

Sheng Siong Group Ltd

Seasonal and base effect bump



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29 April 2024

SINGAPORE | CONSUMER | 1Q24 RESULTS

- 1Q24 revenue and PATMI were within expectations at 26%/26% of our FY24e forecast. Same-store sales growth accelerated to 3.6% benefitting from the later lunar new year.
- Only one new HDB store was secured in 1Q24. The pipeline is healthy with three stores tenders submitted and another six to be tendered out. The lack of new stores will keep growth muted this year.
- We maintain our FY24e forecast and target price of S\$1.66. Our valuations are based on historical PE of 18x. Only two stores were opened last year. The lack of new stores will be a drag on revenue this year. With industry-leading margins, it will be challenging for Sheng Siong to expand further. Supply chain bottlenecks include distribution centres. Another avenue for growth is acquisitions, as the company has built up a record net cash hoard of S\$352 million.

Results at a glance

SGD mn	1Q24	1Q23	YoY	Comments
Revenue	376.2	356.5	5.5%	New stores est. -2.6%#, SSS +8.0%, China +0.1%
Gross profit	110.7	102.8	7.6%	
Gross Margin	29.4%	28.8%	0.6%	Higher mix of house brands
EBITDA	51.5	49.2	4.8%	
Net finance inc.	2.1	1.7	22.8%	
PATMI	36.3	33.2	9.3%	
Area (sft 000s)	623.7	613.1	1.7%	

Source: Company, PSR Note # There is an abnormal computation of negative 2.6% new stores. The company measures the net difference in new stores sales. A gross addition would be more useful.

The Positive

+ Acceleration in revenue and margins. Same-store sales jumped 8% (effective growth from 63 matured stores is 3.6%). This year, the longer days between Christmas and Lunar New Year provided an additional runway for festive shopping. It was much closer last year, where shopper fatigue can occur. Margins were supported by higher house brand sales, especially the successful rollout of frozen products.

The Negative

- Only one new store was secured this year. Only one new store opened this quarter in Clementi. A positive has been the narrowing number of bidders for the stores. There are now typically three bidders for stores compared to four or five in the past.

Outlook

Our expectation is same-store sales growth of 4% in FY24e. We expect Sheng Siong to continue taking market share from wet markets and peers as the competition from smaller supermarket chains ebbs. Gross margins will creep up but at a slower pace. CDC vouchers do not have a noticeable impact on higher ticket sizes. They replace the cash to be spent rather than raising household budgets materially.

In China, the operation remains profitable. Target customers are the heartlands community, but their supermarket concept is different. Products are very localised, and loose items (e.g., nuts, rice, sunflower seeds) are commonly sold. Competition is from wet markets and street hawkers, but supermarkets are preferred due to hygiene and higher food safety compliance. Online delivery is done via picking up goods from the store rather than a centralised model.

Maintain ACCUMULATE with unchanged TP of S\$1.66

SSG's attractive financial metrics include an ROE of 27%, a dividend yield of 4.2%, and net cash of S\$352mn.

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 1.53
FORECAST DIV	SGD 0.064
TARGET PRICE	SGD 1.66
TOTAL RETURN	12.7%

COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN)	1,504
MARKET CAP (USD mn / SGD mn)	1691 / 2300
52 - WK HI/LO (SGD)	1.83 / 1.46
3M Average Daily T/O (mn)	1.37

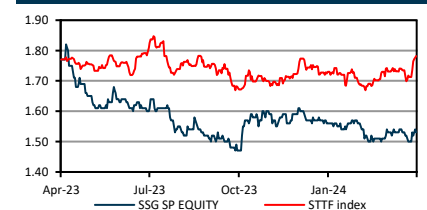
MAJOR SHAREHOLDERS

SS HOLDINGS	29.9%
LIM HOCK CHEE	8.1%
LIM HOCK ENG	8.0%
LIM HOCK LENG	7.9%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	2.0	(1.3)	(3.8)
STTF	3.6	5.4	2.5

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (SGD mn)	FY22	FY23	FY24e	FY25e
Revenue	1,339	1,368	1,451	1,511
EBITDA	197.4	194.1	208.0	209.1
PATMI	133.3	133.7	138.8	142.4
EPS	8.87	8.89	9.23	9.47
PER, x	17.9	17.2	16.6	16.2
P/BV, x	5.1	4.7	4.3	4.0
DPS (SGD cents)	6.22	6.25	6.40	6.50
Div Yield	4.1%	4.1%	4.2%	4.2%
ROE	30.8%	28.3%	27.0%	25.5%

Source: Company, PSR est.

Valuation Method

P/E Multiple @ 18x FY24e

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Financials

Income Statement

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
Revenue	1,369.8	1,339.5	1,367.7	1,451.5	1,510.7
Gross profit	393.3	393.5	410.5	438.3	451.7
EBITDA	207.1	197.4	194.1	208.0	209.1
Other income	12.1	17.3	14.3	11.5	12.0
Depreciation & Amortisation	(51.6)	(52.6)	(53.0)	(58.5)	(56.7)
EBIT	162.2	162.2	155.4	159.6	162.9
Net Finance Inc.	(1.2)	0.9	7.7	9.4	10.3
Profit Before Tax	161.0	163.1	163.1	168.9	173.2
Taxation	(27.9)	(29.4)	(29.1)	(29.6)	(30.3)
Profit After Tax	133.1	133.6	134.0	139.3	142.9
Non Controlling Interest	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)
PATMI	132.8	133.3	133.7	138.8	142.4
PATMI - adjusted	132.8	128.3	133.7	138.8	142.4

Per share data (SGD Cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
EPS, reported	8.83	8.87	8.89	9.23	9.47
EPS, adj.	8.83	8.53	8.89	9.23	9.47
DPS	6.20	6.22	6.25	6.40	6.50
BVPS	27.50	30.08	32.84	35.68	38.73

Cash Flow

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	161.0	163.1	163.1	168.9	173.2
Adjustments	52.2	50.6	45.1	49.1	46.4
WC changes	(7.8)	(25.7)	2.9	(32.9)	2.2
Cash generated from ops	205.3	188.0	211.1	185.1	221.8
Others	(32.6)	(21.2)	(34.0)	(29.6)	(30.3)
Cashflow from ops	172.7	166.8	177.1	155.6	191.5
CFI					
CAPEX, net	(31.4)	(8.6)	(10.1)	(12.0)	(10.0)
Others	1.1	3.7	11.2	11.4	12.3
Cashflow from investments	(30.3)	(5.0)	1.2	(0.6)	2.3
CFF					
Share issuance, net	0.0	0.0	0.0	0.0	0.0
Loans, net of repayments	(25.0)	(5.0)	0.0	0.0	0.0
Dividends	(91.7)	(94.0)	(92.0)	(96.2)	(96.5)
Others	(2.2)	(2.6)	(3.3)	(2.0)	(2.0)
Cashflow from financing	(118.9)	(101.5)	(95.3)	(98.2)	(98.5)
Net change in cash	23.5	60.3	82.9	56.7	95.2
Effects of exchange rates	0.2	0.5	0.1	0.0	0.0
CCE, end	246.6	275.5	324.4	351.1	416.3

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE	302.9	291.6	283.7	276.8	267.2
Others	79.5	97.3	101.8	97.2	95.2
Total non-current assets	382.4	388.9	385.5	374.0	362.3
Accounts receivables	11.6	19.5	28.5	22.7	23.6
Cash	246.6	275.5	324.4	351.1	416.3
Inventories	98.4	101.2	91.8	111.0	116.1
Total current assets	356.6	396.2	444.7	484.8	556.0
Total Assets	739.0	785.1	830.2	858.8	918.3
LIABILITIES					
Accounts payables	212.4	197.5	199.9	180.4	188.6
Lease liabilities	27.7	33.1	34.4	39.4	44.4
Short term loans	5.0	0.0	0.0	0.0	0.0
Others	25.4	35.3	29.6	29.6	29.6
Total current liabilities	270.5	265.8	264.0	249.5	262.6
Lease liabilities	48.9	62.6	66.9	66.9	66.9
Long term loans	0.0	0.0	0.0	0.0	0.0
Others	3.2	1.5	2.3	2.3	2.3
Total non-current liabilities	52.2	64.1	69.2	69.2	69.2
Total Liabilities	322.7	329.9	333.2	318.7	331.9
EQUITY					
Non-controlling interests	2.9	2.9	3.2	3.7	4.2
Shareholder Equity	413.4	452.2	493.8	536.4	582.3

Valuation Ratios

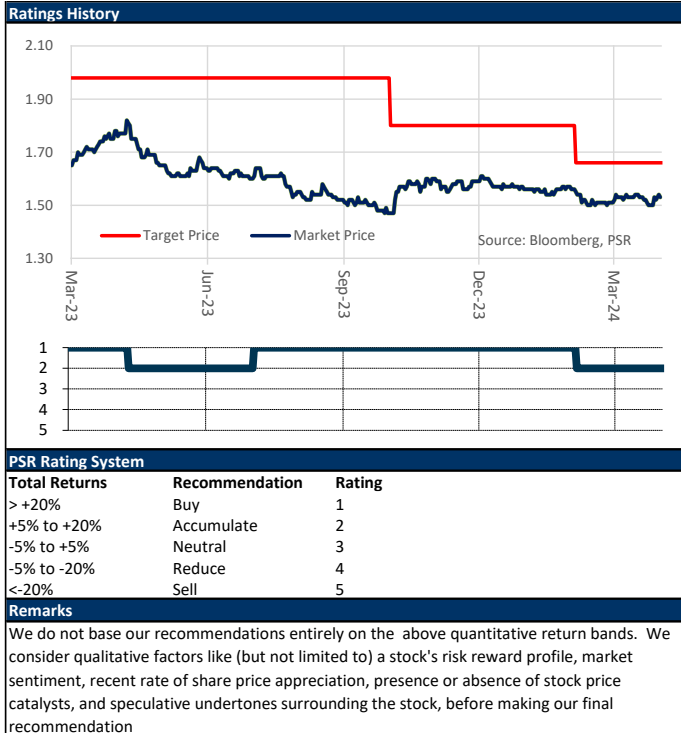
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	17.3	17.9	17.2	16.6	16.2
P/B (X)	5.6	5.1	4.7	4.3	4.0
EV/EBITDA (X)	10.0	10.3	10.2	9.4	9.0
Dividend Yield	4.1%	4.1%	4.1%	4.2%	4.2%

Growth & Margins

Growth					
Revenue	-1.7%	-2.2%	2.1%	6.1%	4.1%
EBITDA	15.0%	-4.7%	-1.7%	7.2%	0.5%
EBIT	-2.4%	0.0%	-4.2%	2.7%	2.1%
Net profit - adjusted	-4.2%	-3.4%	0.3%	3.9%	2.6%
Margins					
Gross margin	28.7%	29.4%	30.0%	30.2%	29.9%
EBITDA margin	15.1%	14.7%	14.2%	14.3%	13.8%
EBIT margin	11.8%	12.1%	11.4%	11.0%	10.8%
Net profit margin	9.7%	10.0%	9.8%	9.6%	9.4%

Key Ratios

ROE	33.8%	30.8%	28.3%	27.0%	25.5%
ROA	18.6%	17.5%	16.5%	16.4%	16.0%
Net Debt/(Cash)	-242	-275	-324	-351	-416
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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