



Tomei Consolidated Berhad

“Attractive Valuation for Established Jewellery Retailer”

Bloomberg: TOME:MK | Reuters: TMEI.KL | Stock Code: 7230

Valuation / Recommendation

We have a **BUY** recommendation on Tomei with a target price of RM1.21 based on PE of 5x our FY22 EPS forecast of 24.2 sen. We think that Tomei deserves to trade at a higher valuation due to the resilience of its business which continued to be profitable on an annual basis even during the pandemic.

Investment Highlights

Established retail presence in Malaysia. Tomei has a retail network of 57 outlets with a presence in most of the states in Malaysia. The Group is a veteran in the jewellery industry with the Tomei brand being first introduced in Malaysia in 1968. This long track record fosters trust in the brand which in turn creates desirability for its products.

Downsizing has driven respectable PBT growth. Tomei’s decision to reduce its number of outlets from over 60 in FY16 to 57 currently allowed it to focus on its better performing stores resulting in stronger profitability. PBT experienced a 5-year compounded annual growth rate of 40.4% to RM44.0m in FY21 from RM8.1m in FY16 mainly driven by lower selling & distribution expenses as well as lower administrative expenses.

Targeting the Malay market to boost growth. To target the Malay market, Tomei intends to establish more stores in Malay-majority areas. Additionally, Tomei aims to introduce more innovative designs within its Anastasia and Chomel line-up.

Looking to set up more standalone stores. Tomei aims to follow up on the launch of its first standalone store in Langkawi in April 2022 by identifying opportunities to open more standalone stores in Malaysia which could potentially have a lower cost structure than stores in malls.

Risk factors. An economic slowdown could impact Tomei’s financial performance. A spike in gold prices could make Tomei’s products less affordable potentially resulting in lower sales and/or margins as well as requiring Tomei to commit more working capital to the business.

INVESTMENT STATISTICS	FY19	FY20	FY21	FY22F	FY23F
Revenue (RM m)	534.1	552.4	736.1	699.3	734.2
EBITDA (RM m)	47.5	75.1	71.6	75.4	76.9
Net Profit (RM m)	9.2	30.7	33.0	35.0	36.3
NCI (RM m)	0.4	(0.4)	0.2	1.4	2.8
PATMI (RM m)	8.7	31.2	32.8	33.5	33.5
Basic Earnings Per Share (sen)	6.3	22.5	23.7	24.2	24.1
PE (x)*	6.7	3.6	3.3	3.2	3.2
Dividend Yield (%)	2.4	-	2.6	3.8	3.8
PB (x)*	0.28	0.47	0.40	0.36	0.33
ROE (%)	4.2	12.9	12.1	11.2	10.2
ROA (%)	2.0	6.6	6.4	6.2	5.8
Net Gearing (%)**	73.2	62.9	56.7	45.6	32.7

Sources: Mercury Securities, Company

*PE and PB for FY19-20 are based on the closing share price of the last trading day of FY19-20.

**Net gearing is calculated as:

(Total borrowings – cash & equivalents)/shareholder’s equity

MAIN MARKET
CONSUMER PRODUCTS & SERVICES

BUY
TP: RM1.21
Price: RM0.78

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Business Overview

Listed on the Main Market of Bursa Malaysia, Tomei dominates a sizable portion of the Malaysian jewellery market with more than 50 retail outlets under four different brands. These are Tomei, Goldheart, Le Lumiere and De Beers. In addition, Tomei also wholesales its products to other jewellery stores. Tomei’s products are exported to other regional countries as well as in the European markets.

Stock Return Information

FBM KLCI (pts)	1,429.54
Expected Capital Gains (%)	55.1
Expected Dividend Yield (%)	3.8
Expected Total Return (%)	59.0

Price Performance

	1M	3M	12M
Absolute (%)	(18.3)	(30.2)	(15.9)
Relative to Index (%)	(16.5)	(20.6)	(9.8)

Share Information

Market Cap (RM m)	108.1
Issued Shares (m)	138.6
52W High (RM)	1.28
52W Low (RM)	0.76
Estimated Free Float (%)	25.7
Adjusted Beta vs FBM KLCI	0.66
65-Day Average Vol. ('000)	448.2

Top Shareholders

	%
Teck Fong Corp Sdn Bhd	45.6
Tropical Bliss Sdn Bhd	14.1



Sources: Mercury Securities, Company, Bloomberg, Wall Street Journal

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