

# Sheng Siong Group Ltd

Same-store sales inching up



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## SINGAPORE | CONSUMER | 3Q23 RESULTS

- 3Q23 results were within expectations. 9M23 revenue and PATMI were 75%/74% of our FY23e forecast. Despite, the spike in salaries and electricity cost, PATMI grew 6% YoY on improving gross margins and interest income.
- Same-store sales in 3Q23 grew 1.8% YoY, inching up from 2Q23 by 1.5%. We believe the improvement is from market share gains. Visible promotions in the community and a reputation as a cost leader helped push revenue growth.
- We expect higher earnings growth in FY24e from new stores, lower utility costs, increase in same-store sales and interest income. Our FY23e earnings and BUY recommendation is maintained. However, we are lowering our target price to S\$1.80 (prev. S\$1.98). Historical valuations have been creeping downward from 22x PE to 20x PE. Post-pandemic there has been a de-rating of growth expectations.

### Results at a glance

SGD mn	3Q23	3Q22	YoY	Comments
Revenue	345.8	333.5	3.7%	New stores est. +2.2%, SSS +1.8%, China -0.1%
Gross profit	105.0	98.1	6.9%	
Gross Margin	30.3%	29.4%	0.9%	Better sourcing and higher private label sales
EBITDA	49.8	49.2	1.2%	Higher salary (S\$2.2mn) /electricity (S\$3.9mn)
Net finance inc.	1.9	0.3	633.2%	
PATMI	34.7	32.8	6.0%	
Area (sft 000s)	618.3	602.5	2.6%	

Source: Company, PSR

### The Positives

**+ Same-store sales building momentum.** We have seen same-store sales turning since 2Q23. Momentum has crept up to 1.8% YoY in 3Q23, from an estimated 1.5% YoY in 2Q23. Same-store sales is rising from market share gains and a jump in population in Singapore.

**+New stores recovering.** SSG added one new store in Yishun. There are three more stores pending award by HDB. Thereafter, there are another 5 stores in the pipeline by HDB over the next six months.

### The Negative

**- Operating expenses jumped S\$6.1mn YoY.** The introduction of a progressive wage model and higher utility costs drove up operating expenses by S\$6.1mn (or 10% YoY). Despite higher wages, the number of staff at 3200 is similar to pre-pandemic levels. Utility cost is expected to decline in FY24e.

### Outlook

There is better visibility of earning growth in FY24e. We expect a larger roll-out of new stores, lower utility costs, an increase in interest income and stable gross margins. The inflationary environment has caused households to be more price-conscious. SSG benefits from its reputation as a value grocer. Maintaining market share is more critical than lower margins. Customer loyalty and perception of value supermarket is tough to rebuild once lost. Further upside in gross margins will come from the rising contribution of private label products.

### Maintain BUY with lower TP of S\$1.80 (prev. S\$1.98)

SSG's attractive financial metrics include ROE of 28%, dividend yield 4.2% and net cash at S\$289mn (Sep23).

30 October 2023

### BUY (Maintained)

LAST CLOSE PRICE	SGD 1.47
FORECAST DIV	SGD 0.062
TARGET PRICE	SGD 1.80
TOTAL RETURN	26.7%

### COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN)	1,504
MARKET CAP (USD mn /SGD mn)	1614 / 2210
52 - WK HI/LO (SGD)	1.83 / 1.46
3M Average Daily T/O (mn)	1.68

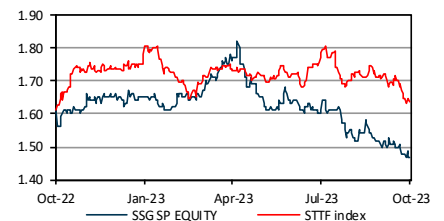
### MAJOR SHAREHOLDERS

SS HOLDINGS	29.9%
LIM HOCK CHEE	9.3%
LIM HOCK ENG	8.0%
LIM HOCK LENG	7.9%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(2.6)	(6.4)	(7.6)
STTF	(4.4)	(5.4)	(1.8)

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec (SGD mn)	FY21	FY22	FY23e	FY24e
Revenue	1,370	1,339	1,378	1,449
EBITDA	207.1	202.0	214.1	220.5
PATMI	132.8	133.3	135.3	141.0
EPS	8.83	8.87	9.00	9.38
PER, x	16.6	17.2	16.3	15.7
P/BV, x	5.3	4.9	4.5	4.1
DPS (SGD cents)	6.20	6.22	6.20	6.35
Div Yield	4.2%	4.2%	4.2%	4.3%
ROE	33.8%	30.8%	28.6%	27.2%

Source: Company, PSR est.

### Valuation Method

P/E Multiple @ 20x FY23e

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## Financials

### Income Statement

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
<b>Revenue</b>	<b>1,394.0</b>	<b>1,369.8</b>	<b>1,339.5</b>	<b>1,377.7</b>	<b>1,448.5</b>
Gross profit	381.9	393.3	393.5	399.5	418.6
<b>EBITDA</b>	<b>180.1</b>	<b>207.1</b>	<b>202.0</b>	<b>214.1</b>	<b>220.5</b>
Other income	41.2	12.1	17.3	8.0	8.0
Depreciation & Amortisation	(50.6)	(51.6)	(52.6)	(57.7)	56.8
<b>EBIT</b>	<b>166.1</b>	<b>162.2</b>	<b>162.2</b>	<b>159.0</b>	<b>166.0</b>
Net Finance Inc/(Exp)	(1.0)	(1.2)	0.9	5.6	5.5
<b>Profit Before Tax</b>	<b>165.1</b>	<b>161.0</b>	<b>163.1</b>	<b>164.6</b>	<b>171.5</b>
Taxation	(26.0)	(27.9)	(29.4)	(28.8)	(30.0)
<b>Profit After Tax</b>	<b>139.1</b>	<b>133.1</b>	<b>133.6</b>	<b>135.8</b>	<b>141.5</b>
Non Controlling Interest	(0.5)	(0.3)	(0.3)	(0.5)	0.5
<b>PATMI</b>	<b>138.7</b>	<b>132.8</b>	<b>133.3</b>	<b>135.3</b>	<b>141.0</b>
<b>PATMI - adjusted</b>	<b>138.7</b>	<b>132.8</b>	<b>128.3</b>	<b>135.3</b>	<b>141.0</b>

### Per share data (SGD Cents)

Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
EPS, reported	9.22	8.83	8.87	9.00	9.38
EPS, adj.	9.22	8.83	8.53	9.00	9.38
DPS	6.50	6.20	6.22	6.20	6.35
BVPS	24.77	27.50	30.08	32.96	35.99

### Cash Flow

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
<b>CFO</b>					
<b>Profit before tax</b>	165.1	161.0	163.1	164.6	171.5
Adjustments	51.7	52.2	50.6	52.0	51.3
WC changes	69.6	(7.8)	(25.7)	(31.2)	2.4
Cash generated from ops	286.4	205.3	188.0	185.4	225.2
Others	(12.3)	(32.6)	(21.2)	(28.8)	(30.0)
<b>Cashflow from ops</b>	<b>274.1</b>	<b>172.7</b>	<b>166.8</b>	<b>156.6</b>	<b>195.2</b>
<b>CFI</b>					
CAPEX, net	(17.1)	(31.4)	(8.6)	(20.0)	(2.0)
Others	1.0	1.1	3.7	9.6	6.8
<b>Cashflow from investments</b>	<b>(16.1)</b>	<b>(30.3)</b>	<b>(5.0)</b>	<b>(10.4)</b>	<b>4.8</b>
<b>CFF</b>					
Share issuance, net	0.0	0.0	0.0	0.0	0.0
Loans, net of repayments	30.0	(25.0)	(5.0)	0.0	0.0
Dividends	(79.7)	(91.7)	(94.0)	(92.0)	(95.5)
Others	(31.2)	(2.2)	(2.6)	(4.0)	(1.3)
<b>Cashflow from financing</b>	<b>(80.9)</b>	<b>(118.9)</b>	<b>(101.5)</b>	<b>(96.0)</b>	<b>(96.8)</b>
<b>Net change in cash</b>	<b>177.1</b>	<b>23.5</b>	<b>60.3</b>	<b>50.2</b>	<b>103.3</b>
Effects of exchange rates	0.4	0.2	0.5	0.0	0.0
<b>CCE, end</b>	<b>253.9</b>	<b>246.6</b>	<b>275.5</b>	<b>295.7</b>	<b>369.0</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD mn	FY20	FY21	FY22	FY23e	FY24e
<b>ASSETS</b>					
PPE	291.6	302.9	291.6	290.9	271.2
Others	48.7	79.5	97.3	100.3	105.2
<b>Total non-current assets</b>	<b>340.3</b>	<b>382.4</b>	<b>388.9</b>	<b>391.2</b>	<b>376.4</b>
Accounts receivables	19.9	11.6	19.5	21.5	22.6
Cash	253.9	246.6	275.5	295.7	369.0
Inventories	77.9	98.4	101.2	107.2	112.9
<b>Total current assets</b>	<b>351.8</b>	<b>356.6</b>	<b>396.2</b>	<b>424.5</b>	<b>504.5</b>
<b>Total Assets</b>	<b>692.1</b>	<b>739.0</b>	<b>785.1</b>	<b>815.7</b>	<b>880.9</b>
<b>LIABILITIES</b>					
Accounts payables	208.1	212.4	197.5	174.2	183.4
Lease liabilities	22.4	27.7	33.1	43.1	53.1
Short term loans	15.0	5.0	0.0	0.0	0.0
Others	29.8	25.4	35.3	35.3	35.3
<b>Total current liabilities</b>	<b>275.2</b>	<b>270.5</b>	<b>265.8</b>	<b>252.5</b>	<b>271.8</b>
Lease liabilities	23.1	48.9	62.6	62.6	62.6
Long term loans	15.0	0.0	0.0	0.0	0.0
Others	3.6	3.2	1.5	1.5	1.5
<b>Total non-current liabilities</b>	<b>41.7</b>	<b>52.2</b>	<b>64.1</b>	<b>64.1</b>	<b>64.1</b>
<b>Total Liabilities</b>	<b>317.0</b>	<b>322.7</b>	<b>329.9</b>	<b>316.7</b>	<b>335.9</b>
<b>EQUITY</b>					
Non-controlling interests	2.7	2.9	2.9	3.4	3.9
<b>Shareholder Equity</b>	<b>372.4</b>	<b>413.4</b>	<b>452.2</b>	<b>495.5</b>	<b>541.1</b>

### Valuation Ratios

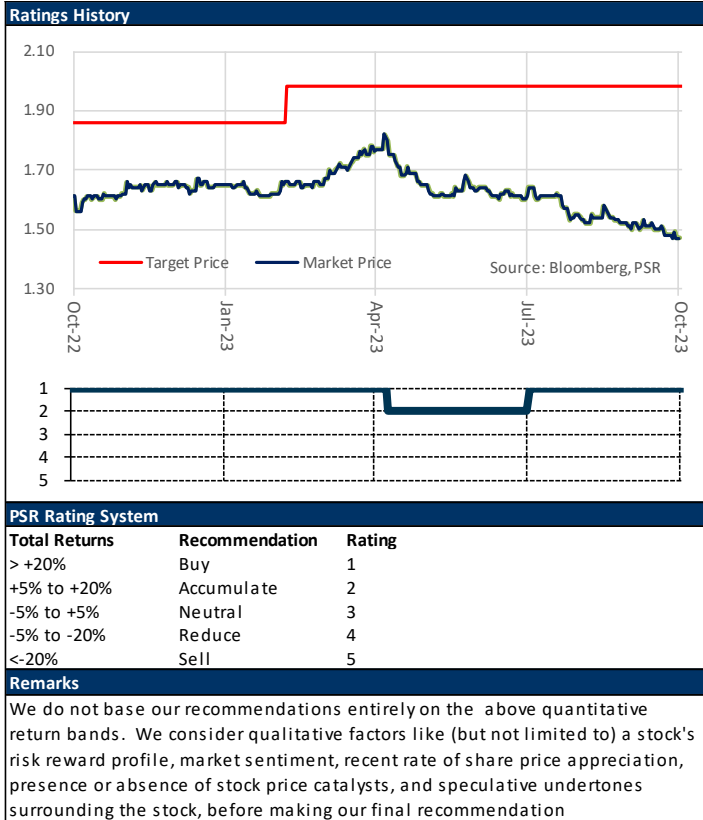
Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (X)	15.9	16.6	17.2	16.3	15.7
P/B (X)	5.9	5.3	4.9	4.5	4.1
EV/EBITDA (X)	11.0	9.5	9.6	9.0	8.4
Dividend Yield	4.4%	4.2%	4.2%	4.2%	4.3%

### Growth & Margins

<b>Growth</b>					
Revenue	40.6%	-1.7%	-2.2%	2.9%	5.1%
EBITDA	40.5%	15.0%	-2.5%	6.0%	3.0%
EBIT	79.4%	-2.4%	0.0%	-2.0%	4.4%
Net profit - adjusted	83.1%	-4.2%	-3.4%	1.5%	4.2%
<b>Margins</b>					
Gross margin	27.4%	28.7%	29.4%	29.0%	28.9%
EBITDA margin	12.9%	15.1%	15.1%	15.5%	15.2%
EBIT margin	11.9%	11.8%	12.1%	11.5%	11.5%
Net profit margin	9.9%	9.7%	10.0%	9.8%	9.7%

### Key Ratios

ROE	40.4%	33.8%	30.8%	28.6%	27.2%
ROA	22.6%	18.6%	17.5%	16.9%	16.6%
Net Debt/(Cash)	-224	-242	-275	-296	-369
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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