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**3Q FY07 Results Review**

Private Circulation Only

**FJ BENJAMIN**

<b>BUY</b>	<b>Maintained</b>
<b>Price</b>	<b>SGD0.83</b>
<b>Target</b>	<b>SGD1.03</b>

**Conviction in growth**
**Stock Profile/Statistics**

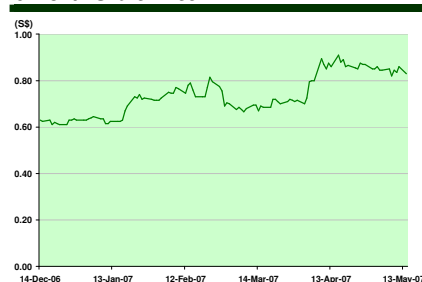
Bloomberg Ticker	FJB SP
STI	3501.1
Issued Share Capital (m)	464.4
Market Capitalisation (SGDm)	385.4
52 week H   L Price (SGD)	0.925   0.375
Average Volume (3mth) (m)	2.2
YTD Returns (%)	31.8
Net gearing (x)	Net Cash
Altman Z-Score	2.6
ROCE/WACC	0.8
Beta (x)	0.8
Book Value/share (SGD cents)	35.5

**Major Shareholders (%)**

Benjamin Family	34.1
Peter Lim Eng Hock	16.4
Raffles Investments	13.5

**Share Performance (%)**

Month	Absolute	Relative
1m	-3.5	-7.3
3m	6.4	-4.8
6m	43.1	15.7
12m	90.8	57.2

**6-month Share Price**


F J Benjamin, a leading fashion and lifestyle group, reported 114.3% yoy growth in net profit from S\$1.6m to S\$3.3m on the back of stronger sales from all its businesses. Excluding the S\$1.2m forex gain, net profit would have increased by 76.7%. Forward earnings growth prospects remain excellent as demand for its trendy and affordable fashion labels remain strong. Management will continue to execute its stores expansion plan for both existing and new fashion labels. Maintain BUY with a 12-month price target of S\$1.03.

**Strong 3Q results reaffirms growth trend.** FJB continued to record strong earnings growth for 3Q FY07 with significant contributions from its new fashion label, Gap, which contributed 34% to the sales revenue. There were 7 Gap stores at end March. Meanwhile, fashion retail, distribution and export businesses grew 68% yoy with stronger sales from existing labels such as GUESS, Raoul and La Senza. The timepiece business grew relatively smaller by 7% yoy, undermined by lower sales in Taiwan.

**Improving PBT margins.** Despite the increased in operating expenses associated with the store openings of key labels including the launch of Gap brand in the Southeast Asia at S\$8.1m, PBT margin improved 1.7% points to 7.6%, as contribution from its Indonesia associate and St. James Power Station kicked in. Income from associates increased from S\$0.3m to S\$0.8m.

**Figure 1: 3QFY07 financial performance**

YE Jun (SGD'm)	3Q 07	3Q 06	% Change
Sales revenue	65.7	46.1	42.8
Gross profit	27.2	19.0	43.2
Pretax profit	5.0	2.7	84.2
Net profit	3.3	1.6	114.3
Net profit excluding forex gains	2.2	1.2	76.7

Source: Company

**More stores, higher contribution.** FJB will continue to execute its expansion plans to open another eight more stores by June 2007, bringing the total number of new stores to 43 for this financial year. Its newly acquired label, Celine, is expected to re-open in early June after renovation, in time for the Great Singapore Sale. The group has also opened its first Gap and Banana Republic stores in Jakarta in April and will be launching Banana Republic in Singapore and Kuala Lumpur in the following two months. In addition, Devil's Bar, which was closed at end March, will be revamped into a restaurant slated to open later this year.

**Valuation and recommendation.** We remain upbeat of FJB's forward earnings growth prospects. Maintain BUY at 12-month price target of S\$1.03.

<b>FYE Jun (SGD'm)</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07f*</b>	<b>FY08f*</b>
Turnover	122.2	149.8	192.5	267.0	374.8
Net Profit	2.0	4.3	10.2	23.0	35.7
% chg YoY	33.2%	111.3%	138.1%	126.0%	55.1%
EPS – basic (cent)	0.7	1.5	3.5	5.2	6.3
EPS – diluted (cent)	0.7	1.5	3.5	4.0	6.3
DPS (cent)	0.8	1.1	2.4	3.1	3.8
Div Yield	0.9%	1.3%	2.9%	3.8%	4.5%
ROE	2.6%	5.5%	10.6%	14.3%	15.7%
ROA	1.5%	2.7%	5.3%	8.5%	9.9%
PER – basic (x)	117.0	55.4	23.5	15.8	13.3
PER – diluted (x)	117.0	55.4	23.5	20.6	13.3
P/BV (x)					

*\*Assume partial conversion of warrants in FY07 and full conversion of warrants in FY08.*

**DMG & Partners Research Guide to Investment Ratings**

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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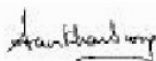
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