

IPO Factsheet

Kimly Limited

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 March 2017

Issue Statistics

Offer Price	S\$0.25
Share Offer	3.8m offer shares 170.0m placement shares
Market Cap	S\$288.7m
Close Date	16 Mar 2017, 12.00 noon
Share Trading	20 Mar 2017, 9.00 a.m. (Catalist)
Sponsor, Issue Manager and Placement Agents	PrimePartners Corporate Finance Pte. Ltd. UOB Kay Hian Private Limited

Financials

FY Sep (\$m)	2014A	2015A	2016A
Revenue	148.9	156.0	172.2
Pretax Profit	21.2	23.6	25.6
Net Profit	20.1	22.5	24.2
EPS (S cts)*	0.90	1.00	1.05
Ratios / Margins			
Pretax Margin (%)	14.2	15.1	14.9
Net Margin (%)	13.5	14.4	14.1
PE (X)*	27.8	25.0	23.8
P/NTAV (X)*	-	-	5.5

* Based on post-Invitation share capital

SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> • First-mover advantage and economies of scale • Resilient business model with multiple revenue streams • Quality food tenants and anchor tenants • Location of food outlets 	<ul style="list-style-type: none"> • Reliance on skilled and experienced personnel • Regulatory requirements for operations • Affected by outbreak of food-related diseases • Ability to lease new premises or renew existing leases • Food contamination and tampering risks
Opportunities	Threats
<ul style="list-style-type: none"> • Business expansion • Establish new food outlets and refurbish existing food outlets • Adopt technology and expand central kitchen • Develop cashless electronic payment systems • Provide online ordering and delivery system 	<ul style="list-style-type: none"> • Dependence on reputation, brands and intellectual property

Source of all data: Company, DBS Bank

Business

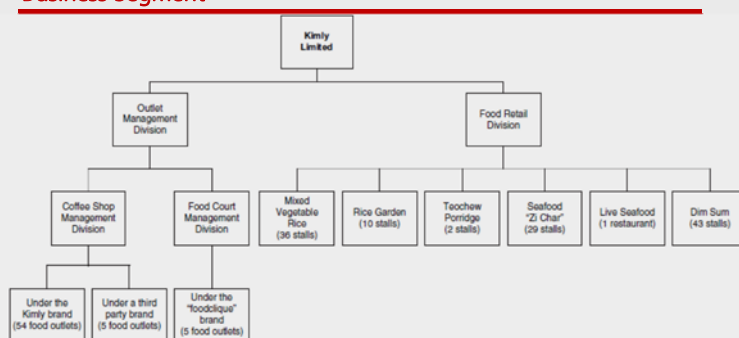
Kimly is a leading and established operator of coffee shops in Singapore with 26 years of experience. It operates and manages coffee shops and food courts with nearly 500 stalls in 64 outlets, which include 56 coffee shops, three industrial canteens and five food courts, across the country.

Currently, the business can be categorised into two divisions:

1) **Outlet Management Division.** As the master leaseholder of the food outlets which lease food stalls to tenants, operate the drinks stalls and provide cleaning services.

2) **Food Retail Division.** Operates 121 food stalls.

Business Segment



Source: Company

Competitive Strengths

First-mover advantage and economies of scale

As an established operator in the industry with a large portfolio of food outlets and stalls, Kimly has a first-mover advantage and economies of scale in operations.

Resilient business model with multiple revenue streams

Multiple revenue streams reduce reliance on any particular business division; increases resilience of the group's business.

Quality food tenants and anchor tenants

Extensive knowledge and experience in food outlet management enable Kimly to achieve ideal mix of food stall tenants. The long-term relationships with tenants contribute to the sustainability of the food outlets.

Location of food outlets

Kimly's outlets are located in most key estates across Singapore. Given the location and variety of products provided at the food outlets, Kimly has established a broad and varied customer base and cultivated brand loyalty.

Kimly Limited

Business Strategies and Outlook

Business expansion

Kimly may expand business through acquisitions, joint ventures or strategic alliances to strengthen its market position and venture into new complementary businesses.

Establish new food outlets and refurbish existing food outlets

To extend network of food outlets in strategic locations and refurbish existing food outlets.

Adopt technology and expand central kitchen

Kimly intends to acquire new equipment, develop new software and expand capacity of its central kitchen.

Develop cashless electronic payment systems

Implement cashless electronic payment systems such as NETS FlashPay and electronic wallet systems.

Provide online ordering and delivery system

Kimly has partnered with an online food delivery service provider Dim Sum for online ordering and delivery, and has created an online ordering system for in-house dining, as well as pre-ordering takeaway.

Prospects

Kimly believes that business outlook is positive in view of: 1) The company being well positioned to capitalise on the government's developments plans in the Jurong Lake District; 2) online food delivery services gaining popularity; 3) growing population and geographical distribution; and 4) as of 30 September 2015, market share of the group was approximately 5.8%. There is scope to expand and acquire a larger market share.

Key Risks

Reliance on skilled and experienced personnel

Business is labour-intensive, and relies on skilled and experienced personnel for operations.

Regulatory requirements for operations

Changes to applicable laws, regulations or policies of Singapore or the foreigners' countries of origin may result in labour shortages and/or increase in operating costs.

Affected by outbreak of food-related diseases

The spread of contagious or virulent diseases may negatively affect consumer confidence and sentiments.

Ability to lease new premises or renew existing leases

No certainty that Kimly will be able to lease new premises or renew existing leases.

Food contamination and tampering risks

Exposure to negative publicity, customer complaints and potential litigation due to food contamination and risks of tampering.

Dependence on reputation, brands and intellectual property

Any third party that uses its trademarks, or similar trademarks in Singapore, may create barriers to entry for the group in the future.

Dividend Policy

Kimly intends to pay dividends of not less than 50% of net profits attributable to shareholders.

Use of Proceeds

Intended Use	Amount (\$m)	% of Net Proceeds
Expansion of business operations	30.4	69.9
Refurbishment & Upgrading	8.0	18.4
Productivity initiatives/IT	2.0	4.6
IPO expenses	3.1	7.1
Total	43.5	100.0

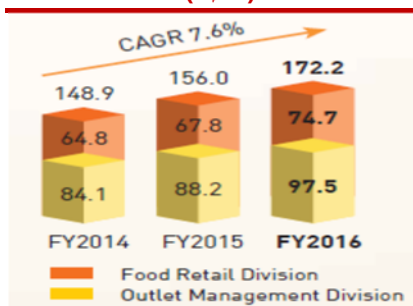
Source: Company, DBS Bank

Historical Peers Comparison

Name	Price (\$)	Mkt Cap (\$m)	PE (x)	Div Yld (%)	Crncy	Sales (LCY m)	Net Income (LCYm)	Net Margin (%)
ABR Holdings	0.800	161	29.7	-	SGD	104	5	5.2
Chaswood Resources	0.027	7	nm	0.0	MYR	167	(5)	nm
Japan Foods Holding	0.450	78	19.4	4.4	SGD	63	4	6.0
Jumbo Group	0.680	439	28.5	1.5	SGD	137	16	11.3
Katrina Group	0.210	49	-	-	SGD	52	4	8.1
LifeBrandz	0.004	15	nm	0.0	SGD	1	(1)	nm
Pavillon Holdings	0.056	22	24.5	-	SGD	16	1	5.7
Sakae Holdings	0.350	49	nm	0.0	SGD	86	(13)	nm
Soup Restaurant	0.182	50	49.4	-	SGD	38	1	2.6
Tung Lok Restaurants	0.094	26	25.8	0.0	SGD	86	1	0.7

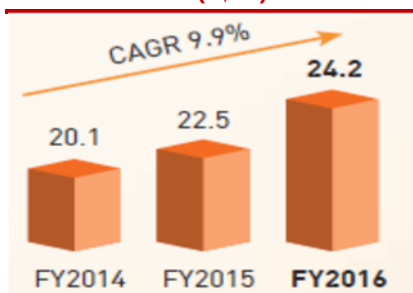
Source: Bloomberg Finance L.P.

Revenue Trend (\$m)



Source: Company

Net Profit Trend (\$m)



Source: Company

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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