

# Singapore Company Focus

## Katrina Group

Bloomberg: KTG SP | Reuters: KATR.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Sep 2016

### BUY

(Initiating Coverage)

Last Traded Price: S\$0.315 (STI : 2,820.59)

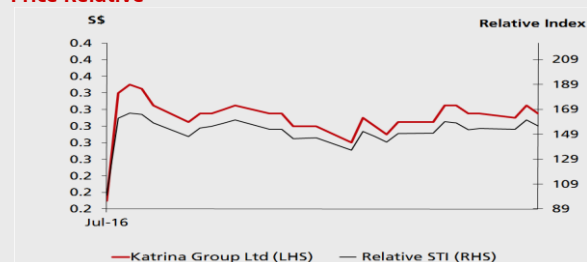
Price Target 12-mth: S\$0.43 (36% upside)

Potential Catalyst: Outlet growth /e-commerce

#### Analyst

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#### Price Relative



#### Forecasts and Valuation

FY Dec (\$m)	2015A	2016F	2017F	2018F
Revenue	52.4	60.4	69.3	84.0
EBITDA	7.38	8.33	9.35	11.0
Pre-tax Profit	5.12	4.31	6.61	7.71
Net Profit	4.26	3.58	5.50	6.40
Net Pft (Pre Ex.)	4.58	4.88	5.50	6.40
EPS (S cts)	1.84	1.55	2.37	2.77
EPS Pre Ex. (S cts)	1.98	2.11	2.37	2.77
EPS Gth (%)	29	(16)	53	17
EPS Gth Pre Ex (%)	(1)	6	13	17
Diluted EPS (S cts)	1.84	1.55	2.37	2.77
Net DPS (S cts)	4.32	0.93	1.42	1.66
BV Per Share (S cts)	6.81	6.35	7.30	8.41
PE (X)	17.1	20.4	13.3	11.4
PE Pre Ex. (X)	15.9	15.0	13.3	11.4
P/Cash Flow (X)	10.9	10.9	8.2	6.7
EV/EBITDA (X)	8.5	7.7	6.5	5.2
Net Div Yield (%)	13.7	2.9	4.5	5.3
P/Book Value (X)	4.6	5.0	4.3	3.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	31.2	23.5	34.8	35.2

ICB Industry : Consumer Services

ICB Sector: Food & Drug Retailers

**Principal Business:** Katrina is an F&B Restaurant brand owner and operator in Singapore and China. Operates nine different F&B brands and concepts including Bali Thai, Streets, Rennthai, Bayang, Muchos, So Pho, Indobox, Hutoang and Honguo, serving mainly Indonesian, Chinese, Mexican and Vietnamese cuisines

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

### Satiating hunger pangs, online and off

- Growth underpinned by new outlets, regional expansion and online business
- Online business to ride on growing e-commerce market
- Project FY17F/FY18F earnings growth 13%/17%, led by new stores and online business
- Initiate with BUY, TP of S\$0.43 based on 18x FY17F PE

**New outlets, regional expansion and online sales to drive growth.** Katrina aims to grow into a regional F&B foodservice player, penetrating Malaysia, Indonesia and Vietnam while securing a strong foothold in the Singapore market with more stores and online sales.

**Online business set to grow.** Katrina's recent deal to place all nine brands' food offerings with Foodpanda will help to expand its online business. Currently, the online business operates from three of its own web portals for Bali Thai, Streets and So Pho. Its online sales are already sizeable at S\$100,000 per month, equivalent to S\$1.2m per year, close to the sales of an average mid-range F&B restaurant in Singapore. We expect increase in online business to enhance overall margins going forward.

**Project 13-17% growth for FY17-18F.** We project double digit earnings growth throughout our forecast period. This will be driven by slight margin expansion as the online business grows, more store openings, and regional expansion plans. Our projections are consistent with its target to reach 60 stores by 2019, and improving annual sales per store towards industry average for Casual Dining and China full-service restaurants.

**Initiate with BUY and S\$0.43 TP.** The stock currently trades at an undemanding 13.3x FY17F PE, below regional peer average of 20x. Due to its relatively smaller size and lack of overseas presence compared with leading F&B companies in Singapore, we peg our valuation of Katrina at 18x FY17F PE, a 10% discount to peer average. Delivery of growth expectations could potentially re-rate the stock. Initiate with BUY call for 36% upside, target price 43cts.

#### At A Glance

Issued Capital (m shrs)	232
Mkt. Cap (S\$m/US\$m)	72.9 / 53.5
Major Shareholders (%)	
Chian Alan Goh Keng	42.3
Kim Wah Tan	42.3
Free Float (%)	15.4
3m Avg. Daily Val (US\$m)	1.6

#### INVESTMENT THESIS

Profile	Rationale
<p>Katrina is a F&amp;B Restaurant brand owner and operator in Singapore and China. Operates nine different F&amp;B brands and concepts including Bali Thai, Streats, Rennthai, Bayang, Muchos, So Pho, Indobox, Hutoang and Honguo, serving mainly Indonesian, Chinese, Mexican and Vietnamese cuisines.</p>	<p><b>Targets 60 stores by 2019.</b> Katrina currently has 34 stores including two in China and targets to reach 60 stores by 2019. Store growth will mainly be driven by its three key brands Bali Thai, Streats and So Pho both in Singapore and regionally. This is in line with its aim to become a regional player offering various dining concepts.</p> <p><b>Aims to be a regional player.</b> Katrina endeavours to grow regionally in Malaysia, Indonesia and Vietnam. It aims to satisfy the growing appetite for alternative cuisine and modern dining concepts in these markets and aspires to ultimately become a provider of various dining concepts regionally through its key brands.</p> <p><b>Growing through online channels.</b> Katrina currently has an established and fast-growing online business and has recently positioned itself to grow further through its cooperation with Foodpanda. It is currently well positioned to benefit from the growing demand for foodservices in the online channel.</p>
Valuation	Risks
<p>Katrina is trading at 13.3x FY17F PE, compared to peers' of 20x FY16F PE. Taking a 10% discount to peers given its much smaller size, we arrive at a target PE of 18x to derive our target price of S\$0.43 on FY17F EPS. The stock offers a potential 36% upside.</p>	<p><b>Competition.</b> Katrina operates in a low entry barrier foodservice market. Other foodservice competitors in Singapore include Creative Eateries, Minor Food Group, Japan Foods, RE&amp;S Enterprises, Breadtalk, Sakae Holdings, ABR Holdings, all offers alternate dining concepts.</p> <p><b>Consumer spending on F&amp;B foodservice.</b> The foodservice market, especially mid- to high-end dining, is dependent on domestic private consumption. Cautious consumer spending will lead to a downgrade to lower-end food service outlets and home-cooked meals, affecting footfall at Katrina's outlets.</p> <p><b>Food safety and licences.</b> As a restaurant operator, it is important to maintain food safety. Lapses would lead to reputational risks and in extreme cases, food operation licences could be revoked.</p>

Source: DBS Bank

## SWOT Analysis

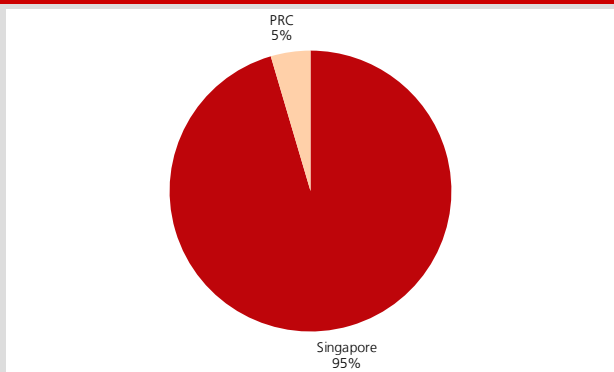
Strengths	Weakness
<ul style="list-style-type: none"> <li>• <b>Halal kitchen.</b> Katrina has kitchens that are halal-certified, which allows it to capture a bigger target market, unlike non-halal restaurant players who are restricted to just the non-halal segment.</li> <li>• <b>Cash-generative business.</b> Katrina's business generates operating cashflows of around S\$5-7m annually. Its balance sheet is currently (2Q16) in net cash of about 4.5 Scts per share. We believe dividend payout ratio would be attractive at a minimum of 30% for FY16F.</li> <li>• <b>Proprietary brands.</b> Katrina has established its own brands which it has built over the years and in the process has garnered brand identity and brand equity customer following. Stronger names in its nine-brand portfolio are Bali Thai, Streats and So Pho.</li> <li>• <b>Online business.</b> Katrina has an established online business which it is fast expanding into F&amp;B web portals like Foodpanda.</li> <li>• <b>Flexibility to refurbish and rebrand existing outlets.</b> As a chain store with various brands from Bali Thai, Streats, So Pho, and Hongguo to Indobox, Katrina has options to enter various sub-segments of the foodservice market via any of these names. Rejuvenating store front and changing concepts/names for existing stores give Katrina flexibility to improve the performance of non-performing outlets.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Concentrated in Singapore.</b> Katrina is mainly a Singapore business, with only two stores in China. Almost all of Katrina's FY15 revenue is concentrated in Singapore. Overseas plans are only beginning to be executed. Prospects are largely tied to the Singapore economy's appetite for mid- to high-end foodservice consumption.</li> <li>• <b>Competition.</b> There are many mid-range foodservice restaurants players in Singapore, each offering their own unique concepts. Direct and indirect competitors are chain casual-dining full-service F&amp;B/restaurant groups such as Creative Eateries, Japan Foods, RE&amp;S Enterprises, Breadtalk, Minor Food Group, Sakae Holdings, ABR Holdings, etc.</li> <li>• <b>F&amp;B business has low entry barriers.</b> F&amp;B foodservice businesses have low entry barriers. However, with &gt;30 outlets and growing, Katrina's economies of scale makes it difficult for new and smaller entrants to compete on cost and profitability.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• <b>Franchise opportunities.</b> Katrina mainly operates its own F&amp;B brands. With its capabilities, it could potentially branch out to be a franchisee and operator of other F&amp;B brands, subject to its desired rate of return and outlook.</li> <li>• <b>Regional growth opportunities.</b> Katrina targets to grow into the Malaysia, Indonesia and Vietnam markets with its existing brands. This is to meet the growing appetite for alternative cuisine and modern dining concepts in these developing markets. Modes of growth could be through JV partnerships, franchise and self-established outlets.</li> <li>• <b>Acquisition of smaller F&amp;B chains.</b> Katrina currently has net cash of about S\$10.5m (2Q16) and minimal gross debt. Its healthy balance sheet allows it to gear up and acquire other F&amp;B chains, capabilities, and resources should there be suitable targets.</li> <li>• <b>Establishing new outlets in Singapore.</b> As with all branded F&amp;B foodservice chain stores, new malls and commercial properties present opportunities for store expansion.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ability to lease new premises or renew existing leases.</b> Securing leases for store space is crucial for Katrina's operations. Non-renewal of leases will mean relocating to new premises and potential loss of regular customers.</li> <li>• <b>Food safety and operating licence.</b> The F&amp;B business is licensed in Singapore by the National Environment Agency. Food safety and hygiene standards must be met. In extreme cases of non-compliance, licences could be revoked.</li> <li>• <b>May be affected by disease outbreaks and poor weather.</b> Business could slow during a health crisis or poor weather such as haze. During Singapore's haze in October 2015, businesses were disrupted as consumers hid indoors. The Singapore government estimated that the haze cost economic losses is about S\$700m.</li> </ul>

Source: DBS Bank

**Company Background**

**F&B restaurant brand owner and operator.** Katrina Group Limited was established in 1995 and now operates 32 restaurants in Singapore and two restaurants in China under nine different F&B brands and concepts. The nine brands are Bali Thai, Streets, Rennthai, Bayang, Muchos, SO PHO, Indobox, Hutoang and Honguo. The brands serve mainly Indonesian cuisine, with other cuisine that includes Chinese, Mexican and Vietnamese. Of the group’s nine brands, five are casual dining brands generally located in the heartlands of Singapore and four are contemporary upmarket brands located within the central business district (CBD) of Singapore.

**Revenue Breakdown FY15 (By geography)**



Source: Company, DBS Bank

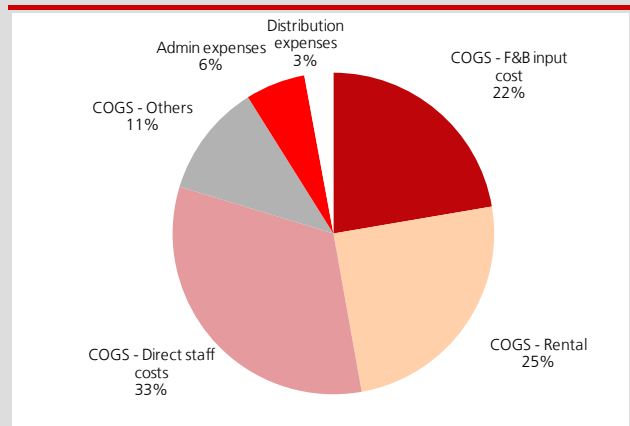
**Top three brands make up approximately two-thirds of store count.** Katrina owns and operates three key brands – Bali Thai (Thai cuisine), Streets (Hong Kong café concept), and So Pho (Vietnamese cuisine). These make up about two-thirds of its current store count. The majority of stores, which are concentrated under its three key brands, offer casual dining concepts while a minority of stores offer contemporary upmarket concepts. Average ticket size per head ranges from S\$10-15.

**Revenue driven by customer traffic.** Almost all of Katrina’s sales are derived from dine-ins at its outlets, which is directly influenced by footfall and customer traffic. While there is generally no seasonality in Katrina’s revenue, we identify consumer sentiment, appetite for casual dining and competition to be among the key revenue drivers. To a smaller extent, Katrina generates S\$100,000 sales per month in its online segment. This will be driven by increasing demand for food delivery services to homes and offices, etc.

**Main bulk of COGS is staff, rental and food costs.**

Collectively, these form close to 90% of COGS. Food cost includes soup base, noodles, vegetables, meats, seafood, sauces, liquor and beverages for the preparation of the food items sold at outlets. In FY15, the COGS split for cost of beverages and food ingredients/salaries and employee benefits/rental/other expenses were 24.5%/35.7%/27.3%/12.5%. Other expenses are depreciation of furniture and fittings, renovation, kitchen and restaurant equipment, utilities, and miscellaneous direct operating expenses.

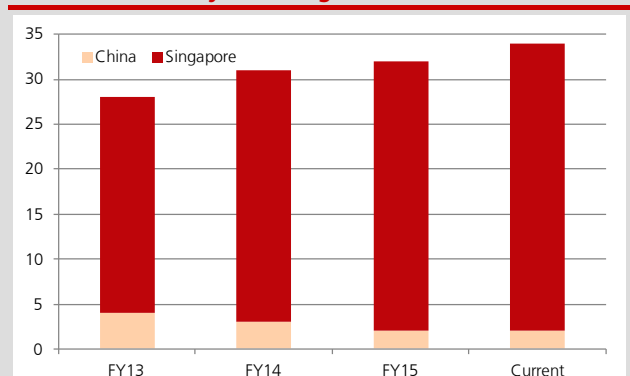
**Cost Breakdown FY15**



Source: Company, DBS Bank

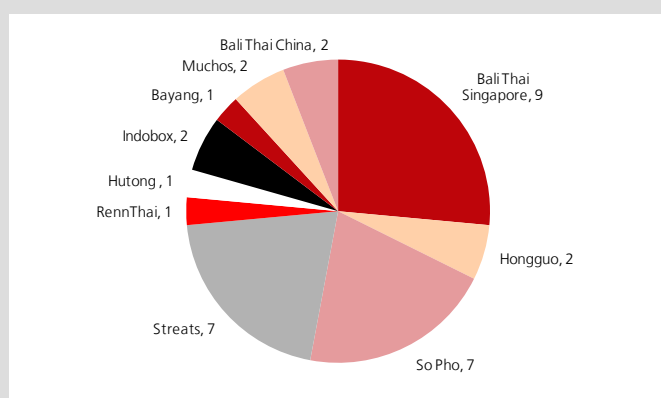
**Other opex.** Distribution and admin expenses were 2.7% and 5.5% of sales in FY15 respectively. Marketing, advertising and promotion, entertainment, sales discount, credit cards and electronic payment charges; transportation and upkeep of motor vehicles are accounted for under selling and distribution costs, while admin expenses comprise salaries and bonuses for administrative staff, directors’ remuneration, depreciation of corporate office fixed assets, office and general maintenance expenses, professional fees; and other indirect expenses.

**34 stores currently including two in China**



Source: Company, DBS Bank

**Bali Thai, So Pho and Streats comprise two-thirds of store network**



Source: Company, DBS Bank

**Competitors include F&B players who operate restaurant brands and food concepts.** There are various F&B groups which operate multi-brand casual-dining chain stores in Singapore. They offer various cuisine and dining experiences with a mix of casual and higher-end dining. Key competitors, direct and indirect, include Creative Eateries, Minor Food Group, Japan Foods, RE&S Enterprises, Breadtalk, Sakae Holdings, and ABR Holdings. These companies offer alternative cuisine and dining experiences to Katrina. However, we note that Katrina is stronger in the Indonesian halal cuisine segment as 12 of its 32 Singapore outlets offer Indonesian cuisine.

**Mainly positioned in the casual dining mass-market segment**

Brand	Cuisine	Singapore	China
<b>Casual dining</b>			
Bali Thai	Indonesian and Thai	9	2
Hongguo	Yunnan, China	2	-
So Pho	Vietnamese	7	-
Streats	Hong Kong	7	-
Indobox	Indonesian	2	-
<b>Contemporary upmarket</b>			
RennThai	Thai	1	-
Hutong	Northern Chinese	1	-
Bayang	Balinese	1	-
Muchos	Mexican	2	-
<b>Total</b>		<b>32</b>	<b>2</b>

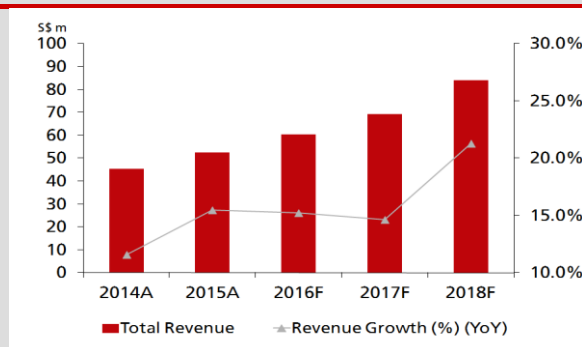
Source: Company, DBS Bank

**Direct competitors are mainly Thai, Vietnamese and Hong Kong casual dining restaurants**

Competitor	Cuisine
Bangkok Jam	Thai
Nam Nam Noodle Bar	Vietnamese
Patara	Thai
Thai Express	Thai
Xin Wang Hong Kong Café	Hong Kong
Siam Kitchen	Thai

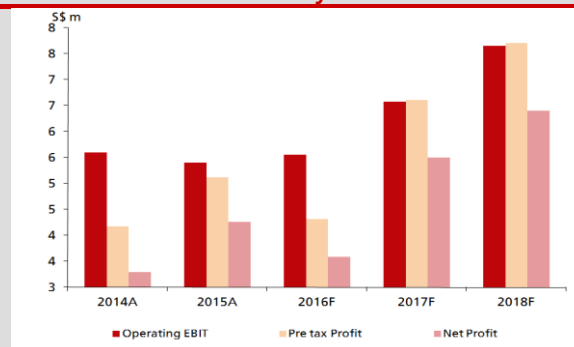
Source: Company, DBS Bank

**Sales Trend**



Source: Company, DBS Bank

**Profitability Trend**



**Management composition**

**Founded and managed by a husband-and-wife team.**

Katrina was founded in 1995 by Mr Alan Goh and his wife Ms Catherine Tan. They first operated under the banner Katrina Nasi Padang which served Indonesian and/or Malay cuisine in food courts across Singapore before developing their own restaurant business with the proprietary brand concept. The foodservice business located at food courts has since ceased. Their son, Mr Donovan Goh Shen Shu is a non-executive director of Katrina Group. Key executives in Katrina are compensated above S\$250,000 annually. Its CFO has recently resigned and Katrina will be appointing a new CFO going forward. Meanwhile, the finance team will be taking charge of all finance matters.

**Three-pronged growth strategy.**

Management’s strategy is three pronged. Growth will come from outlet expansion in Singapore, store network growth overseas and through the online channels. Katrina has historically opened an average of four new outlets per year (excluding store closures) in Singapore and we expect this trend to persist going forward. The company is looking to expand into regional markets including Vietnam, Malaysia and Indonesia and is scheduled to open two Malaysia stores in the next 12 months. Finally, Katrina is looking to grow its online business by expanding its existing presence from three brands to its other brands. Further to its own online portals, the group has recently signed an agreement with Food Panda to list its foodservice offering on its sales and delivery platform.

**Key Management Team**

Name and appointment	Profile
Mr Alan Goh CEO and Exec Chairman	Mr Goh is the co-founder and managing director of Katrina Singapore, responsible for business development and the formulation of strategic directions, expansion plans. He is also responsible for implementing the goals and objectives, and sourcing new business opportunities and new strategic locations within Singapore and overseas. Mr Goh holds a Masters of Business Administration (General Business Administration) from the University of Hull.
Ms Catherine Tan Exec Director	Ms Tan is the co-founder and director of Katrina Singapore and is responsible for the formulation and introduction of Katrina’s new concepts and menus. She assists Mr Alan Goh in managing the overall business development and operations, and is also involved in formulating strategies to improve the processes in the restaurants and cafes and to continually raise its standards of quality and service. Ms Tan attained a GCE “O” Level certification in 1975.
Ms Lee Li Eng Former CFO*	Ms Lee joined Katrina as CFO in October 2015. She is responsible for the overall financial management, reporting and internal controls matters. She is also in the management team which steers the company’s strategic direction. Ms Lee has approximately 30 years of experience in audit and accounting. She started her career as an auditor in 1985 at a mid-tier Certified Public Accountant (CPA) firm before working for companies and multi-national corporations in the oil & gas, engineering, manufacturing and chemicals sectors including Hong Leong Group, Flowserve Corporation, Cytec Solvay Group and McDermott International Inc. as an internal auditor and various finance positions of controller and business partner roles. She was group financial controller of EnGro Corporation Limited, a company listed on the Mainboard of the SGX-ST, for five years from August 2009 prior to joining Katrina Group. Ms Lee holds a Bachelor of Accountancy from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants. She is not related to any of the directors or the Chairman.

\* A new CFO will be appointed going forward. Finance team will be handling all finance matters.

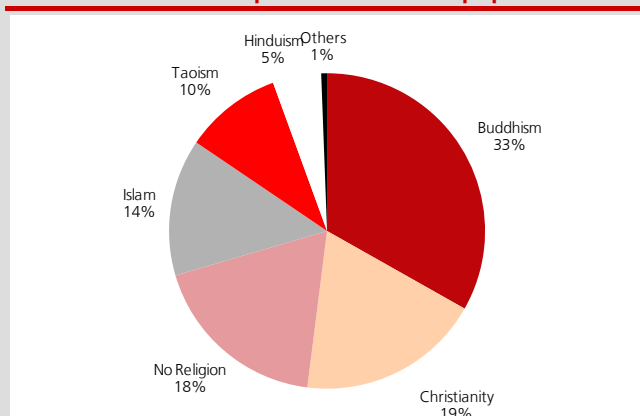
Source: Company, DBS Bank.

## Competitive Strengths

### Halal certification opens service to a larger target market.

Four of Katrina's nine brands are halal certified. They are Bali Thai, So Pho, Streets and Indobox. According to the General Household Survey of Singapore in 2015, 14% of Singapore's resident population are Muslims, or 460,000 people who are aged 15 and above. The halal market is a niche sector, which not every foodservice provider can enter. Besides there are requirements for halal-certified companies to comply with that are a natural entry barrier against more competition.

### Halal market makes up 14% of resident population



Source: General Household Survey 2015, DBS Bank

### Positioned to grow though online channels

**Online business.** Katrina already has online presence. It has operated from its own websites and has been outsourcing the delivery function to third parties. The current run rate of online sales from its own websites alone (<http://balithaidelivery.com.sg/>, <http://streetsdelivery.com.sg/>, <http://sophodelivery.com.sg/>) stands at S\$100,000 per month. This is equivalent to the one mid-range mass-market foodservice restaurant's monthly store revenue, without the rental and staff costs. It has recently signed an agreement with online mobile and online food ordering marketplace company Foodpanda to place all its nine brands on the latter's portal to enhance sales.

### Economies of scale

**Bargaining power for properties.** With nine brands under its portfolio, Katrina has better bargaining power for property space over smaller players. It has the capability to collectively negotiate with landlords over two or more outlets. Its unique concepts attract landlords to seek its representation in malls

as well. Besides, it will have better flexibility to offer whichever concept that the landlord desires to secure presence in its desired malls.

### Multiple brand representation in various malls/locations

Mall/location	Outlets/brands
Nex	Bali Thai, Hongguo, So Pho
RWS	Bali Thai, Streets
City Square Mall	Bali Thai, Streets
IMM	Bali Thai, Streets
JEM	Indobox, Streets
Waterway	Bali Thai, So Pho
Clarke Quay	Muchos, Hutong, Renn Thai, Bayang

Source: Company, DBS Bank

**Flexibility to rebrand.** For non-performing stores which have existing leases to see out, having a portfolio of multiple brands allows Katrina to rebrand for a subsequent opportunity to turn around its profitability. In a recent case, the Indobox outlet at ION was rebranded from Bali Thai. The multi-brand approach provides an alternative strategy over and above tweaking its service, menu and pricing compared to single-concept restaurants.

**Shared resources for stores in malls.** Multiple outlets and brand representation in a single location will provide opportunities to share common resources such as kitchen space, freeing up more floor area for dining. These could lead to a more robust backend process including delivery, storage and preparation of food ingredients, etc.

### Established brand identity

**Manages multiple brands that build distinct identity.** Katrina manages nine brands, all of which are owned. Brand equity is fully attributed to the company unlike franchises, where the returns are shared with the brand owner. This helps to build an identity that will also resonate with its customers.

**Multi-concept strategy.** Katrina is a specialist in Indonesian cuisine but has branched out into other cuisines including Vietnamese, Thai, Chinese, Hong Kong café, Mexican, etc. Different concepts will help to lower risks of brand and product concentration, in addition to better bargaining power with landlords and flexibility to rebrand should certain brands be unprofitable.



**Growth Strategies**

**Positive outlook.** Outlook for Katrina remains largely positive. Singapore’s population growth is expected to reach 7m from 5m over the longer term, with scope to develop the online business and overseas expansion. Demographics of developing markets such as Indonesia and Vietnam also support growth, in view of an increase in consumer affluence, growing middle income and willingness to spend on lifestyle and food.

**Outlet growth**

**Four new outlets per year, targets 60 stores by 2019.** Katrina aims to ultimately be a regional player that offers various dining concepts. Its store network currently stands at 34 including two in China. Its longer-term plan is to reach a network of 60 stores by 2019. Outlet expansion will be driven locally and regionally. There are plans to launch its three key brands in the Malaysia, Indonesia and Vietnam markets, while it will also seek more store opening opportunities in Singapore. It currently averages four new outlets a year in Singapore (excluding store closures) and is currently capable of sustaining this trend, even more so as landlords’ position in the property market weakens.

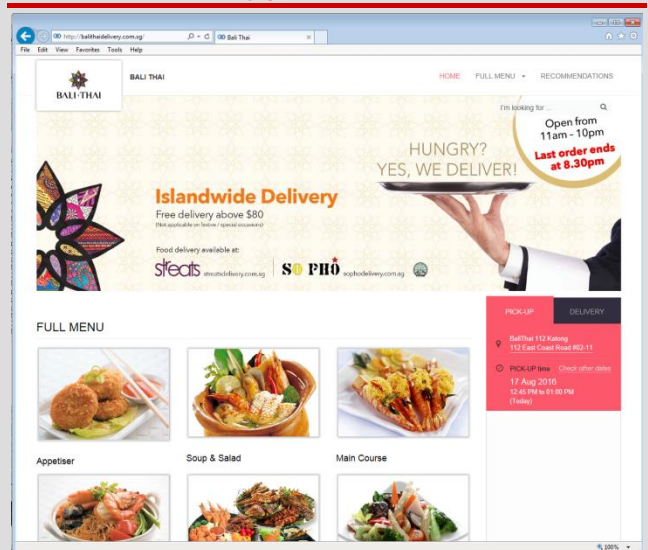
**Overseas expansion**

**Targets Malaysia, Indonesia and Vietnam.** Katrina is working to bring its brands into these markets and penetration strategy can be mixed. It may not necessarily use its halal brands to penetrate Malaysia and Indonesia and So Pho to break into Vietnam. From a brand management perspective, penetration strategies to break into these markets can include bringing in a new and alternative concept which is not yet prominent in these markets. For Malaysia, it plans to open at least two restaurants in Kuala Lumpur (MyTOWN shopping centre) under So Pho and Streats brands in the next 12 months.

**Online presence**

**More scope for online sales to grow.** Currently, the company’s online sales stand at S\$100,000 per month. This is from only three brands and sales from its own websites <http://balithaidelivery.com.sg/>, <http://streatsdelivery.com.sg/>, and <http://sophodelivery.com.sg/>. Cooperation with online food delivery companies such as Foodpanda and Deliveroo, will see its menu items appear on their portals, which will improve its menus’ web traffic and enhance its online sales. Expanding into other menu items from the rest of its brands will also help to increase sales traction with customers.

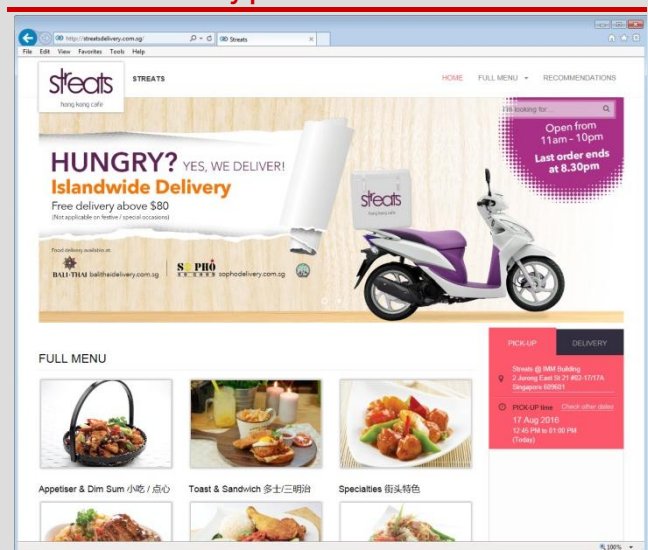
**Bali Thai web delivery portal**



Source: Company, DBS Bank

**Capable of delivering better quality of earnings.** More importantly, we see online sales as another means to enhance quality of earnings, since it is capable of delivering close to one store’s monthly revenue but not incurring similar labour and rental costs. Net margins for the online business is attractive at >50%. This will improve quality of earnings as the sales mix of online business increases.

**Streats web delivery portal**



Source: Company, DBS Bank



## Industry landscape

### Singapore

**Fragmented market, close to 30,000 foodservice establishments of various formats in Singapore.** Singapore has a strong culture for food and as a cosmopolitan city, it is well stocked with foodservice establishments offering extensive options for international cuisine. Singapore's foodservice space is fragmented and has close to 30,000 establishments based on data by Euromonitor. The development of malls in the city centre and commercial centres in new and existing towns has proliferated the growth of foodservice establishments, including independent and chain outlets in Singapore.

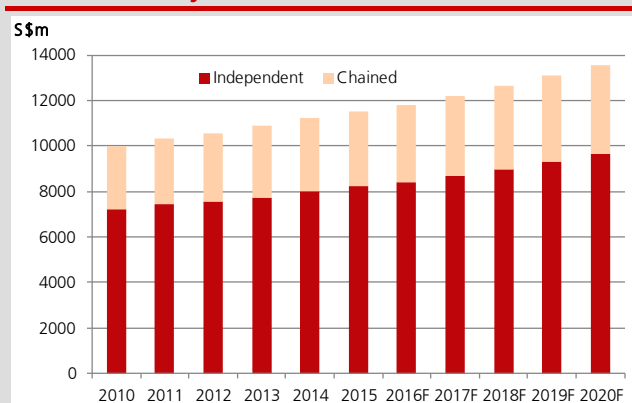
### Number of foodservice outlets 2015

	Independent	Chained	Total
100% home delivery takeaway	16	143	159
Cafes/Bars	1,657	541	2,198
Full-service restaurants	1,253	453	1,706
Fast food	38	1,499	1,537
Self-service cafeterias	0	5	5
Street stalls/kiosks	20,034	1,999	22,033
<b>Total</b>	<b>22,998</b>	<b>4,640</b>	<b>27,638</b>

Source: Euromonitor, DBS Bank

**Chain stores lead consumer foodservice growth, positive for Katrina.** Singapore's consumer food service sales in 2015 was valued at S\$11.7bn by Euromonitor and is forecast to grow at 3.3% CAGR from 2015-2020. Chained consumer foodservice sales growth is expected to outpace independent foodservice at 1.2% CAGR to 0.9% CAGR in value. Partly due to brand building, lower base and more structured growth strategies, consumer foodservice chain stores are penetrating Singapore's foodservice scene faster than independent stores.

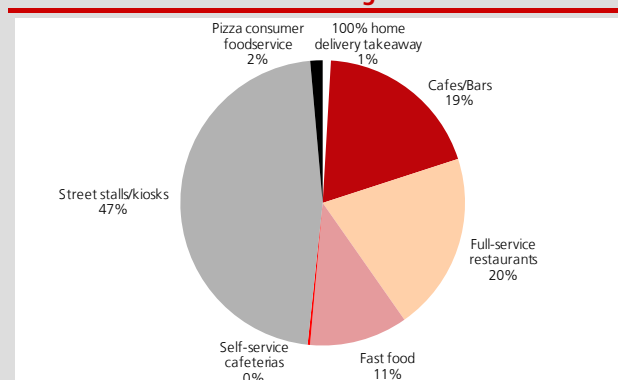
### 3.3% CAGR for Singapore consumer foodservice market driven by more outlets



Source: Euromonitor, DBS Bank

**Katrina operates in the full-service restaurant space.** Full-service restaurants, which is predominantly the space Katrina operates in, contributes about 20% of Singapore's foodservice market in terms of revenue or S\$2.3bn. Considering the c.1,700 outlets in the foodservice restaurant space, the average revenue per year for each outlet is approximately S\$1.3m or S\$110,000 per month. Full-service restaurants are defined as sit-down establishments with table service which are more focused on relatively higher-quality food and beverage than their quick-service counterparts. Their menus are often comprehensive, offering breakfast, lunch and dinner, etc. Preparation of food products is often more complex than quick-service restaurants.

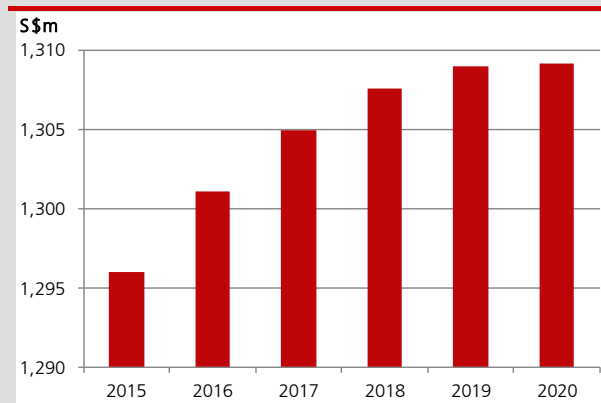
### 2015 share of food service categories



Source: Euromonitor, DBS Bank

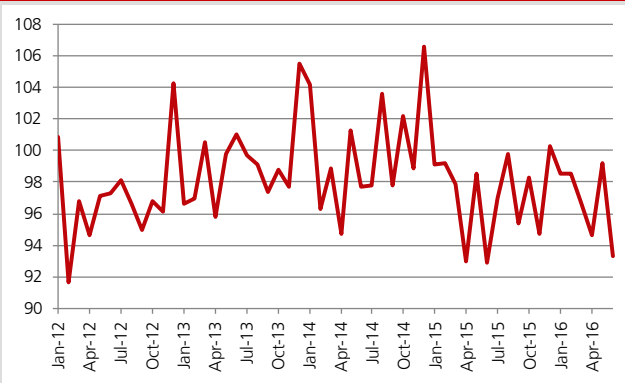
**Asian full-service restaurant sales to grow at 0.2% CAGR.** According to Euromonitor, the value of Asian full-service restaurant sales is forecast to grow by 0.2% CAGR from 2015-2020, driven by outlet and ticket size growth of 0.2% CAGR and 0.4% CAGR respectively. Ticket size per transaction is c.S\$15 per head, in line with the industry average.

### 0.2% CAGR growth for Asian full-service restaurant sales



Source: Euromonitor, DBS Bank

**Singapore F&B foodservices index (Current) NADJ**



Source: Thomson Reuters, DBS Bank

**Foodservice industry in Singapore**

Industry parameters	Note	2015
<b>Asian full service restaurants</b>		
Sales value (S\$m)	(1)	1,296
No of outlets	(2)	917
Annual sales per outlet per year (S\$m)	(3)=(1)/(2)	1.4
Sales per outlet per month (S\$)	(4)=(1)/(2)/12	117,775
Avg daily sales per outlet (S\$)	(5)=(3)/365	3,872
Avg daily transactions per store	(6)	74
Avg ticket size per transaction (S\$)	(7)=(5)/(6)	52
<b>Annual sales per outlet (S\$m )</b>		
Casual dining full-service restaurants		1.8
Chained full-service restaurants		1.8

Source: Euromonitor, DBS Bank

## Financials

### Profit and Loss

**Growth historically driven by new outlets and cost efficiencies.** Katrina's earnings growth is generally driven by both scale and cost efficiencies. Revenue growth has been driven by 1) more outlets and 2) growth in per outlet sales. Having a bigger footprint and garnering share in Singapore's foodservice market has helped to grow sales. By the same token, higher footfall allows for more leverage on its outlets to generate higher sales per outlet through menu promotions. Although margins have declined in FY15 due to higher operational, staff costs and rental expenses, core net profit remained relatively flat with the help of higher sales from more outlets and better sales leverage.

### Growth driven by outlets and cost controls

S\$m	FY13	FY14	FY15
Revenue	40.7	45.4	52.4
Total outlets	28.0	31.0	32.0
Sales per outlet (\$)	1.45	1.46	1.64
Gross Margins (%)	18.4	18.7	16.8
EBIT Margin (%)	10.9	12.3	10.3
Net Margin (%)	9.1	7.2	8.1
Net Profit before Except.	3.76	4.62	4.58
Net Profit Gth (Pre-ex) (%)	nm	22.8	(0.8)

Source: Company, DBS Bank

**New outlets to drive growth.** Katrina aims to reach 60 stores by FY19F. We conservatively assume a sub-60 store network by then, mainly driven by new Singapore stores. We expect more efficiencies with average annual sales per outlet improving and growing as well. But the run rate of S\$1.57m in FY18F is still below the chain store foodservice industry average of S\$1.8m per outlet. Menu prices for So Pho and Streets have also increased by 10-15% recently. These should help to drive revenue growth over the next two years.

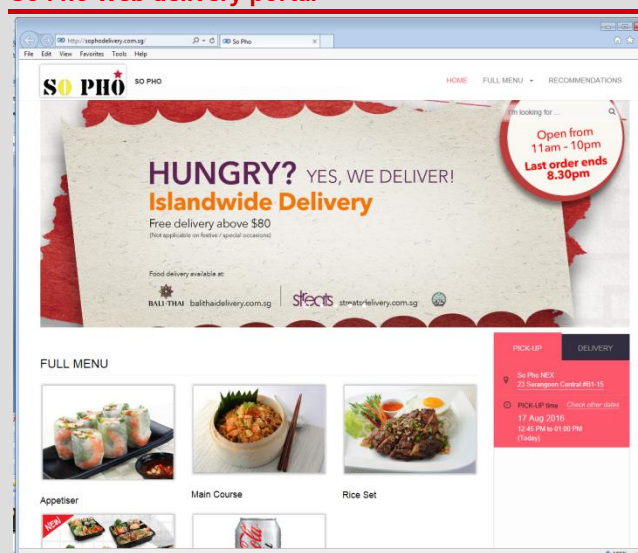
### Assumptions

S\$m	FY15	FY16F	FY17F	FY18F
Total outlets	32.0	40.0	44.0	52.0
Sales per outlet (\$)	1.64	1.51	1.54	1.57

Source: Company, DBS Bank

**Online business to scale, expect margin to increase.** We see Katrina's online business picking up. Currently, online sales are S\$100,000 per month, equivalent to the sales of one restaurant. This is from only its three brands on their own food portals. Selling online should yield higher leverage from its current kitchen facilities. We believe higher proportion of online sales will help to improve margins as well given that food preparation is leveraged on existing resource. Its latest sign-up with Foodpanda for all its nine brands should also improve sales going forward. We have factored in higher margins due to increased online sales going forward.

### So Pho web delivery portal



Source: Company, DBS Bank

### Balance sheet and cashflow

**Cash business, balance sheet in net cash.** Katrina has the ability to generate positive free cashflows. Annual operating cashflows generated have ranged from S\$5-7m. Capex per store ranges from S\$400,000-450,000. There was about S\$10.5m of net cash as of 2Q16, equivalent to approximately S\$0.045 per share. Working capital is generally positive since payable days are about one month with collection days ranging from 1-2 days.

### Strong cash position

S\$m	FY13	FY14	FY15	FY16F
Operating cashflow	5.99	5.78	6.71	6.66
Collection days	N/A	2.6	1.7	1.6
Payable days	N/A	35.4	35.3	34.4
Net cash	4.81	7.02	10.1	8.53
Net cash/share (Scts)	2.1	3.0	4.3	3.7

Source: Company, DBS Bank

## Katrina Group

### Strong ROAE

**Driven by good margins, asset turnover and leverage.** We assess Katrina to have strong ROAE of >30%. Net margins are above peer average at 7-8%, asset turnover is above 2x and asset-to-average equity is at 1-2x.

### Strong ROAE

S\$m	FY13	FY14	FY15	FY16F
Revenue	40.7	45.4	52.4	60.4
Net profit	3.70	3.29	4.26	3.58
Net margin (%)	9.1	7.2	8.1	5.9
Total assets	17.2	19.2	23.5	22.8
Equity	10.3	11.5	15.8	14.7
ROAE (%)	N/A	30.2	31.2	23.5

Source: Company, DBS Bank

### Earnings projection

**Lower margins in 1H16.** Katrina's 1H16 sales growth of 14.5% was driven by 5 new outlets opened in 2H15. Higher rental leases and depreciation from new outlets also led to gross margin declining to 18.5%. Higher marketing and promotions for online business and staff costs also led to higher SG&A expenses, resulting in lower operating margins.

### 1H16 results snapshot (S\$m)

FY Dec	1H2015	1H2016	% chg	yoy
Revenue	24.8	28.4		14.5
Cost of Goods Sold	(20.5)	(23.7)		
<b>Gross Profit</b>	<b>4.28</b>	<b>4.69</b>		<b>9.5</b>
Other Oper. (Exp)/Inc	(1.5)	(2.4)		
<b>Operating Profit</b>	<b>2.75</b>	<b>2.35</b>		<b>-14.5</b>
Net Interest (Exp)/Inc	0.0	0.0		
Exceptional Gain/(Loss)	(0.3)	(0.6)		
<b>Pre-tax Profit</b>	<b>2.48</b>	<b>1.75</b>		<b>-30%</b>
Tax	(0.4)	(0.4)		
<b>Net Profit</b>	<b>2.09</b>	<b>1.39</b>		<b>-33.4</b>
Net profit bef Except.	2.35	1.98		-15.7
EBITDA	3.62	3.51		-3.0

### Margins (%)

Gross Margins	17.3	16.5
Opg Profit Margins	11.1	8.3
Net Profit Margins	8.4	4.9

Source of all data: Company, DBS Bank

### New stores, price increase, online growth to drive earnings.

We expect 2H16 to pick up contributed by these three factors. Katrina has increased prices of its Streets and So Pho brands by 10-15%. Both Streets and So Pho outlets comprise close to 45% of all outlets in Singapore. We assess that the price increase is capable of increasing sales by another 5% assuming volumes remain unchanged and the price adjustment remains reasonably in line with its competitors. In addition to price increase, online sales is expected to pick up as well. The ramp up for online business has been fast, starting from January 2016. Its online footprint is currently small with scope to increase brands and delivery locations. We expect the partnership with Foodpanda to increase transaction volumes going forward. We have assumed net margins of 50% in this segment which should drive earnings even more. New stores to a lesser extent will add to sales. However, we do not expect aggressive contribution to earnings compared to online business and price increase.

### Expect earnings pickup in 2H16

FY Dec	1H2016	2H2016	2016F
Revenue	28.4	32.0	60.4
Cost of Goods Sold	(23.7)	(26.1)	(49.8)
<b>Gross Profit</b>	<b>4.69</b>	<b>5.92</b>	<b>10.6</b>
Other Oper. (Exp)/Inc	(2.4)	(2.7)	(5.1)
<b>Operating Profit</b>	<b>2.35</b>	<b>3.21</b>	<b>5.56</b>
Net Interest (Exp)/Inc	0.0	0.05	0.05
Exceptional Gain/(Loss)	(0.6)	(0.7)	(1.3)
<b>Pre-tax Profit</b>	<b>1.75</b>	<b>2.56</b>	<b>4.31</b>
Tax	(0.4)	(0.4)	(0.7)
<b>Net Profit</b>	<b>1.39</b>	<b>2.20</b>	<b>3.58</b>
Net profit bef Except.	1.98	2.90	4.88
EBITDA	3.51	4.82	8.33
<b>Margins (%)</b>			
Gross Margins	16.5	18.5	17.6
Opg Profit Margins	8.3	10.0	9.2
Net Profit Margins	4.9	6.9	5.9

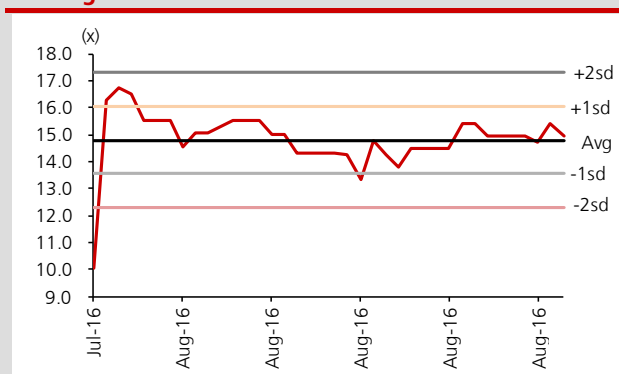
Source of all data: Company, DBS Bank

## Valuation and recommendation

Project earnings growth of 13-17% growth for FY17-18F, led by new stores, higher sales per store and online business. Core growth for Katrina will be driven by store expansion, with upside from ramp-up of online sales and opening of regional outlets. Our earnings growth projection is led by outlet growth towards a target of 60 stores by FY19F. Our revenue growth assumption is not aggressive as annual sales per outlet of S\$1.57m is below market average for casual dining full-service restaurants and chained full-service restaurants in Singapore. We have also factored in margin increase to account for more online sales activity.

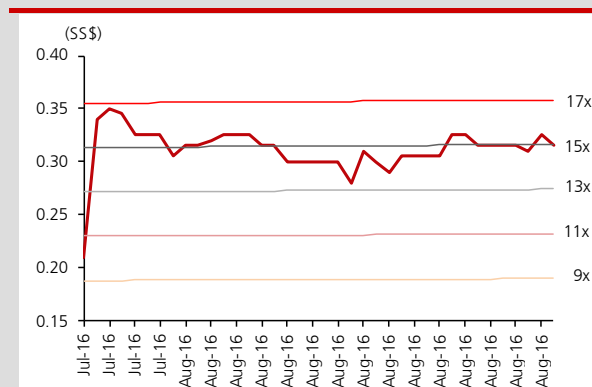
Initiate with BUY, TP S\$0.43. The stock currently trades at 13.3x FY17F PE, below regional peer average of 20x. Our peer average is made up of regional restaurants, QSRs, and foodservice players. We see Katrina growing quickly in Singapore through store expansion, online sales and overseas plans. We peg our valuation of Katrina at 18x FY17F PE, a 10% discount to regional peer average due to its smaller scale. Our TP derived from this is thus S\$0.43. Initiate coverage with a BUY recommendation.

### Trading within historical valuations



Source: DBS Bank

### PE Band



Source: DBS Bank

### Trading below regional peer average of c.20x FY17F PE

Company	Rating	Market Cap (US\$m)	Px Last	PE (Act)	PE (Yr 1)	PE(Yr 2)	P/BV (x)	P/Sales (x)	ROE (%)	Gross Margin (%)	Operating Margin (%)	Net Margin (%)	Dividend Yield (%)	Net Gearing (%)
Katrina Group Ltd	BUY	53	0.32	15.9x	15.0x	13.3x	5.0x	1.2x	24%	17.6%	9.2%	5.9%	2.9%	cash
<b>Singapore listed foodservice players</b>														
JUMBO Group Ltd	BUY	287	0.61	37.8x	21.6x	18.3x	7.9x	2.8x	29%	62.2%	14.0%	11.1%	2.2%	cash
BreadTalk Group Ltd	Not rated	211	1.03	44.5x	22.5x	16.2x	2.3x	0.5x	6%	52.9%	4.1%	1.2%	1.5%	90%
ABR Holdings Ltd	Not rated	103	0.70	18.6x	na	na	1.4x	1.4x	8%	45.9%	9.0%	7.6%	3.6%	-83%
Old Chang Kee Ltd	Not rated	64	0.72	19.7x	na	na	2.5x	1.2x	14%	63.1%	8.3%	6.7%	4.2%	-32%
Japan Foods Holding Ltd	NOT RATED	46	0.36	13.2x	16.6x	17.2x	2.0x	1.0x	12%	84.2%	6.5%	6.0%	5.6%	cash
Sakae Holdings Ltd	Not rated	32	0.32	na	na	na	1.1x	0.5x	-10%	65.6%	-1.4%	-4.8%	3.3%	64%
Soup Restaurant Group Ltd	Not rated	46	0.20	54.0x	na	na	5.7x	1.5x	9%	77.1%	1.2%	2.4%	5.1%	-81%
Select Group Ltd	Not rated	54	0.52	10.2x	na	na	2.9x	0.5x	29%	66.8%	5.3%	4.5%	3.9%	105%
Tung Lok Restaurants (2000) Ltd	Not rated	19	0.10	42.6x	na	na	1.6x	0.3x	4%	72.2%	0.3%	0.7%	0.0%	-69%
Pavillon Holdings Ltd	Not rated	19	0.07	na	na	na	0.6x	2.2x	-6%	10.2%	-16.6%	-15.6%	nm	-81%
Neo Group Ltd	Not rated	67	0.61	26.7x	12.4x	8.9x	3.2x	0.7x	20%	60.5%	4.9%	4.8%	1.6%	197%
<b>Singapore average</b>				<b>29.7x</b>	<b>18.3x</b>	<b>15.1x</b>	<b>2.8x</b>	<b>1.1x</b>	<b>10%</b>	<b>60.1%</b>	<b>3.2%</b>	<b>2.2%</b>	<b>3.1%</b>	<b>12.3%</b>
<b>Regional foodservice players</b>														
Jollibee Foods Corp	FULLY VALUE	5,662	245.00	54.5x	41.8x	35.3x	7.6x	2.3x	19%	18.6%	6.6%	5.5%	0.9%	cash
MK Restaurant Group PCL	BUY	1,421	54.00	21.8x	19.0x	23.2x	3.5x	2.7x	19%	65.8%	18.0%	14.4%	4.2%	cash
Bejaya Corporation Bhd	Not rated	407	0.34	na	na	na	0.2x	0.2x	-3%	na	6.7%	-1.8%	3.0%	138%
Oldtown Bhd	BUY	215	1.94	17.9x	15.9x	15.2x	2.4x	2.2x	15%	37.2%	17.9%	13.2%	4.6%	cash
<b>Asean ex Singapore average</b>				<b>31.4x</b>	<b>25.6x</b>	<b>24.6x</b>	<b>3.4x</b>	<b>1.9x</b>	<b>13%</b>	<b>41%</b>	<b>12.3%</b>	<b>7.8%</b>	<b>3.2%</b>	<b>138.1%</b>
<b>Regional average</b>				<b>30.1x</b>	<b>21.4x</b>	<b>19.2x</b>	<b>3.0x</b>	<b>1.3x</b>	<b>11%</b>	<b>56%</b>	<b>5.6%</b>	<b>3.7%</b>	<b>3.1%</b>	<b>24.9%</b>

Source: Thomson Reuters, DBS Bank

## Key Risks

**Competition.** Katrina operates in a low-entry-barrier foodservice market. Other foodservice competitors in Singapore include Creative Eateries, Minor Food Group, Japan Foods, RE&S Enterprises, Breadtalk, Sakae Holdings, ABR Holdings, all offering alternate dining concepts.

**Loss of halal certification.** Katrina has four brands (Bali Thai, So Pho, Streats and Indobox) which are halal certified, of which three are its key brands. There is an obligation to fulfil all halal and MUIS requirements. The halal certification for operating various food establishments is valid for one or two years as stipulated by MUIS. Loss of such a licence will put Katrina's key brands and earnings contribution in jeopardy.

**Consumer spending on F&B foodservice.** The foodservice market, especially mid- to high-end dining, is dependent on domestic private consumption. Cautious consumer spending will lead to a downgrade to lower-end food service outlets and home-cooked meals, affecting footfall at Katrina's outlets.

**Food safety and licences.** As a restaurant operator, it is important to maintain food safety. Lapses would lead to reputational risks and in extreme cases, food operation licences could be revoked.



**Key Assumptions**

FY Dec	2013A	2014A	2015A	2016F	2017F	2018F
No of stores	28.0	31.0	32.0	40.0	44.0	52.0
Annual sales per store	1.45	1.46	1.64	1.51	1.54	1.57

Targets close to 60 outlets by 2019

Still below industry average for Casual Dining and Chained full-service restaurants.

**Segmental Breakdown**

FY Dec	2013A	2014A	2015A	2016F	2017F	2018F
<b>Revenues (S\$m)</b>						
Singapore	38.2	42.4	50.1	56.5	64.0	78.4
PRC	2.54	3.01	2.39	2.75	2.80	2.86
Online	0.0	0.0	0.0	1.20	2.45	2.81
<b>Total</b>	<b>40.7</b>	<b>45.4</b>	<b>52.4</b>	<b>60.4</b>	<b>69.3</b>	<b>84.0</b>

**Net profit (S\$m)**

Singapore	3.94	3.25	4.49	2.99	4.23	5.02
PRC	(0.2)	0.04	(0.2)	0.0	0.0	0.0
Online	0.0	0.0	0.0	0.60	1.23	1.40
<b>Total</b>	<b>3.70</b>	<b>3.29</b>	<b>4.26</b>	<b>3.58</b>	<b>5.45</b>	<b>6.42</b>

Full 12 month operation of new outlets

Growth driven by more volumes including Foodpanda

**Net profit Margins (%)**

Singapore	10.3	7.7	9.0	5.3	6.6	6.4
PRC	(9.3)	1.4	(9.6)	(0.4)	0.0	0.0
Online	N/A	N/A	N/A	50.0	50.0	50.0
<b>Total</b>	<b>9.1</b>	<b>7.2</b>	<b>8.1</b>	<b>5.9</b>	<b>7.9</b>	<b>7.6</b>

S\$100,000 sales per month from online

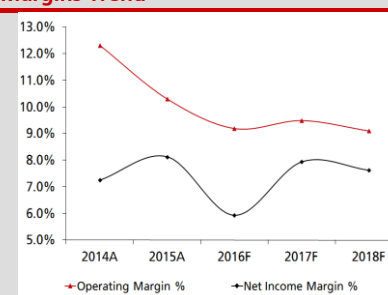
Our assumed margin flowthrough from online is 50%

Source: Company, DBS Bank

**Income Statement (\$m)**

FY Dec	2013A	2014A	2015A	2016F	2017F	2018F
Revenue	40.7	45.4	52.4	60.4	69.3	84.0
Cost of Goods Sold	(33.2)	(36.9)	(43.6)	(49.8)	(56.8)	(69.0)
<b>Gross Profit</b>	<b>7.48</b>	<b>8.48</b>	<b>8.83</b>	<b>10.6</b>	<b>12.5</b>	<b>15.0</b>
Other Opng (Exp)/Inc	(3.0)	(2.9)	(3.4)	(5.1)	(5.9)	(7.3)
<b>Operating Profit</b>	<b>4.44</b>	<b>5.59</b>	<b>5.40</b>	<b>5.56</b>	<b>6.58</b>	<b>7.65</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.0	(0.1)	0.03	0.05	0.04	0.06
Exceptional Gain/(Loss)	(0.1)	(1.3)	(0.3)	(1.3)	0.0	0.0
<b>Pre-tax Profit</b>	<b>4.34</b>	<b>4.17</b>	<b>5.12</b>	<b>4.31</b>	<b>6.61</b>	<b>7.71</b>
Tax	(0.6)	(0.9)	(0.9)	(0.7)	(1.1)	(1.3)
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>3.70</b>	<b>3.29</b>	<b>4.26</b>	<b>3.58</b>	<b>5.50</b>	<b>6.40</b>
Net Profit before Except.	3.76	4.62	4.58	4.88	5.50	6.40
EBITDA	5.60	7.24	7.38	8.33	9.35	11.0
<b>Growth</b>						
Revenue Gth (%)	nm	11.6	15.5	15.2	14.6	21.3
EBITDA Gth (%)	nm	29.1	1.9	12.9	12.2	17.8
Opg Profit Gth (%)	nm	25.9	(3.4)	2.8	18.3	16.3
Net Profit Gth (Pre-ex)	nm	22.8	(0.8)	6.4	12.8	16.5
<b>Margins &amp; Ratio</b>						
Gross Margins (%)	18.4	18.7	16.8	17.6	18.0	17.8
Opg Profit Margin (%)	10.9	12.3	10.3	9.2	9.5	9.1
Net Profit Margin (%)	9.1	7.2	8.1	5.9	7.9	7.6
ROAE (%)	N/A	30.2	31.2	23.5	34.8	35.2
ROA (%)	N/A	18.1	20.0	15.5	22.7	23.3
ROCE (%)	N/A	36.8	31.2	30.1	32.7	33.4
Div Payout Ratio (%)	0.0	0.0	234.6	60.0	60.0	60.0
Net Interest Cover (x)	103.3	58.3	NM	NM	NM	NM

**Margins Trend**



- IPO expense
- Write off for shutting China stores
- Increase in operations and restaurant staff costs.
- Expect margin uplift from price increase and pick-up of online business
- Led by higher net margins from online business
- Assume 60% payout
- \$510m dividend for FY15 to founders

Source: Company, DBS Bank

**Quarterly / Interim Income Statement (\$Sm)**

FY Dec	1H2015	2H2015	2015A	1H2016	2H2016F	2016F
Revenue	24.8	27.7	52.4	28.4	32.0	60.4
Cost of Goods Sold	(20.5)	(23.2)	(43.6)	(23.7)	(26.1)	(49.8)
<b>Gross Profit</b>	<b>4.28</b>	<b>4.55</b>	<b>8.83</b>	<b>4.69</b>	<b>5.92</b>	<b>10.6</b>
Other Oper. (Exp)/Inc	(1.5)	(1.9)	(3.4)	(2.4)	(2.7)	(5.1)
<b>Operating Profit</b>	<b>2.75</b>	<b>2.66</b>	<b>5.40</b>	<b>2.35</b>	<b>3.21</b>	<b>5.56</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.0	0.04	0.03	0.0	0.05	0.05
Exceptional Gain/(Loss)	(0.3)	(0.1)	(0.3)	(0.6)	(0.7)	(1.3)
<b>Pre-tax Profit</b>	<b>2.48</b>	<b>2.64</b>	<b>5.12</b>	<b>1.75</b>	<b>2.56</b>	<b>4.31</b>
Tax	(0.4)	(0.5)	(0.9)	(0.4)	(0.4)	(0.7)
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>2.09</b>	<b>2.17</b>	<b>4.26</b>	<b>1.39</b>	<b>2.20</b>	<b>3.58</b>
Net profit bef Except.	2.35	2.23	4.58	1.98	2.90	4.88
EBITDA	3.62	3.76	7.38	3.51	4.82	8.33

Sales growth from new outlets including two in Malaysia, Clementi, Raffles City and Ngee Ann City, price increase of 10-15%, additional online sales

**Growth (%)**

Revenue Gth	nm	nm	15.5	14.5	15.5	15.2
EBITDA Gth	nm	nm	1.9	(3.0)	28.1	12.9
Opg Profit Gth	nm	nm	(3.4)	(14.5)	20.6	2.8
Net Profit Gth (Pre-ex)	nm	nm	(0.8)	(15.7)	30.0	6.4

**Margins**

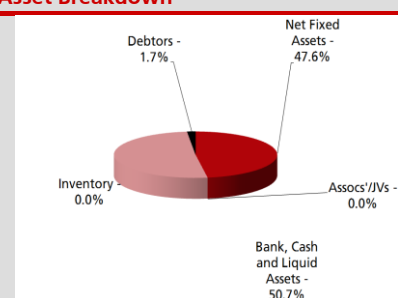
Gross Margins (%)	17.3	16.4	16.8	16.5	18.5	17.6
Opg Profit Margins (%)	11.1	9.6	10.3	8.3	10.0	9.2
Net Profit Margins (%)	8.4	7.8	8.1	4.9	6.9	5.9

Source: Company, DBS Bank

**Balance Sheet (\$m)**

FY Dec	2013A	2014A	2015A	2016F	2017F	2018F
Net Fixed Assets	6.35	6.79	7.35	8.18	7.21	7.44
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0	0.0
Other LT Assets	2.64	2.89	3.52	3.52	3.52	3.52
Cash & ST Invt	5.38	7.39	10.3	8.70	12.5	15.9
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	0.40	0.25	0.24	0.28	0.33	0.39
Other Current Assets	2.46	1.92	2.09	2.09	2.09	2.09
<b>Total Assets</b>	<b>17.2</b>	<b>19.2</b>	<b>23.5</b>	<b>22.8</b>	<b>25.6</b>	<b>29.3</b>
ST Debt	0.20	0.20	0.17	0.17	0.17	0.17
Creditor	3.04	3.81	4.26	4.61	5.25	6.38
Other Current Liab	2.33	2.73	2.32	2.32	2.32	2.32
LT Debt	0.37	0.17	0.0	0.0	0.0	0.0
Other LT Liabilities	1.01	0.83	0.97	0.97	0.97	0.97
Shareholder's Equity	10.3	11.5	15.8	14.7	16.9	19.5
Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Cap. &amp; Liab.</b>	<b>17.2</b>	<b>19.2</b>	<b>23.5</b>	<b>22.8</b>	<b>25.6</b>	<b>29.3</b>
Non-Cash Wkg. Capital	(2.5)	(4.4)	(4.2)	(4.6)	(5.2)	(6.2)
Net Cash/(Debt)	4.81	7.02	10.1	8.53	12.3	15.7
Debtors Turn (avg days)	N/A	2.6	1.7	1.6	1.6	1.6
Creditors Turn (avg days)	N/A	35.4	35.3	34.4	33.3	32.3
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	NM	2.5	2.5	2.6	2.9	3.1
Current Ratio (x)	1.5	1.4	1.9	1.6	1.9	2.1
Quick Ratio (x)	1.0	1.1	1.6	1.3	1.7	1.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	684.9	548.1	1,640.2	2,130.2	1,065.1	2,130.2

Source: Company, DBS Bank

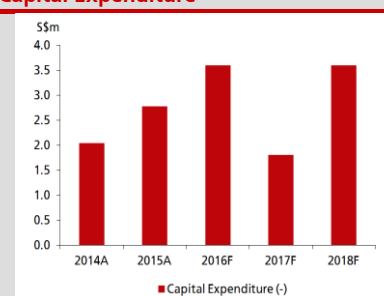
**Asset Breakdown**

Net cash of 4.5 Scts per share as of 2Q16

## Cash Flow Statement (\$m)

FY Dec	2013A	2014A	2015A	2016F	2017F	2018F
Pre-Tax Profit	4.34	4.17	5.12	4.31	6.61	7.71
Dep. & Amort.	1.16	1.64	1.97	2.77	2.77	3.36
Tax Paid	(0.8)	(0.6)	(0.9)	(0.7)	(1.1)	(1.3)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	1.21	(0.6)	0.16	0.31	0.60	1.06
Other Operating CF	0.07	1.22	0.32	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>5.99</b>	<b>5.78</b>	<b>6.71</b>	<b>6.66</b>	<b>8.87</b>	<b>10.8</b>
Capital Exp.(net)	(3.9)	(2.0)	(2.8)	(3.6)	(1.8)	(3.6)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(3.9)</b>	<b>(2.0)</b>	<b>(2.8)</b>	<b>(3.6)</b>	<b>(1.8)</b>	<b>(3.6)</b>
Div Paid	(2.0)	(2.0)	0.0	(12.2)	(3.3)	(3.8)
Chg in Gross Debt	(0.2)	(0.2)	(0.2)	0.0	0.0	0.0
Capital Issues	0.0	0.0	0.0	7.50	0.0	0.0
Other Financing CF	(0.8)	0.58	(0.6)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(3.0)</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>(4.7)</b>	<b>(3.3)</b>	<b>(3.8)</b>
Currency Adjustments	0.02	0.01	0.0	0.0	0.0	0.0
Chg in Cash	(0.9)	2.12	3.17	(1.6)	3.77	3.38
Opg CFPS (S cts)	2.07	2.76	2.83	2.74	3.57	4.22
Free CFPS (S cts)	0.89	1.61	1.70	1.32	3.05	3.12

## Capital Expenditure



Assume S\$450,000 capex per new store

Includes S\$10m dividend to Mr Alan Goh and Ms Catherine Tan for FY15

Gross proceeds from IPO

Source: Company, DBS Bank

DBS Bank recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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