

Sell (unchanged)

Share price: SGD0.255
 Target price: SGD0.21 (from 0.19)

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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):	113.4
3-mth Avg Daily Turnover (USD m):	0.1
ST Index:	3,084.41
Free float (%):	35

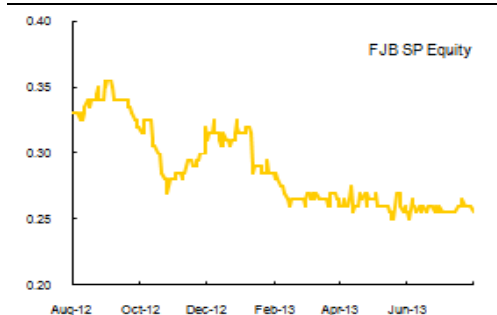
Major Shareholders:

	%
Segulah Pte	16.2
Peter Lim	11.4
Raffles Inv	11.0

Key Indicators

ROE (%)	1.6%
Net gearing (x):	0.53
NAV/shr (SGD):	0.23
Interest cover (x):	2.86

Historical Chart



Performance:

52-week High/Low	SGD0.365/SGD0.245				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-1.9	-3.8	-10.5	-22.7	-19.0
Relative (%)	2.9	5.9	-5.6	-23.6	-16.9

FJ Benjamin

Softening Consumer Sentiment

FY13 results below expectations, no recovery yet. FJ Benjamin (FJB) reported its full-year FY6/13 sales with a decline of 5% YoY to SGD373.4m and net profit of SGD4.4m (-68% YoY), due to a drag on sales in North Asia, particularly in the Watches segment, as well as softening consumer sentiment in Singapore. Excluding a one off gain on sale of investment properties, results were still below our bearish estimates. On a more positive note, FJB has declared a 0.5cts final dividend, implying a dividend payout of 64%. We maintain our SELL call, in light of poor consumer sentiment in particular countries to continue to hamper on FJB's earnings over the next year.

Poor sentiment persists in North Asia and Singapore. North Asia fell by 26% in Hong Kong and by 47% in China. While Indonesia and Malaysia saw growth in retail sales of 13% and 8% respectively, Singapore sales have remained poor on the back of strengthening currency and weak tourist spending. The management has highlighted operations in Singapore have become more difficult to handle due to rising business costs, weak store traffic and expects this to persist. While gross margin has maintained flat at 2.7% (-0.2ppt YoY), operating margin was hampered by increasing operating costs such as labour and rental, and fell by 3ppt YoY to 2%.

Business still goes on with heavy costs. Year-to-date, FJB has secured three new franchise brands, Tom Ford, Superdry and Valextra, affirming its franchising distribution strength in SE Asia. With a range of lifestyle and luxury retail brands joining FJB's portfolio, FJB is expected to have a net opening of 14 stores across the region, bringing its total store count to 235 stores (212 stores in FY6/12). Bulk of the openings will be in Indonesia (+9), Malaysia (+6), and Singapore (+8). We are concerned on FJB's wakening balance sheet unable to support the aggressive store openings. We expect net gearing to continue to soar from 0.53x, with continuously heavy capex and increasing operating costs weighing down on earnings.

Maintain SELL. We have lowered our earnings estimates further by 15-22%. Maintain SELL with TP of SGD0.21 now pegged to 1x P/B.

FJ Benjamin– Summary Earnings Table

FYE Jun (SGD m)	2012	2013	2014E	2015E	2016E
Revenue	393.2	373.4	406.8	436.6	451.4
EBITDA	26.7	15.3	14.6	17.5	20.3
Recurring Net Profit	13.9	4.4	4.7	6.1	7.5
Recurring Basic EPS (cents)	2.4	0.8	0.8	1.1	1.3
EPS growth (%)	7.1	-68.0	5.3	29.9	23.6
DPS (cents)	1.0	0.5	0.0	0.0	0.0
PER	10.7	35.9	34.7	26.0	20.7
EV/EBITDA (x)	9.3	17.3	17.9	15.4	13.3
Div Yield (%)	3.9	2.0	0.0	0.0	0.0
P/BV(x)	1.1	1.1	1.2	1.1	1.1
Net Gearing (%)	38.2	52.2	53.8	57.2	55.0
ROE (%)	5.1%	1.6%	1.6%	2.0%	2.4%
ROA (%)	10.4%	3.4%	3.8%	4.8%	5.7%

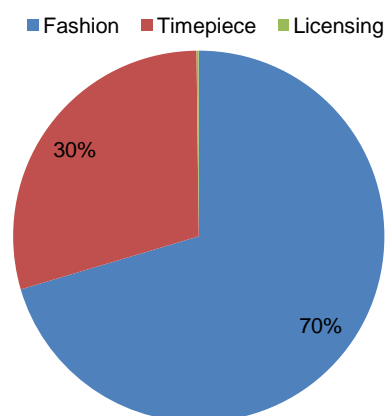
Source: Maybank IB

Figure 1: Results Summary

FYE Jun (SGD'm)	FY13	FY12	% YoY	MBKE FY2013F	YTD as % of FY forecast	Remarks
Turnover	373.4	393.2	-5.0%	379.8	98.3%	Poor sentiment in North Asia and Singapore
Cost of Goods Sold	-214.1	-224.8	-4.8%	-222.2	96.4%	
Gross Profit	159.3	168.4	-5.4%	157.6	101.0%	Gross margin maintained above 42%
Other income	11.9	9.4	26.7%			
Staff costs	-51.6	-53.1	-2.8%			
Rental of premises	-54.3	-49.7	9.2%			Rising costs and net opening of 21 stores
Advertising and promotion	-15.1	-17.6	-14.4%			
Depreciation	-7.8	-7.1	10.0%			
Other expenses	-35.0	-30.7	13.8%			
Operating profit	7.5	19.7	-61.7%	4.9	152.7%	
Interest exp	-2.6	-2.0	30.8%			Increase in borrowing
Exceptional item/exchange loss	1.6	1.4	13.0%			One off gain on disposal of properties offset by foreign exchange losses
Share of results of associates	0.8	0.6	33.2%			
Pretax profit	7.3	19.7	-62.9%	6.9	105.1%	
Tax	-3.3	-6.1	-46.9%			
Minority	-0.4	-0.4	14.3%			
Owner	4.4	13.9	-68.0%	5.0	89.0%	
Gross margin	42.7%	42.8%	-0.2ppt			
Operating margin	2.0%	5.0%	-3.0ppt			
Net margin	1.2%	3.5%	-2.3ppt			

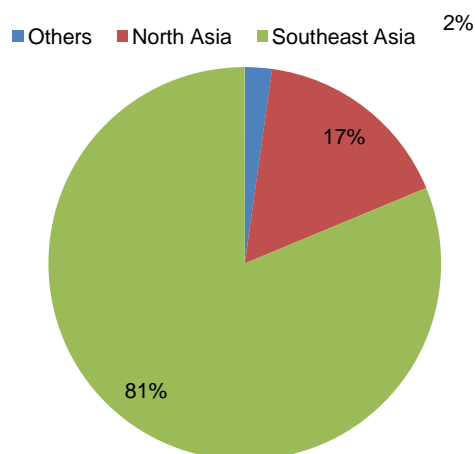
Source: Company, Maybank KE

FY13 business segment (%)



Source: Company

FY13 Geographic segment (%)



Source: Company

Recent news flow

Date	Brand	Purpose	Event
Aug-13	Guess	Renewal	Renewal of agreement for Guess & Guess Accessory Stores for additional 5 years to 31 years to Dec-2024
Jul-13	Tom Ford	New franchise	FJ forms partnership with TOM Ford via opening store in MBS in January 2014, followed by a flagship store in Jakarta, Indonesia in 2015. FJ has an exclusive agreement for a term of 6 years, with an option to renew for a further 6 years.
Jul-13	Superdry	New franchise	FJ secures 10-year exclusive distribution agreement for British Label "Superdry" for Singapore and Malaysia. FJ will open 3 stores in KL, Malaysia by early 2014, with the first opening in Pavilion KL in November.
Jul-13	RAOUL	Franchisee	Second franchise agreement secured this year. First RAOUL store will open in Colombo, Sri Lanka this December via franchisee, White Lotus Fashions. The RAOUL franchise will contract for 5 years, with an option to renew for another three years.
Jul-13	La Senza	Renewal	FJ renews franchising agreement with Victoria Secrets for the exclusive franchising rights for La Senza products in Singapore, Malaysia and Indonesia. The agreement will be for 10 years until 2023, with the right to request for a further 10 years. Currently, FJ operates 31 stores regionally.
Jun-13	Valextra	New franchise	Valextra will debut its first store in Paragon by end year. The franchising agreement comprises of a 6-year distribution agreement, renewable for another 6. According to media sources, Valextra has set its goal to IPO in 5-10 years.
May-13	RAOUL	Franchisee	RAOUL's first franchise this year with Budy (Chongqing) Import & Export Trading Co. Ltd. The franchise agreement will be for an initial 5 years, with an option to renew subject to compliances. The franchisee will open up to 27 stores in key cities including Shanghai, Beijing, and Chengdu by 2017.

Source: Company data

PROFIT AND LOSS (SGD m)

FY Jun	2012	2013	2014E	2015E	2016E
Sales	393.2	373.4	406.8	436.6	451.4
Cost of goods sold	(224.8)	(214.1)	(233.1)	(250.2)	(258.7)
Gross profit	168.4	159.3	173.7	186.4	192.7
Operating expenses	(148.7)	(151.7)	(166.8)	(177.3)	(181.0)
Operating Profit	19.7	7.5	6.9	9.2	11.7
Net interest	(2.0)	(2.6)	(3.6)	(3.9)	(4.4)
Interest income	0.6	0.7	0.5	0.5	0.1
interest expense	(2.7)	(3.3)	(4.1)	(4.4)	(4.5)
Net investment income/ (loss)	0.6	0.8	1.5	1.5	1.5
Net other income. JV + Assoc	1.7	(1.2)	1.0	1.0	1.0
Net exceptional items	(0.3)	2.8	0.0	0.0	0.0
Pretax income	19.7	7.3	5.8	7.8	9.8
Income taxes	(6.1)	(3.3)	(1.7)	(2.2)	(2.8)
Minority income	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Net profit	13.9	4.4	4.7	6.1	7.5
EBITDA	26.7	15.3	14.6	17.5	20.3
EPS (S cts)	2.4	0.8	0.8	1.1	1.3

BALANCE SHEET (SGD m)

FY Jun	2012	2013	2014E	2015E	2016E
Total assets	271.3	272.3	285.7	299.1	311.5
Current assets	209.9	216.5	226.9	238.4	249.4
Cash & ST investment	14.7	9.7	20.6	17.0	20.4
Inventories	110.4	117.7	106.0	113.7	117.6
Accounts receivable	82.6	85.6	94.2	101.1	104.6
Others	2.2	3.5	6.1	6.5	6.8
Other assets	61.4	55.8	58.9	60.7	62.2
LT investments	33.8	26.7	26.7	26.7	26.7
Net fixed assets	26.6	27.1	30.2	32.0	33.5
Others	0.9	2.0	2.0	2.0	2.0
Total liabilities	138.3	146.1	163.9	172.5	179.1
Current liabilities	128.0	137.9	154.8	163.4	170.0
Accounts payable	65.0	61.2	70.8	76.0	78.5
ST borrowings	59.4	73.7	81.6	84.8	88.7
Others	3.6	3.0	2.4	2.6	2.7
Long-term liabilities	10.3	8.1	9.1	9.1	9.1
Long-term debts	7.2	5.1	5.1	5.1	5.1
Others	3.1	3.0	4.0	4.0	4.0
Shareholder's equity	134.0	131.4	121.8	126.6	132.4
Paid-in capital	165.4	165.4	165.4	165.4	165.4
Reserve	(31.5)	(34.0)	(43.7)	(38.9)	(33.0)

CASH FLOW (SGD m)

FY Jun	2012	2013	2014E	2015E	2016E
Operating cash flow	(6.8)	(8.6)	29.8	7.7	14.1
Operating profit	13.9	4.4	4.7	6.1	7.5
Depreciation & amortisation	7.1	7.8	7.7	8.3	8.6
Change in working capital	(30.7)	(17.7)	15.3	(9.0)	(4.5)
Others	3.0	(3.1)	2.1	2.4	2.5
Investment cash flow	(23.8)	0.6	(10.7)	(10.2)	(10.1)
Net capex	(25.0)	0.6	(10.7)	(10.2)	(10.1)
Change in LT investment	0.0	0.0	0.0	0.0	0.0
Change in other assets	1.2	0.0	0.0	0.0	0.0
Cash flow after invt.	(30.6)	(8.0)	19.1	(2.5)	4.1
Financing cash flow	6.2	0.6	0.9	(1.2)	(0.6)
Change in share capital	0.0	0.0	0.0	0.0	0.0
Net change in debt	20.4	10.1	7.9	3.2	3.9
Dividend paid	(11.4)	(5.7)	(2.8)	0.0	0.0
Change in other LT liab	(2.8)	(3.8)	(4.1)	(4.4)	(4.5)
Net cash flow	(24.4)	(7.4)	20.0	(3.6)	3.5

KEY RATIOS

FY Jun	2012	2013	2014E	2015E	2016E
Growth (% YoY)					
Sales	11.1	-5.0	8.9	7.3	3.4
Operating profit	7.5	-61.7	-8.3	32.6	28.0
EBITDA	8.8	-42.8	-4.3	19.3	16.3
Net profit	7.1	-68.0	5.3	29.9	23.6
EPS	7.1	-68.0	5.3	29.9	23.6
Profitability (%)					
Gross margin	42.8%	42.7%	42.7%	42.7%	42.7%
Operating margin	5.0%	2.0%	1.7%	2.1%	2.6%
EBITDA margin	6.8%	4.1%	3.6%	4.0%	4.5%
Net margin	3.5%	1.2%	1.2%	1.4%	1.7%
ROA	5.1%	1.6%	1.6%	2.0%	2.4%
ROE	10.4%	3.4%	3.8%	4.8%	5.7%
Stability					
Gross debt/equity (%)	49.6	60.0	71.2	71.03	70.85
Net debt/equity (%)	38.7	52.6	54.3	57.64	55.42
Int. coverage (X)	7.4	2.3	1.7	2.10	2.60
Int. & ST debt coverage (X)	0.3	0.1	0.1	0.10	0.13
Cash flow int. coverage (X)	-2.5	-2.6	7.3	1.76	3.13
Cash flow int. & ST debt (X)	-0.11	-0.12	0.37	0.09	0.16
Current ratio (X)	1.6	1.6	1.5	1.5	1.5
Quick ratio (X)	0.8	0.7	0.8	0.8	0.8
Net cash/(debt) (SGD m)	51.8	69.2	66.1	73.0	73.4
Per share data (SGD)					
EPS	2.4	0.8	0.8	1.1	1.3
CFPS	(1.2)	(1.5)	5.2	1.4	2.5
BVPS	23.4	22.2	21.4	22.3	23.3
SPS	69.1	65.7	71.5	76.8	79.4
EBITDA/share	4.7	2.7	2.6	3.1	3.6
DPS	1.0	0.5	0.0	0.0	0.0

Source: Company, Maybank KE

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CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
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EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
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