Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: F J Benjamin Holdings Ltd

Stock code: F10

Meeting details:
Date: 28 Oct 2024
Time: 11.00 a.m.
Venue: Robertson Room, 3rd Storey, Four Points by Sheraton Singapore, Riverview, 382 Havelock Road, Singapore 169629

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Q1. Under the group's luxury and lifestyle fashion retailing and distribution segment, the company carries brands such as ABC Design, Be Safe (sic), Cole Haan, EZPZ, Fauré Le Page, Guess, La Senza, Lancel, LilleBaby, Marc Jacobs, Moby, Moji, Morphee, Petunia Pickle Bottom, Pretty Ballerinas, Rebecca Minkoff, Sheridan, and Superdry.

In other segments, the group carries Dr. Barbara Sturm, MZ Skin, Casio, and Airfree..

(i) **Can management elaborate on the successes of these brands in their respective markets? How well-known are brands like ABC Design and BeSafe, and is there sufficient brand awareness to drive sustainable demand?**

(ii) **What are the key considerations for management when deciding whether to carry a particular brand? Is the decision based on market demand or the group's ability to create market awareness for niche brands?**

(iii) **Are some of these brands too niche, limiting the overall addressable market? How does management assess the potential market size for these brands before committing to them?**

(iv) **What are the bright spots or promising trends that management has identified in FY2024, and how will the group capitalise on them?**

Revenue for the financial year ended 30 June 2024 declined by 9.3% to $78.4 million, and the net loss stood at $(6.1) million. As mentioned in the joint statement, in response to declining sales, the group increased promotions to reduce inventory, impacting gross profit, which fell to $7.5 million. In Indonesia, weaker consumer sentiment also led to higher promotional activities to clear inventory. Management has adjusted forward purchases and expects reduced inventory levels in the coming months.

(v) **With the group's extensive industry experience, can management provide insights into the factors that contributed to the overstocking and misalignment with market conditions? What key takeaways have been identified, and how does the group plan to enhance its inventory management and market forecasting capabilities in the future?**

(vi) **What is the group's unique value proposition as a luxury retailer? How does management see the investment merit for shareholders, considering the continued losses?**

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The group has obligations under its licensing and distribution agreements to make a certain level of purchases and spend on advertising as per the terms with brand principals.

(vii) **Can management provide insight into how these licensing and distribution agreements are negotiated? What bargaining power does the group bring to these negotiations, and how flexible are the terms? Are the current terms overly onerous on the group and thus causing losses?**

Management is stressing on the "tremendous growth potential" in Southeast Asia and believes the group is well-positioned to take advantage of opportunities in the region. World Bank data shows that GDP in Singapore has grown from USD295 billion[1] in 2012 to USD501 billion in 2023, Malaysia from USD312 billion to USD400 billion, and Indonesia from USD918 billion to USD1.4 trillion over the same period.

Despite the robust economic growth across Southeast Asia in the past decade, the group has not been able to capitalise on these opportunities, reflected in its large and persistent losses.

(viii) **Why hasn't the group been able to capitalise on this growth over the past decade, and why will it be different in the future?**

[1] https://tradingeconomics.com/singapore/gdp

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Q2. As noted in the financial statements, cash and cash equivalents at the end of the financial year stood at $2.57 million, down from $5.24 million at the end of FY2023 and $10.95 million at the beginning of FY2023. Net borrowings have increased from $7.3 million to $10.5 million, resulting in a gearing ratio of 30.1% as at 30 June 2024.

(i) **Has the board thoroughly reviewed the group's current financial position, especially in light of the declining cash reserves? Does the group have sufficient working capital to support ongoing operations and future growth?**

(ii) **Has the board been closely monitoring the trend of inventory turnover? What specific guidance or targets has the board provided to management to optimise inventory management and improve turnover rates?**

(iii) **What is management's strategy to strengthen cash flow and improve liquidity moving forward?**

(iv) **For any new investments, what is the hurdle rate used by both management and the board in their approval processes? Has this hurdle rate been reviewed recently in light of changing market conditions?**

(v) **What is the group's current cost of capital, and how does it factor into the group's investment decisions?**

(vi) **Is the board considering a potential rights issue or other capital-raising exercises to strengthen the group's balance sheet?**

In July 2014, the group subscribed to mandatory convertible bonds issued by its associate. As at 30 June 2024, the associate, PT Gilang Agung Persada, had net liabilities of $(18.0) million, with the bonds holding a gross value of $29.9 million. PT Gilang Agung Persada accounts for the majority of the group's $16.1 million carrying value in associates.

(vii) **Can the audit committee provide clarity on how it assesses the recoverability of the group's investment in PT Gilang Agung Persada? Is there a risk that the carrying value of this investment is materially overstated?**

(viii) **Compared to the situation in 2014, is the associate any closer to achieving an initial public offering? What are the concrete steps or timelines that management is considering for this?**

Q3. The company last paid a dividend 10 years ago, distributing $0.0025 per share. In 2018, the company undertook a major rights-cum-warrant issue, followed by a placement of 120 million new ordinary shares at $0.025 per share in 2022.

Ten years ago, as at 30 June 2015, the company reported an accumulated loss of $(51.5) million, slipping from a retained earnings position of $3.7 million in 2014. By the end of this financial year, accumulated losses have grown by approximately $100 million, reaching $(149.6) million.

In the corporate profile, the company describes itself as an "*industry leader in brand building and management, and development of retail and distribution networks for international luxury and lifestyle brands across Southeast Asia.*"

(i) **Would the company provide a detailed breakdown of the approximately $(100) million in losses over the past decade? What are the major contributing factors such as rental costs, manpower, finance costs, inventory obsolescence, and foreign exchange losses?**

(ii) **Is it business as usual for the current management team? What specific performance metrics has the board set to evaluate the effectiveness of the current management team?**

(iii) **Has the board requested a clear, actionable roadmap from management for turning around the group's performance? What specific initiatives are being undertaken to reverse the long-standing losses and set the company on a sustainable growth path?**

(iv) **Is the board considering bringing in new leadership to provide fresh perspectives and bold strategic initiatives to get the group back on a growth trajectory?**

(v) **Would the nominating committee (NC) share the company's succession plan for key leadership roles, including the chairman, CEO, and senior management?** Under the written terms of reference approved by the board, this is one of the main responsibilities of the NC.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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