

Issuer: Kimly Limited

Security: Kimly Limited

Meeting details:

Date: 23 January 2018

Time: 3.00 p.m.

Venue: The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046

Company Description

Kimly Limited, an investment holding company, operates a chain of coffee shops in Singapore. The company's Outlet Management segment operates and manages a total of 54 food outlets under Kimly brand name, comprising 51 coffee shops and 3 industrial canteens; 5 coffee shops in Singapore under a third party brand; and 5 food courts in Singapore under the foodclique brand. This segment is also involved in the leasing of food outlet premises to tenants; and provision of cleaning and utilities services to tenants, as well as management services to third party coffee shops. Its Food Retail segment is involved in the retailing of cooked food directly to consumers through the stalls operated by company, such as Mixed Vegetable Rice, Rice Garden, Dim Sum, Zi Char (Seafood), Teochew Porridge, and Live Seafood Restaurant stalls. The company also provides management services; and sells food products. Kimly Limited was founded in 1990 and is headquartered in Singapore, Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1D0)

Q1. Under the group's Outlet Management Division, the group operates a network of 68 outlets (2016: 63 outlets) comprising 60 coffee shops, four industrial canteens and four food courts under its own in-house brands and third party brands. As noted in the Message to Shareholders, the group acquired the operating leases of a coffee shop in Bedok and of an industrial canteen in Woodlands during the year (page 5 of the annual report). Revenue from the Outlet Management Division rose 14% to \$111.2 million.

- a) **Can management help shareholders understand how coffee shops/canteens/food courts are evaluated for their suitability? What are the growth targets for the division in the next 3-5 years?**
- b) **With an estimated market share of about 5.8% as at September 2015 (based on the disclosure in the Offer Document dated 8 March 2017), how much more can the group grow its network of outlets before it starts to significantly cannibalise its own sales?**

The group ceased management of the food court at Ngee Ann Polytechnic in April 2017 as it was unsuccessful in its tender.

- c) **Apart from rental, how can the group differentiate itself from other operators (for example, with value-added offerings, high service standards) in order to reduce the pressure to compete solely on prices (rental rates paid to the landlord)?**

Q2. In the Food Retail Division, the group operates 129 stalls as at 30 September 2017 (2016: 115), of which approximately 40% are open for 24 hours a day. Revenue increased 8% to \$80.9 million, with segment profit hitting \$18.0 million in 2017, up from \$15.5 million in 2016. The group is also extending its Central Kitchen which will allow the group to double its production output (page 5).

- a) **When will the Central Kitchen be completed?**
- b) **Can management elaborate further on the strategies to overcome manpower constraints as the group increases the number of stalls?**
- c) **In view of an aging population and the increasing health consciousness of consumers, how is the group pro-actively managing the changes in consumption pattern?**
- d) **Can management describe in greater detail how it ensures that food safety is observed and that hygiene standards are maintained as the group scales up the number of stalls in the food retail division?**

Q3. As stated in the Offer Document, one of the investment merits was the group's plans for expansion of online food ordering and delivery services and cashless electronic payment systems to keep up with changing consumer trends. The group has extended its food products for online order and delivery since November 2016 and is looking to make more product offerings available on the online platform. The group has also stated its intention to implement cashless electronic payment systems such as NETS QR code payment and electronic wallet system at food outlets to raise operational efficiency.

- a) **What is the group's strategy to partner online food delivery services so that the group can capture its fair share of value for shareholders?**
- b) **In terms of introducing cashless electronic payment systems at food outlets, when is the expected roll-out? How does the group ensure that there is a high take-up rate by customers?**