

COMPANY RESULTS

Kimly (KMLY SP)

FY24: Strategic Expansion Amid Intensified Competition And Cost Pressures

Kimly's FY24 results were below expectations, with both revenue and core PATMI at 97%/90% of our forecasts respectively. Its higher total dividend of 2.0 S cents per share translates to a 75% payout ratio. Revenue increased marginally from new store openings, offset by underperforming existing stores. Rising operational costs continue to hurt margins, but management continues to expand its outlet network and improve efficiency. Maintain HOLD with a trimmed target price of S\$0.34 (S\$0.35 previously).

FY24 RESULTS

Year to 30 Sep (S\$m)	FY24	FY23	yoy% chg	2HFY24	yoy% chg	hoh% chg
Revenue	319.4	313.9	1.8	160.9	1.6	1.5
Gross Profit	90.6	88.9	1.9	46.4	0.1	5.3
Gross Margin (%)	28.4	28.3	0.1ppt	28.9	(0.4ppt)	1.1ppt
Operating Profit	43.4	48.6	(10.7)	22.1	(9.3)	3.4
Headline PATMI	33.1	36.5	(9.2)	15.6	(12.5)	(11.1)
Core PATMI*	31.7	34.0	(6.8)	14.9	(10.0)	(11.3)
Core PATMI Margin* (%)	9.9	10.7	(0.8ppt)	9.3	(1.2ppt)	(1.3ppt)

Source: Kimly, UOB Kay Hian

*Excluding one-off gain of S\$2.5m from confectionery business disposal in FY23, and corporate income tax rebate of S\$1.5m in FY24

RESULTS

- Results below expectations.** Kimly's revenue and core PATMI of S\$319m (+2% yoy) and S\$32m (-7% yoy) came in below expectations, forming 97%/90% of our FY24 forecasts respectively. 2HFY24 core PATMI fell sharply by 10% yoy to S\$15m, due to higher labour costs (+6% yoy) on adjusted wages across the board and headcount growth, higher depreciation (+6% yoy), higher electricity charges, and increased cleaning expenses. This was partially offset by lower raw material costs on better sales mix.
- Slight revenue growth across all segments.** FY24 revenue growth was driven by higher outlet management revenue of S\$127m (+4% yoy), as a result of new openings in FY23 and FY24 and new cleaning contracts secured. The food retail segment also increased marginally to S\$185m (+0.6% yoy), due to higher contributions from new openings in FY23 and FY24, but heavily offset by closures of and lower contributions from existing food stalls.
- Higher total dividend declared; yield is attractive at 6.3%.** A final dividend of 1.0 S cent/share was declared (FY23: 1.12 S cents/share), taking FY24 total dividend to 2.0 S cents/share (FY23: 1.68 S cents/share) and implying a 75% payout ratio (FY23: 57%).

KEY FINANCIALS

Year to 30 Sep (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	314	319	333	347	358
EBITDA	55	50	53	55	56
Operating profit	49	43	47	49	51
Net profit (rep./act.)	36	32	35	36	38
Net profit (adj.)	36	32	35	36	38
EPS (S\$ cent)	2.9	2.6	2.8	2.9	3.1
PE (x)	11.1	12.3	11.5	10.9	10.4
P/B (x)	2.3	2.2	2.0	1.8	1.7
EV/EBITDA (x)	5.7	6.2	5.9	5.7	5.5
Dividend yield (%)	5.3	6.3	5.2	5.5	5.7
Net margin (%)	11.4	10.1	10.4	10.5	10.7
Net debt/(cash) to equity (%)	(40.4)	(44.5)	(46.1)	(51.1)	(55.6)
Interest cover (x)	25.4	19.6	23.4	28.0	36.2
ROE (%)	21.2	18.0	18.0	17.5	16.8
Consensus net profit	-	-	37	40	-
UOBKH/Consensus (x)	-	-	0.93	0.92	-

Source: Kimly, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.32
Target Price	S\$0.34
Upside	+6.3%
(Previous TP:	S\$0.35)

COMPANY DESCRIPTION

Kimly operates and manages coffee shops and food courts. The company offers prepared foods and drinks for on-premise consumption. Kimly serves customers in Singapore.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	KMLY SP
Shares issued (m):	1,241.5
Market cap (S\$m):	397.3
Market cap (US\$m):	296.5
3-mth avg daily t'over (US\$m):	0.0

Price Performance (%)

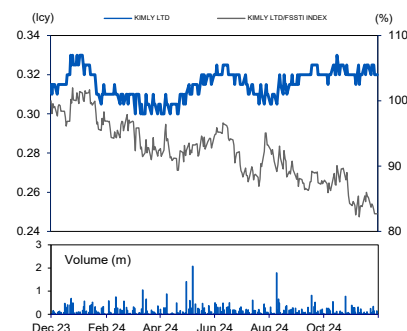
52-week high/low	S\$0.335/S\$0.300			
1mth	3mth	6mth	1yr	YTD
(1.5)	0.0	0.0	3.2	0.0

Major Shareholders

Lim Hee Liat	39.8
Peh Oon Kee	8.0
Ng Lay Beng	4.6

FY25 NAV/Share (S\$)	0.16
FY25 Net Cash/Share (S\$)	0.07

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Strong cash-generative ability to support dividend payout.** Kimly generated stable net cash from operating activities of S\$44m to maintain a healthy cash position of S\$98m (+11% yoy). This supports its policy of paying out not less than 50% of its net profits to shareholders as dividends.
- **Continuing to expand food outlet network.** Despite the competitive industry environment and mounting operational costs, Kimly has continued to expand its market presence. In FY24, the group grew its food outlet network with three new outlets, 11 stalls and two restaurants. It also opened a new food court in Lucky Plaza, and proposed the acquisition of a coffee shop (Block 204 Serangoon Central). These new openings will contribute to better FY25 earnings.
- **Building on central kitchens to improve efficiency.** In Aug 24, Kimly also expanded its central kitchen for Tenderfresh from 129sqm to 500sqm. This better positions Kimly to capture the rising demand for halal food. The group has also integrated automated machines into its mixed vegetable rice central kitchens, leading to greater supply of semi-processed products and therefore enhanced operational efficiency to protect margins.

EARNINGS REVISION/RISK

- **We lower our FY25/26 earnings forecasts by 2%/2% to S\$35m/S\$36m respectively (S\$37m/S\$39m previously)** after factoring in higher labour costs due to headcount growth and raised salaries. We have also introduced FY27 estimates.

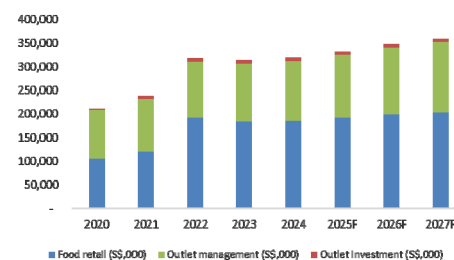
VALUATION/RECOMMENDATION

- **Maintain HOLD with a lower PE-based target price of S\$0.34 (S\$0.35 previously),** pegged to 12x (-0.5SD below mean) FY25F PE as Kimly continues to face persistent pressures in the challenging operating environment with the tight labour market and rising rental and utility costs.

SHARE PRICE CATALYST

- Higher-than-expected outlet expansion.
- Earnings-accretive M&As.

ANNUAL SEGMENTAL REVENUE (FY20-27F)



Source: Kimly, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	319.4	332.7	346.7	358.1
EBITDA	50.1	52.8	54.8	56.5
Deprec. & amort.	6.6	5.8	5.8	5.9
EBIT	43.4	47.0	49.0	50.6
Net interest income/(expense)	(2.6)	(2.3)	(2.0)	(1.6)
Pre-tax profit	40.9	44.7	47.0	49.0
Tax	(5.5)	(7.2)	(7.5)	(7.8)
Minorities	(3.0)	(3.0)	(3.0)	(3.0)
Net profit	32.4	34.6	36.5	38.2
Net profit (adj.)	32.4	34.6	36.5	38.2

BALANCE SHEET

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Fixed assets	203.8	203.8	204.1	204.6
Other LT assets	82.7	81.1	79.6	78.0
Cash/ST investment	98.5	109.2	128.3	148.1
Other current assets	15.6	24.9	25.8	26.6
Total assets	400.5	419.0	437.7	457.3
ST debt	5.3	5.3	5.3	5.3
Other current liabilities	91.1	92.7	93.7	94.8
LT debt	11.7	11.7	11.7	11.7
Other LT liabilities	102.4	102.5	102.6	102.7
Shareholders' equity	183.3	200.1	217.7	236.0
Minority interest	6.8	6.8	6.8	6.8
Total liabilities & equity	400.5	419.0	437.7	457.3

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	87.7	80.7	90.4	92.4
Pre-tax profit	40.9	44.7	47.0	49.0
Tax	(5.5)	(7.2)	(7.5)	(7.8)
Deprec. & amort.	6.6	5.8	5.8	5.9
Associates	-	-	-	-
Working capital changes	(92.4)	(101.2)	(95.4)	(96.7)
Non-cash items	(0.0)	-	-	-
Other operating cashflows	138.1	138.5	140.5	142.1
Investing	(4.3)	(5.9)	(6.2)	(6.4)
Capex (growth)	(5.7)	(5.9)	(6.2)	(6.4)
Proceeds from sale of assets	0.1	-	-	-
Others	1.3	-	-	-
Financing	(74.0)	(64.0)	(65.2)	(66.2)
Dividend payments	(26.3)	(20.7)	(21.9)	(22.9)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Others/interest paid	(47.6)	(43.3)	(43.3)	(43.3)
Net cash inflow (outflow)	9.4	10.7	19.1	19.9
Beginning cash & cash equivalent	89.1	98.5	109.2	128.3
Ending cash & cash equivalent	98.5	109.2	128.3	148.1

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	15.7	15.9	15.8	15.8
Pre-tax margin	12.8	13.5	13.6	13.7
Net margin	10.1	10.4	10.5	10.7
ROA	8.8	8.4	8.5	8.5
ROE	18.0	18.0	17.5	16.8
Growth				
Turnover	1.8	4.2	4.2	3.3
EBITDA	(8.3)	5.5	3.8	3.0
Pre-tax profit	(12.0)	9.4	5.1	4.3
Net profit	(9.6)	6.8	5.5	4.6
Net profit (adj.)	(9.6)	6.8	5.5	4.6
EPS	(9.6)	6.8	5.5	4.6
Leverage				
Debt to total capital	8.2	7.6	7.0	6.5
Debt to equity	9.2	8.4	7.8	7.2
Net debt/(cash) to equity	(44.5)	(46.1)	(51.1)	(55.6)
Interest cover (x)	19.6	23.4	28.0	36.2

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