

# Goodwill Entertainment Holding

## BUY

Share price (S\$)	0.161
Target price (S\$)	0.23
Up / downside (%)	42.9%

### Company Profile

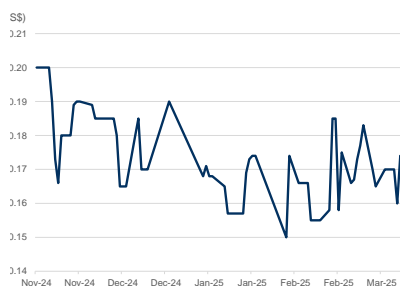
Goodwill Entertainment Holding (GEH) is a multi-entertainment concept operator, comprising a network of family friendly karaoke facilities with F&B concepts, performance halls and dance clubs. It operates under the brand names HaveFun Family Karaoke, FATEbyhavefun and HaveFun Live Show.

Ticker	GWEH SP
Market cap (S\$m)	64.4
3M ADV (S\$m)	0.02
Free float (m shares)	68.7
Total shares outstanding (m)	400
52W High / Low (S\$)	0.21 / 0.15
Top shareholders (%)	
Flint Lu	64.1
Thang Teck Jong	18.8

### Price performance (%)

1M	3M	12M
3.9	(2.4)	-

### 52W price chart



### Analyst (s)

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## Broadening reach within F&B and nightlife

### Investment Highlights

- **We maintain our BUY rating on GEH with a TP of S\$0.23, pegged to 4.6x FY25E EV/EBITDA after applying a 35% discount to the FY25E peer average EV/EBITDA of 7.1x to account for the difference in operating scale. This represents a potential upside of 42.9%.** Despite the firm's smaller size compared to its local peers, it has been growing faster on the back of more store openings and increased demand while peers' growth has been somewhat lacklustre. Hence, we believe the stock has been underappreciated given the limited liquidity. We opine that its upcoming strategic initiatives have not been priced in by the market either, which would offer potential upside and allow GEH to rerate upwards as the stock gains more visibility.
- **Karaoke and Live Show segments to remain near term key contributors.** The firm announced its FY24 results on 27th Feb 25. Revenue was 4.2% above our forecast which came on the back of meaningful revenue contribution from its HaveFun Live Show (HLS) for FY24, where its HLS segment had outperformed our forecasts by 11.1%. On the other hand, revenue from its HaveFun Karaoke (HFK) segment was relatively in-line with that of our expectations as well, primarily due to the full-year operation of all its existing karaoke outlets in FY24, compared to FY23 where some outlets operated for less than 12 months.
- **Remains set on growth initiatives.** Aside from its newly opened HLS, the firm has also introduced two new business segments, F&B and manufacturing to further broaden its outreach within the nightlife and F&B sectors. It had also mentioned a proposed investment to establish a JV in Malaysia to expand its presence within the SEA entertainment and F&B sectors. Given that the timeline for its expansion plans are still unclear, we have not baked that into our forecasts, which would likely present further upside.
- **Decent yield to reward shareholders.** While the firm has not committed to a fixed dividend policy, it had previously stated its intention to recommend and distribute dividends of up to 30% of PATMI for FY24 and FY25 to reward shareholders. For FY24, the firm has declared a dividend of 0.75 S cents / share, representing a yield of 4.7% for FY24.

Key Financials (YE 31st Dec, S\$m)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	16.5	23.9	53.0	56.5	58.3	59.5
Gross profit	13.2	20.2	42.9	45.8	47.5	48.8
EBITDA	5.9	10.0	18.3	20.7	21.9	22.6
PATMI	1.1	2.9	4.4	6.7	7.4	7.8
CFO	6.3	7.8	20.5	18.4	19.9	20.6
EPS (S cents)	0.7	1.3	1.1	1.7	1.8	2.0
DPS (S cents)	-	-	0.8	0.5	0.6	0.6
Dividend yield (%)	-	-	4.7%	3.1%	3.4%	3.6%
Net gearing (%)	167.7%	249.7%	17.9%	5.4%	Net cash	Net cash
P/E (x)	56.2	22.2	14.6	9.7	8.7	8.3
P/B (x)	19.2	7.9	2.9	2.3	1.9	1.5
ROE (%)	52%	38%	22%	28%	25%	23%
ROA (%)	7.7%	7.4%	8.2%	11.7%	11.7%	11.0%

Source: Evolve Capital, Bloomberg, Company

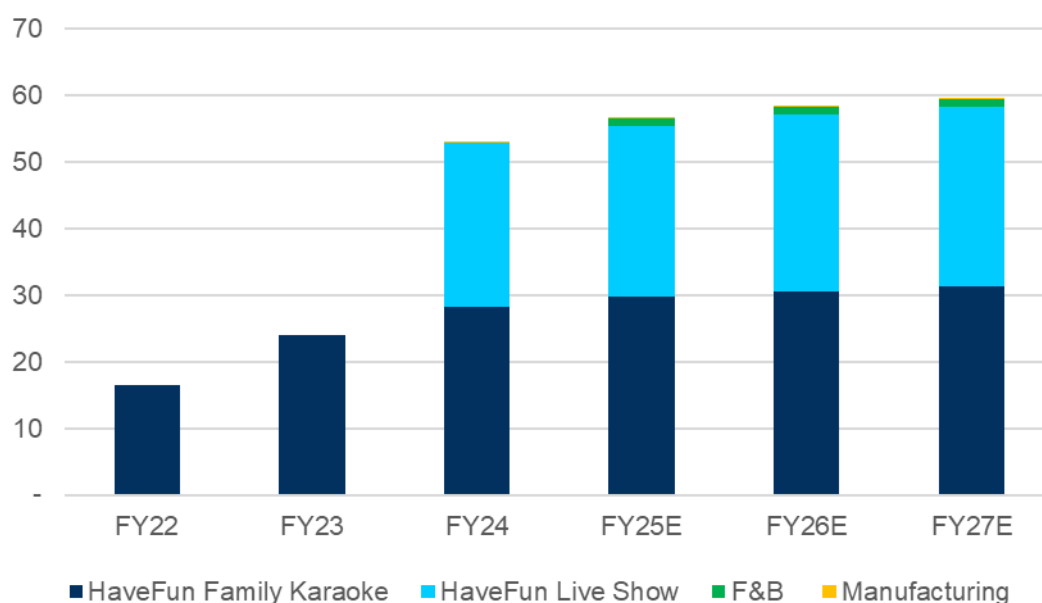
## FY24 earnings update

Goodwill Entertainment Holding (GEH) announced its FY24 results on 27<sup>th</sup> Feb 25. Revenue was 4.2% above our forecast which came on the back of meaningful revenue contribution from its HaveFun Live Show (HLS) for FY24, where its HLS segment had outperformed our forecasts by 11.1%. On the other hand, revenue from its HaveFun Karaoke (HFK) segment was relatively in-line with that of our expectations as well, primarily due to the full-year operation of all its existing karaoke outlets in FY24, compared to FY23 where some outlets operated for less than 12 months.

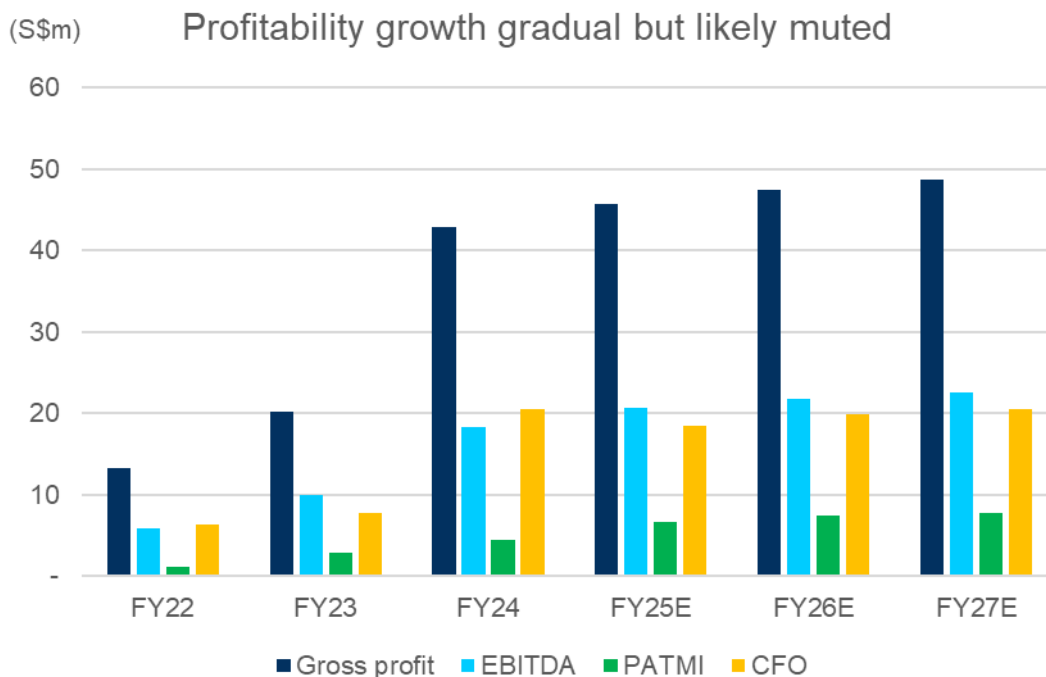
The firm had also introduced two new business segments, F&B and manufacturing, although revenue contribution from these segments were negligible (less than 1% of FY24 revenue). Its new F&B Japanese restaurant, Yakitori One, offers a unique Chinese twist to traditional Japanese-style grilled skewers as well as an omakase experience. Manufacturing operations include its newly opened central kitchen, which supplies key ingredients and products to the Group's brands as well as certain third party food outlets.

GEH had also mentioned a proposed investment to establish a JV in Malaysia to expand its presence within the SEA entertainment and F&B sectors. Given that the timeline for its expansion plans are still unclear, we have not baked that into our forecasts, which would likely present further upside. Hence, its HFK and HLS segments are likely to remain its key contributors to revenue, in the near-term.

(S\$m) HFK and HLS to remain near-term key contributors



On the profitability front, EBITDA and PAT were well within our expectations as well. Looking ahead, per the firm, there has been a noticeable downturn in the participation in weekday nightlife, which is exacerbated by rising rental costs and a shortage of labour. Hence, we expect profitability growth to remain somewhat muted in the near term, with slight margin improvements from the firm's craft beer offerings and central kitchen for greater operational efficiency.



Notably, the firm has also declared a dividend of 0.75 S cents/share for FY24, which would represent a dividend yield of approximately 4.7% based on the current share price of S\$0.161/share.

## Valuations

Per our earnings assumptions, GEH currently trades at around 3.3x FY25E and 3.1x FY26E EV/EBITDA while Helens trades at 6x FY25E and 5.8x FY26E EV/EBITDA. Notably, GEH's F&B-related peers trade at an average of 7.1x FY25E and 6.9x FY26E EV/EBITDA.

Company name	Price	MCap (S\$m)	EV / EBITDA (25E, x)	EV / EBITDA (26E, x)	EV / EBITDA (27E, x)	Rev Growth (25E, %)	Profit Growth (25E, %)
Goodwill Entertainment Holding	0.16	64	3.3	3.1	3.0	6.6	51.2
<b>Mcap Weighted avg</b>			<b>7.1</b>	<b>6.9</b>	<b>7.9</b>		
Helens International Holdings	0.36	456	6.0	5.8		18.7	(41.2)
Kimly Ltd	0.31	386	8.4	8.1	7.9	4.3	(9.2)
Jumbo Group Ltd	0.27	159				3.5	(4.3)

Source: Bloomberg, Company, Evolve Capital

**We maintain our BUY rating on GEH with a TP of S\$0.23, pegged to 4.6x FY25E EV/EBITDA after applying a 35% discount to the FY25E peer average EV/EBITDA of 7.1x to account for the difference in operating scale. This represents a potential upside of 42.9%.** Despite the firm's smaller size compared to its local peers, it has been growing faster on the back of more store openings and increased demand while peers' growth has been somewhat lacklustre. Hence, we believe the stock has been underappreciated given the limited liquidity. Nonetheless, we've applied a discount to account for its smaller size. We opine that its upcoming strategic initiatives have not been priced in by the market either, which would offer potential upside and allow GEH to rerate upwards as the stock gains more visibility.

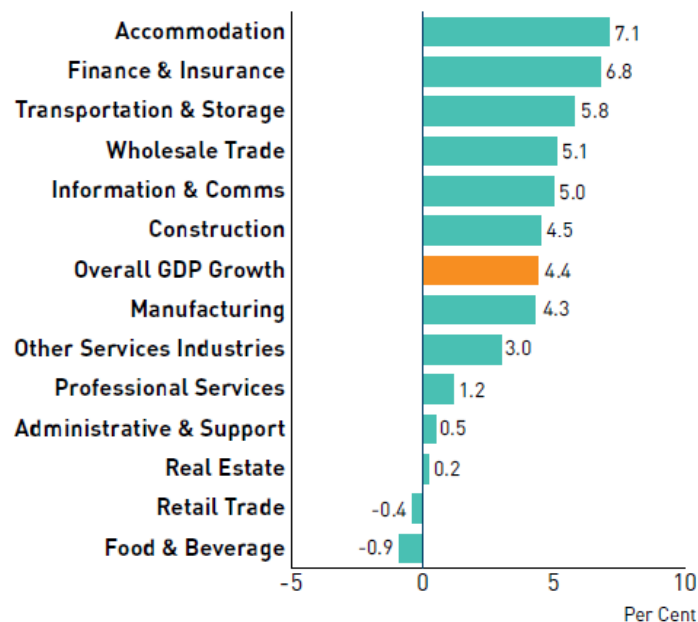
## Key Risks

### Relatively saturated entertainment market

Singapore's entertainment market remains relatively saturated, as it faces competition from various bars and other nighttime establishments such as night clubs, karaoke bars and other nighttime establishments. Some competitors include K Star, Red Live House, Cash Studio and Zouk, amongst others. The food and service offerings amongst peers are similar as well, many of which offer bar bites and drinks. Additionally, other local establishments such as full-service restaurants have begun offering KTV options where patrons are able to sing while enjoying their meals. Hence, GEH will have to remain competitive not only through continuously differentiating its local offerings, but also by venturing out of the local market.

### Weak F&B market outlook in the near term

While there aren't any specific market statistics for the nightlife industry, using the Food & Beverage (F&B) services market as a proxy, the F&B services sector contracted by -0.9% YoY in FY24. Conversely, most other sectors within Singapore's economy had experienced positive growth. Further, the Ministry of Trade and Industry (MTI) has previously [mentioned](#) that it expects the retail trade and F&B industries to continue contracting as more Singaporeans travel overseas. Growth is expected to come from manufacturing and trade-related services sectors. Hence, this might weigh on GEH's prospects in the near term.



### Geopolitical risks

We had previously mentioned that US president Trump was discussing the ramp up of tariffs in Jan 25. Since then, Trump has launched tariffs against a number of countries such as Canada, Mexico, China and even the UK, largely as what seems to be a negotiating tool and a show of power. Instead of his desired effect, this has triggered retaliatory tariffs, resulting in an all-out trade war. This has [elevated](#) risks to global trade disruptions which would likely affect Asia as well, and Singapore being part of the collateral damage, in our view.

## Key Financial Items

### Income statement

YE 31st Dec, S\$m	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	0.9	16.5	23.9	53.0	56.5	58.3	59.5
Gross profit	0.5	13.2	20.2	42.9	45.8	47.5	48.8
EBITDA	(0.7)	5.9	10.0	18.3	20.7	21.9	22.6
PATMI	(3.3)	1.1	2.9	4.4	6.7	7.4	7.8
<b>Margins (%)</b>							
Gross profit	53.3%	80.0%	84.3%	81.0%	81.0%	81.5%	82.0%
EBITDA	(71.3%)	35.8%	41.6%	34.5%	36.5%	37.5%	38.0%
PATMI	(355.4%)	6.9%	12.1%	8.3%	11.8%	12.6%	13.1%
<b>YoY Growth (%)</b>							
Revenue		1671.9%	45.1%	121.4%	6.6%	3.1%	2.1%
Gross profit		2557.7%	52.9%	112.9%	6.6%	3.8%	2.7%
EBITDA		n.m.	68.7%	83.3%	13.0%	5.8%	3.3%
PATMI		n.m.	153.5%	51.8%	51.2%	10.5%	5.9%

Source: Evolve Capital, Company

### Balance sheet

YE 31st Dec, S\$m	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PPE	4.1	4.1	13.5	16.1	18.5	19.8	20.4
Inventories	0.1	0.2	0.4	1.5	1.6	1.6	1.6
Trade receivables	0.1	0.4	0.8	0.6	0.7	0.7	0.8
Cash and bank deposits	0.7	2.5	2.8	18.8	19.4	24.2	31.1
Others	3.8	7.7	21.5	17.0	17.0	17.0	17.0
<b>Total assets</b>	<b>8.8</b>	<b>14.8</b>	<b>39.0</b>	<b>53.9</b>	<b>57.2</b>	<b>63.2</b>	<b>70.7</b>
<b>Non-current liabilities</b>							
Borrowings	0.4	0.03	1.8	5.7	3.8	2.8	2.8
Lease liabilities	0.9	4.9	12.5	7.2	7.2	7.2	7.2
Others	0.3	0.4	0.9	1.4	1.4	1.4	1.4
<b>Current liabilities</b>							
Borrowings	4.5	1.5	3.4	3.2	3.2	3.2	3.2
Lease liabilities	3.0	1.7	5.5	6.7	6.7	6.7	6.7
Trade and notes payables	0.1	0.3	1.0	1.7	1.5	1.5	1.5
Others	1.6	2.6	5.7	5.8	5.8	5.8	5.8
<b>Total liabilities</b>	<b>10.8</b>	<b>11.5</b>	<b>30.8</b>	<b>31.7</b>	<b>29.5</b>	<b>28.5</b>	<b>28.5</b>
Share capital	3.4	5.8	8.9	17.0	17.0	17.0	17.0
Other reserves	0.4	1.3	0.8	0.6	0.6	0.6	0.6
Retained earnings / (losses)	(6.0)	(4.8)	(1.9)	2.5	6.1	11.3	16.8
<b>Total shareholders' equity</b>	<b>(2.2)</b>	<b>2.2</b>	<b>7.7</b>	<b>20.1</b>	<b>23.8</b>	<b>28.9</b>	<b>34.4</b>
NCI	0.2	1.1	0.4	2.2	3.9	5.8	7.9
<b>Total equity</b>	<b>(2.0)</b>	<b>3.3</b>	<b>8.2</b>	<b>22.3</b>	<b>27.7</b>	<b>34.8</b>	<b>42.3</b>

Source: Evolve Capital, Company

### Cash flows

YE 31st Dec, S\$m	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
CFO	(0.1)	6.3	7.8	20.5	18.4	19.9	20.6
CFI	(0.3)	(0.8)	(11.4)	(6.2)	(11.6)	(10.7)	(10.1)
CFF	0.4	(3.9)	4.2	1.2	(6.2)	(4.5)	(3.6)
Net change in cash	0.1	1.6	0.7	15.6	0.6	4.8	6.9
(Less) / Add fixed deposits	-	0.2	(0.4)	0.5	-	-	-
Cash and bank deposits	0.7	2.5	2.8	18.8	19.4	24.2	31.1

Source: Evolve Capital, Company

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