



Berjaya Food Berhad

“Ride on consumer demand recovery”

Bloomberg: BFD MK | Reuters: BJFO.KL | Stock Code: 5196

Main Board
Consumer
BUY
TP: RM1.22
Price: RM0.94

Valuation / Recommendation

We recommend a BUY on Berjaya Food Berhad with a TP of RM1.22 based on FY24F EPS 7.6 sen and PE of 16.1x in line with the 3-years average. We like the stock for its attractive expansion plans, and strong same-store sales growth (SSSG).

Investment Highlights

More room to grow. Starbucks Malaysia is one of the largest coffee chains in Malaysia with its first store opening in Kuala Lumpur on Dec 1998. BStarbucks has a fleet of 356 stores as of 30th June 2022 in Malaysia where 70 are drive-thru stores. The company plans to open between 35 to 40 new stores in FY23 with more drive-thru outlets, targeting the smaller towns, neighbourhoods, and communities, which are more convenient for customers.

We think that new store openings which includes more drive thru stores will bode well for Bstarbucks to provide a better reach and service to customers, further expand its market share throughout Malaysia and increase profitability moving forward. We also think that consumer demand for Bstarbucks products can be enhanced via the revamped Starbucks Reward programme where customers' experience is enhanced by offering more card designs with attractive benefits for its members. BStarbucks registered revenue of RM884.2m in FY22 (+41.4% yoy).

Bfood's holding company, Berjaya Group Berhad effectively holds the worldwide KRR franchise following BGroup's acquisition of KRR International Corp, USA in April 2008. The company has a fleet of 68 KRR restaurants across Malaysia as of 30th June 2022, serving rotisserie-roasted chicken complemented with other side dishes and beverages and plans to open between 3 to 5 new stores in FY23. We think that FY23 sales will be stronger, driven by optimised business strategies, attractive promotion initiatives, and waning impact of the Covid-19 pandemic. BRoasters also experienced a sales rebound after diversifying its menu and reducing heavy reliance on one cost item, recording a revenue of RM71.5m in FY22 (+29.3% yoy).

Risk factor. Key risks include intensifying competition in the food and beverage retail sector, weakening consumer buying power as a result of rising interest rates, rising inflation and subsidy cuts.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	632.9	717.3	997.7	1040.0	1105.5
EBITDA (RM m)	70.4	149.1	259.8	267.1	273.8
EBITDA Margin (%)	11.1	20.8	26.0	25.7	24.8
Pre-tax Profit (RM m)	-8.5	74.7	188.7	199.6	207.3
PATMI	-20.1	45.7	120.8	127.8	132.7
EPS (sen)	-1.1	2.6	6.9	7.3	7.6
EPS Growth (%)	-138.5	-	164.1	5.8	3.9
BV Per Share (sen)	19.0	21.3	27.5	34.0	40.7
PE (x)	-82.1	36.1	13.7	12.9	12.4
Net Gearing (%)	Net	Net	Net	Net	Net
	Debt	Debt	Debt	Debt	Debt
ROA (%)	-1.6	3.9	9.1	9.0	8.9
ROE (%)	-6.0	12.2	25.0	21.4	18.6

Sources: Mercury Securities, Company

Business Overview

Berjaya Food Bhd, through its subsidiary, develops and operates a chain of restaurants in Malaysia. The company operates a chain of mid-casual dining restaurants specializing in rotisserie roasted chicken.

Stock Return Information

KLCI (pts)	1,420.38
Expected Share Return (%)	29.8
Expected Dividend Yield (%)	-
Expected Total Return (%)	29.8

Share Information

Market Cap (RM m)	1,649.0
Issued Shares (m)	1,754.3
52W High (RM)	1.01
52W Low (RM)	0.345
Estimated Free Float (%)	28.6
Beta vs FBM KLCI	1.29
3-month Average Vol. (m)	78.61

Top 3 Shareholders (%)

Berjaya Corp Bhd	49.51
Pertubuhan Keselamatan Sosial	5.07
Albizia ASEAN Opportunities Fund	5.02

Price Performance

	1M	3M	12M
Absolute (%)	11.9	11.9	129.3
Relative to Index (%)	8.5	15.7	134.9



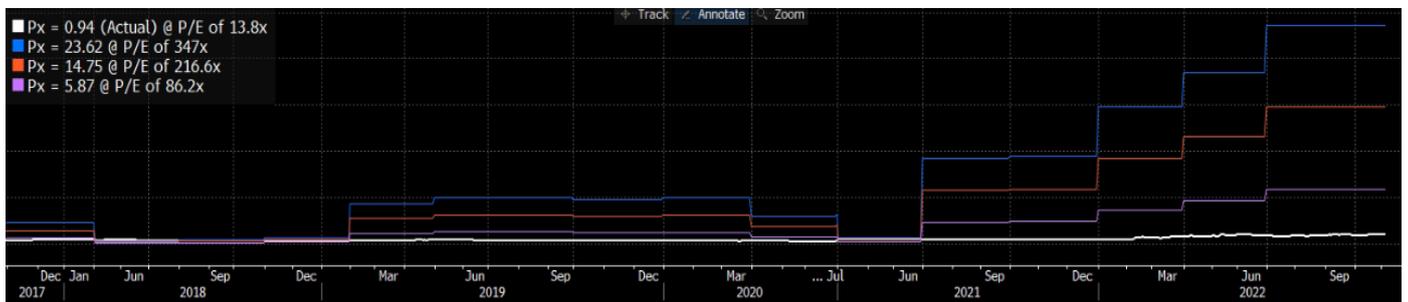
Source: Bloomberg

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RESULTS (RM m) FY June	4Q22	3Q22	qoq %	4Q21	yoy %	Comments
Revenue	291.3	245.9	18.5	180.7	61.2	
Profit From Operations	69.8	52.4	33.2	28.6	144.1	
Investment related income	0.1	0.1	0	0.1	0	
Finance cost	(6.4)	(6.2)	3.2	(6.3)	1.6	
Profit before tax	63.4	46.3	36.9	22.4	183.1	
Taxation	(23.9)	(15.1)	58.3	(8.7)	174.7	
Profit after tax	39.6	31.2	26.9	13.7	189.1	
Minority interest	(1.1)	(0.4)	175	(0.6)	83.3	
PATMI	39.6	31.2	26.9	13.7	189.1	
EPS (sen)	11.3	8.7	29.4	4.02	180.6	

Sources: Mercury Securities, Company



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