

Not-rated

Share price: HKD1.13

Jacqueline KO, CFA
jacquelineko@kimeng.com.hk
(852) 2268 0633

Stock Information

Description: Future Bright operates catering outlets in popular tourist attractions and top-tier hotels in Macau.

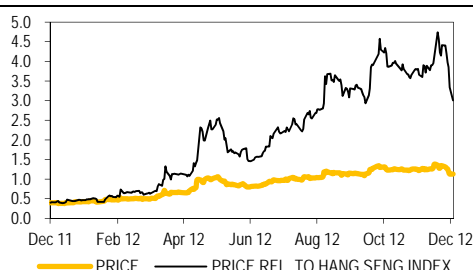
Ticker:	703 HK
Shares Issued (m):	628.9
Market Cap (USDm):	91.1
3-mth Avg Daily Turnover (USDm):	0.6
HSI:	22,277
Free Float (%):	54.58

Major Shareholders:	%
Chan Chak Mo	45.42

Key Indicators

ROE – annualised (%) - (based on 1H12)	35.6
Net cash (HKDm) (based on 1H12, adjusted for top-up placement in Nov 2012):	57.7
NTA/shr (HKD) (based on 1H12):	0.64
Interest cover (x) (based on 1H12):	23.7

Historical Chart



Source: Bloomberg

Performance:

52-week High/Low HKD1.43/HKD0.38

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	(7.4)	(0.9)	39.5	182.5	169.0
Relative (%)	(11.5)	(13.2)	19.1	162.6	148.2

Future Bright

A Proxy For Macau's Growth

A quality Macau play. Future Bright runs 41 restaurants and food court counters in Macau under its multi-brand and multi-cuisine model, across the range from the mass market to luxury segments. It also runs Pacific Coffee shops in hotels. As of 1H12, 37%/26%/12% of its sales was derived from Hotel Lisboa/Venetian/City of Dreams.

Capitalising on the growth of tourism in Macau. As of end-Sep, there were 26,719 hotel rooms in Macau, with an average occupancy rate of 86%. Although 3Q12 visitor arrivals only rose 1% YoY, total visitor spend was up 10% YoY to MOP13.3b, indicating that the quality of Macau's tourists has been increasing. Customer referrals from hotel VIP rooms now account for 14% of its F&B sales. Looking ahead, with around 35,000 hotel rooms to be built in Cotai Macau over 2015-2017, management is upbeat about its future growth prospects. FB targets to add 6-10 new stores and target top-line growth of 15-20% p.a ahead.

Tapping into new areas to drive growth. FB undertook a top-up placement of 75m new shares (11.92% of its enlarged share capital) at HKD1.2 per share on 27 November. The proceeds of HKD86.3m are expected to finance construction of its new central food processing plant, and expansion of its store network. FB is looking to expand its existing industrial catering operations into hotel/casino staff catering operations in 2015F. Meanwhile, it has decided to move into the processed packaged food and food souvenir markets by leveraging on its existing store network.

Rental income to surge from 2014 onwards. FB has a six-storey building at the foot of tourist attraction "Ruins of St. Paul's", which is currently leased to the Macau Tourism Board at a monthly rent of MOP1.1m. The lease will expire by end-2013. Given the surging rental market in surrounding areas, management is confident that the group's rental income will at least double from FY14 onwards. As of 1H12, rental income(not include the portion included in sales) accounts for 12% of its net profit. The property was valued at HKD275m in FB's latest financial results.

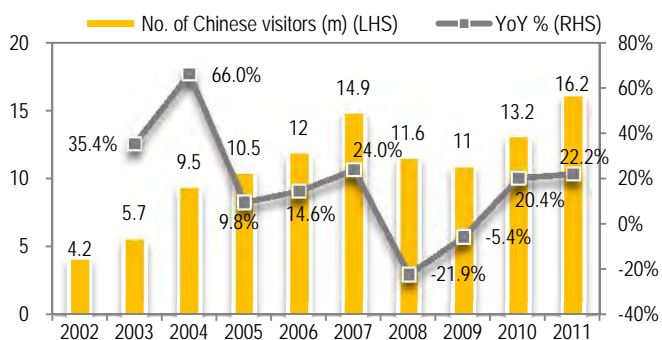
Re-rating around the corner. FB is trading at consensus FY12/13F PERs of 4.9X/4.4X, against a projected FY12-14F net profit CAGR of 24.3%. As a leader of Macau's catering industry with best-in-class profitability, its valuation discount to its HK & China peers appears to be too deep to us, as peers are trading at a range of 8X-23X forward PER. Its net profit margin was 19.2% compared with the mid-high-single-digit margins of its peers, as its customers are not sensitive to price hikes. FB thus sees further upside potential to its GPM, while its cost ratios should remain largely stable. FB's current policy is to pay out 20% of net profit as dividends. With projected CAPEX of HKD40m/80m/80m in FY12/13/14E, it is in a strong financial position, in our view. Competition risk appears to be minimal as hotel and casino operators usually value companies with good track record and reputation. Key risks are weaker-than-expected tourist arrivals and spending, as well as a slowdown in the growth of the Macau gaming sector.

Figure 1: Future Bright's shop list

Cuisines types & shops	Location	Sq ft
Japanese (11 shops)		43,796
Edo Japanese Restaurant	City of Dreams	6,767
Edo Japanese Restaurant	Sands Macao Cotai Central	4,961
Edo Japanese Restaurant	Sands Macao	4,672
Edo Japanese Restaurant	One Central	4,597
Edo Japanese Restaurant	Hotel Lan Kwai Fong	4,246
Edo Japanese Restaurant	The Venetian Macau	4,036
Edo Japanese Restaurant	Hotel Lisboa	1,173
Toei Delights	L'Arc Macau	7,424
Toei Delights	Avenida De Horta E Costa	3,308
Oishi Ichiban	Galaxy Macau Resort	1,885
Japanese Ramen	The Residencia Macau	727
Chinese (8 shops)		46,360
Fortune Inn Restaurant	Hotel Lan Kwai Fong	7,113
456 Modern Shanghai Cuisine	The Venetian Macau	6,631
Shiki Hot Pot	Hotel Lisboa	5,490
Shiki Hot Pot	Rio Hotel	15,457
Shiki Hot Pot	WTC Business Executive Club	2,799
Good Fortune Cantonese Kitchen	Macau International Airport	2,024
Macau Style Restaurant	Macau International Airport - Airside area	6,243
Turtle Essence	Hotel Lisboa	603
Western (2 shops)		8,182
MADEIRA Portuguese Restaurant	The Venetian Macau	4,091
Vergnano Italian Restaurant	The Venetian Macau	4,091
Coffe shops & others (9 shops)		12,294
Pacific Coffe	Sands Macao Cotai Central	1,747
Pacific Coffe	City of Dreams	1,652
Pacific Coffe	Galaxy Macau Resort	1,421
Pacific Coffe	The Residencia Macau	589
Pacific Coffe	City of Dreams Food Paradise	146
Pacific Coffe	University of Macau	N/A
Pacific Coffe	UST of Macau	N/A
Café Lan	Hotel Lan Kwai Fong	4,588
Royal Thai Kitchen	Sands Macao Cotai Central	2,151
Food Court Counters (10 counters) & Canteen (1 canteen)		16,807
Hundreds Taste Kitchen	The Venetian Macau	1,733
Toei Delights	The Venetian Macau	1,297
Toei Delights	City of Dreams Food Paradise	N/A
456 Modern Shanghai Cuisine	City of Dreams Food Paradise	N/A
Good Fortune Cantonese Kitchen	City of Dreams Food Paradise	N/A
Hundreds Taste Kitchen	City of Dreams Food Paradise	N/A
MADEIRA Portuguese	City of Dreams Food Paradise	N/A
Royal Thai Kitchen	City of Dreams Food Paradise	N/A
Mum's Dessert	City of Dreams Food Paradise	N/A
Juice Bar	City of Dreams Food Paradise	N/A
Canteen	UST of Macau	N/A
	Total outlet area in Macau	127,439

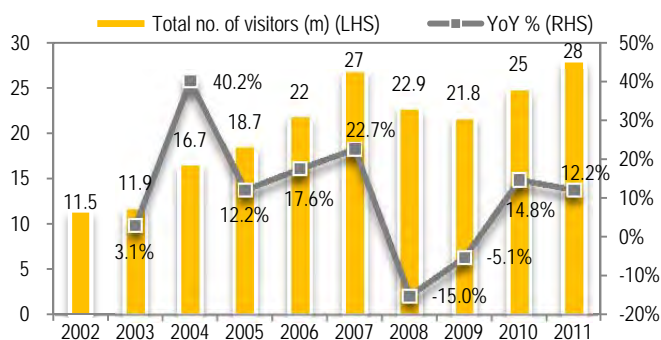
Source: Company data Maybank Kim Eng

Figure 2: Number of Chinese visitors arrivals in Macau



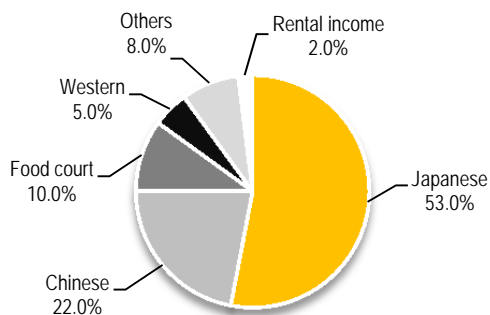
Source: Macau DSEC, Maybank Kim Eng

Figure 3: Number of visitors arrivals in Macau



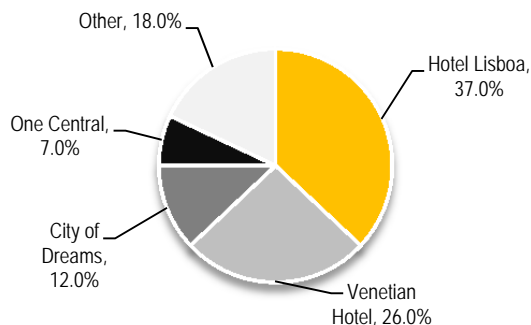
Source: Macau DSEC, Maybank Kim Eng

Figure 4: Sales breakdown-by food types (1H12)



Source: Company data, Kim Eng Securities

Figure 5: Sales breakdown-by restaurant locations (1H12)



Source: Company data, Kim Eng Securities

RESEARCH OFFICES

REGIONAL

P K BASU

Regional Head, Research & Economics
(65) 6432 1821 pk.basu@maybank-ke.com.sg

WONG Chew Hann, CA

Acting Regional Head of Institutional Research
(603) 2297 8686 wchewh@maybank-ib.com

ONG Seng Yeow

Regional Products & Planning
(852) 2268 0644 ongsengyeow@maybank-ke.com.sg

MALAYSIA

WONG Chew Hann, CA Head of Research
(603) 2297 8686 wchewh@maybank-ib.com

- Strategy
- Construction & Infrastructure

Desmond CH'NG, ACA

(603) 2297 8680 desmond.chng@maybank-ib.com

- Banking - Regional

LIAW Thong Jung

(603) 2297 8688 tjliaw@maybank-ib.com

- Oil & Gas
- Automotive
- Shipping

ONG Chee Ting, CA

(603) 2297 8678 ct.ong@maybank-ib.com

- Plantations

Mohshin AZIZ

(603) 2297 8692 mohshin.aziz@maybank-ib.com

- Aviation
- Petrochem
- Power

YIN Shao Yang, CPA

(603) 2297 8916 samuel.y@maybank-ib.com

- Gaming – Regional
- Media
- Power

TAN CHI WEI, CFA

(603) 2297 8690 chiwei.t@maybank-ib.com

- Construction & Infrastructure
- Power

Wong Wei Sum, CFA

(603) 2297 8679 weisum@maybank-ib.com

- Property & REITs

LEE Yen Ling

(603) 2297 8691 lee.yl@maybank-ib.com

- Building Materials
- Manufacturing
- Technology

LEE Cheng Hooi Head of Retail

chenghooi.lee@maybank-ib.com

- Technicals

HONG KONG / CHINA

Edward FUNG Head of Research
(852) 2268 0632 edwardfung@kimeng.com.hk

- Construction

Ivan CHEUNG, CFA

(852) 2268 0634 ivancheung@kimeng.com.hk

- Property
- Industrial

Ivan Li, CFA

(852) 2268 0641 ivanli@kimeng.com.hk

- Banking & Finance

Jacqueline Ko, CFA

(852) 2268 0633 jacquelineko@kimeng.com.hk

- Consumer

Andy POON

(852) 2268 0645 andypoon@kimeng.com.hk

- Telecom & equipment

Alex YEUNG

(852) 2268 0636 alexyeung@kimeng.com.hk

- Industrial

Warren LAU

(852) 2268 0644 warrenlau@kimeng.com.hk

- Technology - Regional

Karen Kwan

(852) 2268 0640 karenkwan@kimeng.com.hk

- China Property

INDIA

Jigar SHAH Head of Research
(91) 22 6623 2601 jigar@maybank-ke.co.in

- Oil & Gas
- Automobile
- Cement

Anubhav GUPTA

(91) 22 6623 2605 anubhav@maybank-ke.co.in

- Metal & Mining
- Capital goods
- Property

Ganesh RAM

(91) 226623 2607 ganeshram@maybank-ke.co.in

- Telecom
- Contractor

ECONOMICS

Suhaimi ILIAS

Chief Economist
▪ Singapore | Malaysia
(603) 2297 8682 suhaimi_ilias@maybank-ib.com

Luz LORENZO

Economist
▪ Philippines | Indonesia
(63) 2 849 8836 luz_lorenzo@maybank-atrke.com

SINGAPORE

Gregory YAP Head of Research
(65) 6432 1450 gyap@maybank-ke.com.sg

- Technology & Manufacturing
- Telcos - Regional

Wilson LIEW

(65) 6432 1454 wilsonliew@maybank-ke.com.sg

- Hotel & Resort
- Property & Construction

James KOH

(65) 6432 1431 jameskoh@maybank-ke.com.sg

- Logistics
- Resources
- Consumer
- Small & Mid Caps

YEAK Chee Keong, CFA

(65) 6432 1460 yeakcheekeong@maybank-ke.com.sg

- Healthcare
- Offshore & Marine

Alison FOK

(65) 6432 1447 alisonfok@maybank-ke.com.sg

- Services
- S-chips

Bernard CHIN

(65) 6432 1146 bernardchin@maybank-ke.com.sg

- Transport (Land, Shipping & Aviation)

ONG Kian Lin

(65) 6432 1470 ongkianlin@maybank-ke.com.sg

- REITs / Property

Wei Bin

(65) 6432 1455 weibin@maybank-ke.com.sg

- S-chips
- Small & Mid Caps

INDONESIA

Katarina SETIAWAN Head of Research

(62) 21 2557 1125 ksetiawan@maybank-ke.co.id

- Consumer
- Strategy
- Telcos

Lucky ARIESANDI, CFA

(62) 21 2557 1127 lariesandi@maybank-ke.co.id

- Base metals
- Coal
- Oil & Gas

Rahmi MARINA

(62) 21 2557 1128 rmarina@maybank-ke.co.id

- Banking
- Multifinance

Panduan ANUGRAH

(62) 21 2557 1137 panugrah@maybank-ke.co.id

- Auto
- Heavy equipment
- Plantation
- Toll road

Adi N. WICAKSONO

(62) 21 2557 1130 anwicaksono@maybank-ke.co.id

- Generalist

Anthony YUNUS

(62) 21 2557 1134 ayunus@maybank-ke.co.id

- Cement
- Infrastructure
- Property

Arwani PRANADJAYA

(62) 21 2557 1129 apranadjaya@maybank-ke.co.id

- Technicals

PHILIPPINES

Luz LORENZO Head of Research

(63) 2 849 8836 luz_lorenzo@maybank-atrke.com

- Strategy

Laura DY-LIACCO

(63) 2 849 8840 laura_dyliacco@maybank-atrke.com

- Utilities
- Conglomerates
- Telcos

Lovell SARREAL

(63) 2 849 8841 lovell_sarreal@maybank-atrke.com

- Consumer
- Media
- Cement

Kenneth NERECINA

(63) 2 849 8839 kenneth_nerecina@maybank-atrke.com

- Conglomerates
- Property
- Ports/ Logistics

Katherine TAN

(63) 2 849 8843 kat_tan@maybank-atrke.com

- Banks
- Construction

Ramon ADVIENTO

(63) 2 849 8842 ramon_adviento@maybank-atrke.com

- Mining

THAILAND

Sukit UDOMSIRIKUL Head of Research

(66) 2658 6300 ext 5090
Sukit.u@maybank-ke.co.th

Maria LAPIZ Head of Institutional Research

Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th

- Consumer/ Big Caps

Andrew STOTZ Strategist

(66) 2658 6300 ext 5091
Andrew@maybank-ke.co.th

Mayuree CHOWIKRAN

(66) 2658 6300 ext 1440 mayuree.c@maybank-ke.co.th

- Strategy

Suttatip PEERASUB

(66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th

- Media
- Commerce

Sutthichai KUMWORACHAI

(66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th

- Energy
- Petrochem

Termporn TANTIVIVAT

(66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th

- Property

Woraphon WIROONSRI

(66) 2658 6300 ext 1560 woraphon.w@maybank-ke.co.th

- Banking & Finance

Jarooppan WATTANAWONG

(66) 2658 6300 ext 1404 jarooppan.w@maybank-ke.co.th

- Transportation
- Small cap.

Chatchai JINDARAT

(66) 2658 6300 ext 1401 chatchai.j@maybank-ke.co.th

- Electronics

Pongrat RATANATAVANANANDA

(66) 2658 6300 ext 1398 pongrat.R@maybank-ke.co.th

- Services/ Small Caps

VIETNAM

Michael KOKALARI, CFA Head of Research

(84) 838 38 66 47 michael.kokalari@maybank-kimeng.com.vn

- Strategy

Nguyen Thi Ngan TUYEN

(84) 844 55 58 88 x 8081 tuyen.nguyen@maybank-kimeng.com.vn

- Food and Beverage
- Oil and Gas

Ngo Bich VAN

(84) 844 55 58 88 x 8084 van.ngo@maybank-kimeng.com.vn

- Banking

Trinh Thi Ngoc DIEP

(84) 844 55 58 88 x 8242 diep.trinh@maybank-kimeng.com.vn

- Technology
- Utilities
- Construction

Dang Thi Kim THOA

(84) 844 55 58 88 x 8083 thoa.dang@maybank-kimeng.com.vn

- Consumer

Nguyen Trung HOA

+84 844 55 58 88 x 8088 hoa.nguyen@maybank-kimeng.com.vn

- Steel
- Sugar
- Resources

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Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

-  **Malaysia**
Maybank Investment Bank Berhad
 (A Participating Organisation of
 Bursa Malaysia Securities Berhad)
 33rd Floor, Menara Maybank,
 100 Jalan Tun Perak,
 50050 Kuala Lumpur
 Tel: (603) 2059 1888;
 Fax: (603) 2078 4194
- Stockbroking Business:
 Level 8, Tower C, Dataran Maybank,
 No.1, Jalan Maarof
 59000 Kuala Lumpur
 Tel: (603) 2297 8888
 Fax: (603) 2282 5136
-  **Philippines**
**Maybank ATR Kim Eng Securities
 Inc.**
 17/F, Tower One & Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines 1200
- Tel: (63) 2 849 8888
 Fax: (63) 2 848 5738
-  **South Asia Sales Trading**
 Kevin FOY
 kevinfoy@maybank-ke.com.sg
 Tel: (65) 6336-5157
 US Toll Free: 1-866-406-7447
-  **Singapore**
Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
 9 Temasek Boulevard
 #39-00 Suntec Tower 2
 Singapore 038989
- Tel: (65) 6336 9090
 Fax: (65) 6339 6003
-  **Hong Kong**
Kim Eng Securities (HK) Ltd
 Level 30,
 Three Pacific Place,
 1 Queen's Road East,
 Hong Kong
- Tel: (852) 2268 0800
 Fax: (852) 2877 0104
-  **Thailand**
**Maybank Kim Eng Securities
 (Thailand) Public Company
 Limited**
 999/9 The Offices at Central World,
 20th - 21st Floor,
 Rama 1 Road Pathumwan,
 Bangkok 10330, Thailand
- Tel: (66) 2 658 6817 (sales)
 Tel: (66) 2 658 6801 (research)
-  **North Asia Sales Trading**
 Eddie LAU
 eddielau@kimeng.com.hk
 Tel: (852) 2268 0800
 US Toll Free: 1 866 598 2267
-  **London**
**Maybank Kim Eng Securities
 (London) Ltd**
 6/F, 20 St. Dunstan's Hill
 London EC3R 8HY, UK
- Tel: (44) 20 7621 9298
 Dealers' Tel: (44) 20 7626 2828
 Fax: (44) 20 7283 6674
-  **Indonesia**
PT Kim Eng Securities
 Plaza Bapindo
 Citibank Tower 17th Floor
 Jl Jend. Sudirman Kav. 54-55
 Jakarta 12190, Indonesia
- Tel: (62) 21 2557 1188
 Fax: (62) 21 2557 1189
-  **Vietnam**
In association with
Maybank Kim Eng Securities JSC
 1st Floor, 255 Tran Hung Dao St.
 District 1
 Ho Chi Minh City, Vietnam
- Tel : (84) 844 555 888
 Fax : (84) 838 38 66 39
-  **New York**
**Maybank Kim Eng Securities USA
 Inc**
 777 Third Avenue, 21st Floor
 New York, NY 10017, U.S.A.
- Tel: (212) 688 8886
 Fax: (212) 688 3500
-  **India**
Kim Eng Securities India Pvt Ltd
 2nd Floor, The International 16,
 Maharishi Karve Road,
 Churchgate Station,
 Mumbai City - 400 020, India
- Tel: (91).22.6623.2600
 Fax: (91).22.6623.2604
-  **Saudi Arabia**
In association with
Anfaal Capital
 Villa 47, Tujjar Jeddah
 Prince Mohammed bin Abdulaziz
 Street P.O. Box 126575
 Jeddah 21352
- Tel: (966) 2 6068686
 Fax: (966) 26068787

www.maybank-ke.com | www.maybank-keresearch.com | www.kimeng.com.hk