimaru Ramen Bar outlet in Singapore that are effectively owned by its associated companies. Further, they hold investments in 1, and are paid licensing fees in relation to 4 Singapore Seafood Republic outlets located in Japan, through its associated company.

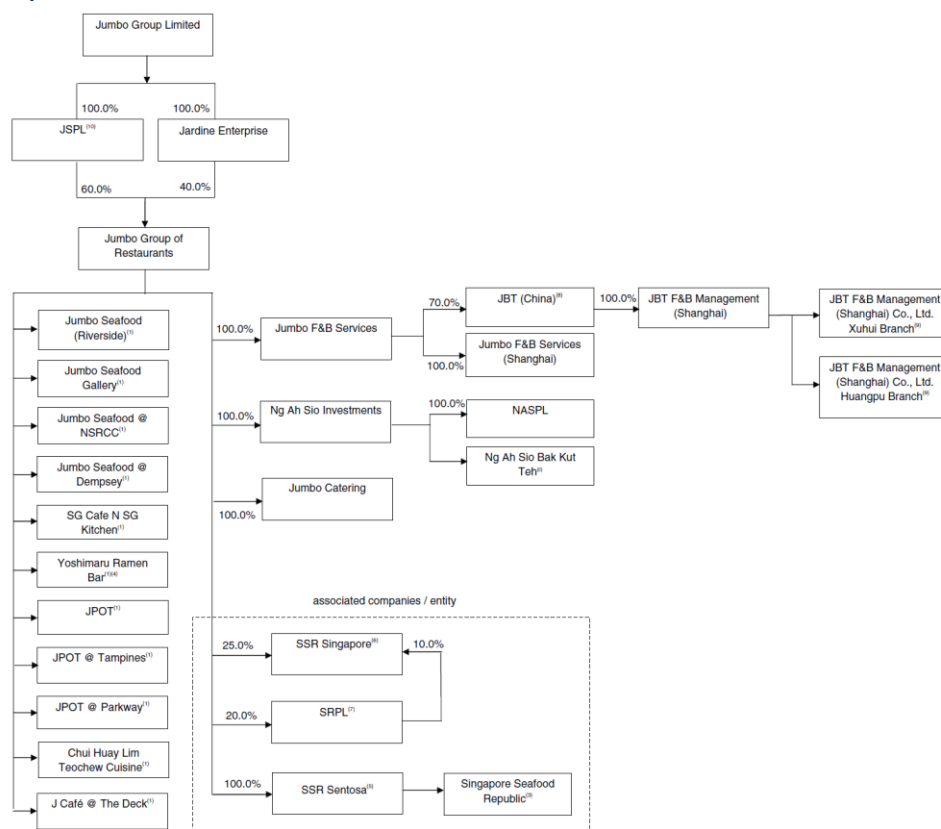
The Group also provides catering services for its customers in Singapore, and sells packaged sauces and spice mixes for some of its signature dishes in their outlets, selected stores, supermarkets, travel agencies and on-line via the Jumbo eShop.

Network of F&B outlets

Brand	Country	Location
 Jumbo Seafood	Singapore	<ul style="list-style-type: none"> – East Coast Seafood Centre, East Coast (flagship outlet) – Riverside Point, Clarke Quay – The Riverwalk, Boat Quay – National Service Resort and Country Club, Changi – Dempsey Hill, Dempsey
	PRC	<ul style="list-style-type: none"> – iAPM, Xuhui District, Shanghai (flagship outlet) – Raffles City, Huangpu District, Shanghai – Shanghai IFC Tower, Pudong New Area, Shanghai (slated for opening in January 2016)
 JPOT	Singapore	<ul style="list-style-type: none"> – Vivocity, Harbourfront (flagship outlet) – Tampines 1, Tampines – Parkway Parade, Marine Parade
 Ng Ah Si o Bak Kut Teh	Singapore	<ul style="list-style-type: none"> – Rangoon Road, Farrer Park (flagship outlet) – Tanjong Katong Road, Tanjong Katong – Chui Huay Lim Club, Newton
Chui Huay Lim Teochew Cuisine	Singapore	Chui Huay Lim Club, Newton
 J Café	Singapore	– NSRCC, Changi
 Singapore Seafood Republic	Japan	<ul style="list-style-type: none"> – Shinagawa, Tokyo – Ginza, Tokyo – Gotanda, Tokyo – Umeda, Osaka
	Singapore	– Resorts World Sentosa, Sentosa
Yoshimaru Ramen Bar	Singapore	– Holland Village, Bukit Timah
 YOSHIMARU ramen bar		

Source: Company

Group Structure



Source: Company

Use of the Net Proceeds

Purpose	Estimated amount (S\$'000)	Amount allocated for each dollar of the proceeds raised by our Company from the issuance of the New Shares and the Cornerstone Shares (cents)
Establish new outlets and refurbish existing outlets	12,000	29.9
Acquire new premises, equipment and machinery	11,500	28.7
Working capital and general corporate purposes	14,000	34.9
Invitation expenses⁽¹⁾		
Listing fees	43	0.1
Professional fees	1,465	3.7
Underwriting commission, placement commission and brokerage ⁽²⁾	684	1.7
Miscellaneous	391	1.0
	40,083	100.0

Notes:

- (1) Of the total estimated listing expenses of approximately S\$2.6m, approximately S\$1.2m will be capitalised against share capital and the balance of the estimated listing expenses will be charged to profit or loss.
- (2) Pursuant to the Underwriting and Placement Agreement, the Joint Underwriters agreed to underwrite the Offer Shares for a commission of 2.9% of the Issue Price for each Offer Share subscribed and the Joint Placement Agents agreed to subscribe or procure the subscription of the Placement Shares for a commission of 2.9% of the Issue Price for each Placement Share.

Source: Company

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