

Sheng Siong Group Ltd

More stores and margin expansion



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SINGAPORE | CONSUMER | 3Q24 RESULTS

01 November 2024

- 9M24 revenue met our expectations, but PATMI exceeded at 75%/79% respectively of our FY24e forecast. Progressive wage reimbursement and gross margins were higher than expected. Gross margin was a record 31.3% in 3Q24 from higher fresh product contribution and margins.
- In 3Q24, Sheng Siong opened two new stores in Singapore, bringing the total to 73 (or +1.4% expansion in space). Another new store opened in October, and Toa Payoh store acquisition is pending completion by the end of this year. Furthermore, five new stores are waiting for their tender results from HDB.
- We raised our FY24e forecast by 5% to S\$145.8mn. Our ACCUMULATE recommendation is maintained, and the target price has increased from S\$1.66 to S\$1.74, based on a historical PE of 18x. Sheng Siong will at least open five new stores in FY24. This will almost triple the average of two new stores per year over the past three years. New stores will provide at least 6% points of revenue growth next year. The unknown has been sluggish in same-store sales of around 2%, which includes the recent GST hike.

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 1.59
FORECAST DIV	SGD 0.064
TARGET PRICE	SGD 1.74
TOTAL RETURN	13.5%

COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN)	1,504
MARKET CAP (USD mn / SGD mn)	1808 / 2391
52 - WK HI/LO (SGD)	1.62 / 1.47
3M Average Daily T/O (mn)	1.85

MAJOR SHAREHOLDERS

SS HOLDINGS	29.9%
LIM HOCK CHEE	8.0%
LIM HOCK ENG	8.0%
LIM HOCK LENG	7.2%

Results at a glance

SGD mn	3Q24	3Q23	YoY	Comments
Revenue	363.2	345.8	5.0%	New stores +3.2%, SSS +1.5%, China +0.3%
Gross profit	113.8	105.0	8.4%	
Gross Margin	31.3%	30.3%	1.0%	Increased in fresh food margin and mix.
EBITDA	52.6	49.5	6.4%	
Net finance inc.	1.9	1.9	0.6%	
PATMI	39.1	34.7	12.6%	
Area (sft 000s)	642.2	618.3	3.9%	4 new stores over past 12 months.

Source: Company, PSR

The Positive

+ Gross margins continue to expand. Gross margins achieve a new record high of 31.3% in 3Q24 (3Q23: 30.3%). It was a combination of higher margins and an increased mix of fresh food products. Increased promotional activity on seafood have contributed to the growth in fresh food. We also believe competition has been muted and confined to small retail fresh food shops that source from selected farms in Malaysia.

The Negative

- Lacklustre same-store sales. Same-store sales (SSS) in 3Q24 at 1.8% YoY is stable (1H24: +2%) but boosted by this year's 1% point rise in GST. SSS is trending towards the pre-pandemic average of ~1% growth.

Outlook

In September, Sheng Siong announced the acquisition of Jelita Property for S\$50.2mn. Jelita owns properties in Siglap and Toa Payoh. The eight units (Cold Storage and Guardian) in Siglap will be leased back to the vendor for an undisclosed period. The Toa Payoh property (est. 9,000 sft and was occupied by Giant Supermarket) will be converted into a Sheng Siong store. We expect Sheng Siong to enjoy stronger growth next year as new stores this year will boost its retail footprint by almost 7% to 660k sft.

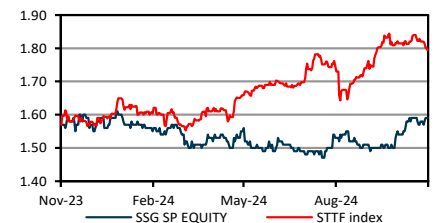
Maintain ACCUMULATE with higher TP of S\$1.74 (prev. S\$1.66)

SSG's attractive financial metrics include an ROE of 27%, a dividend yield of 4.0%, and net cash of S\$350mn.

TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.9	5.4	3.6
STTF	(0.8)	4.9	14.6

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (SGD mn)	FY22	FY23	FY24e	FY25e
Revenue	1,339	1,368	1,457	1,547
EBITDA	197.4	194.1	211.6	216.5
PATMI	133.3	133.7	145.8	153.3
EPS	8.87	8.89	9.70	10.19
PER, x	18.6	17.9	16.4	15.6
P/BV, x	5.3	4.8	4.4	4.0
DPS (SGD cents)	6.22	6.25	6.40	6.50
Div Yield	3.9%	3.9%	4.0%	4.1%
ROE	30.8%	28.3%	28.1%	26.8%

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	1,457.3	1,547.1
Gross profit	393.3	393.5	410.5	444.5	464.1
EBITDA	207.1	197.4	194.1	211.6	216.5
Other income	12.1	17.3	14.3	15.0	16.5
Depreciation & Amortisation	(51.6)	(52.6)	(53.0)	(58.5)	(57.1)
EBIT	162.2	162.2	155.4	168.0	175.9
Net Finance Inc.	(1.2)	0.9	7.7	9.4	10.5
Profit Before Tax	161.0	163.1	163.1	177.4	186.4
Taxation	(27.9)	(29.4)	(29.1)	(31.0)	(32.6)
Profit After Tax	133.1	133.6	134.0	146.3	153.8
Non Controlling Interest	(0.3)	(0.3)	(0.3)	(0.5)	(0.5)
PATMI	132.8	133.3	133.7	145.8	153.3
PATMI - adjusted	132.8	128.3	133.7	145.8	153.3

Per share data (SGD Cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
EPS, reported	8.83	8.87	8.89	9.70	10.19
EPS, adj.	8.83	8.53	8.89	9.70	10.19
DPS	6.20	6.22	6.25	6.40	6.50
BVPS	27.50	30.08	32.84	36.14	39.91

Cash Flow

Y/E Dec, SGD mn	FY21	FY22	FY23	FY24e	FY25e
CFO					
Profit before tax	161.0	163.1	163.1	177.4	186.4
Adjustments	52.2	50.6	45.1	49.2	46.6
WC changes	(7.8)	(25.7)	2.9	(33.0)	3.4
Cash generated from ops	205.3	188.0	211.1	193.6	236.4
Others	(32.6)	(21.2)	(34.0)	(31.0)	(32.6)
Cashflow from ops	172.7	166.8	177.1	162.5	203.8
CFI					
CAPEX, net	(31.4)	(8.6)	(10.1)	(12.0)	(10.0)
Others	1.1	3.7	11.2	11.4	12.5
Cashflow from investments	(30.3)	(5.0)	1.2	(0.6)	2.5
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	63.7	107.8
Effects of exchange rates	0.2	0.5	0.1	0.0	0.0
CCE, end	246.6	275.5	324.4	358.1	435.8

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	276.7	266.6
Others	79.5	97.3	101.8	97.2	95.2
Total non-current assets	382.4	388.9	385.5	373.9	361.8
Accounts receivables	11.6	19.5	28.5	22.8	24.2
Cash	246.6	275.5	324.4	358.1	435.8
Inventories	98.4	101.2	91.8	111.0	118.7
Total current assets	356.6	396.2	444.7	491.8	578.7
Total Assets	739.0	785.1	830.2	865.7	940.5
LIABILITIES					
Accounts payables	212.4	197.5	199.9	180.4	192.9
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	249.4	266.9
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	318.6	336.1
EQUITY					
Non-controlling interests	2.9	2.9	3.2	3.7	4.2
Shareholder Equity	413.4	452.2	493.8	543.4	600.1

Valuation Ratios

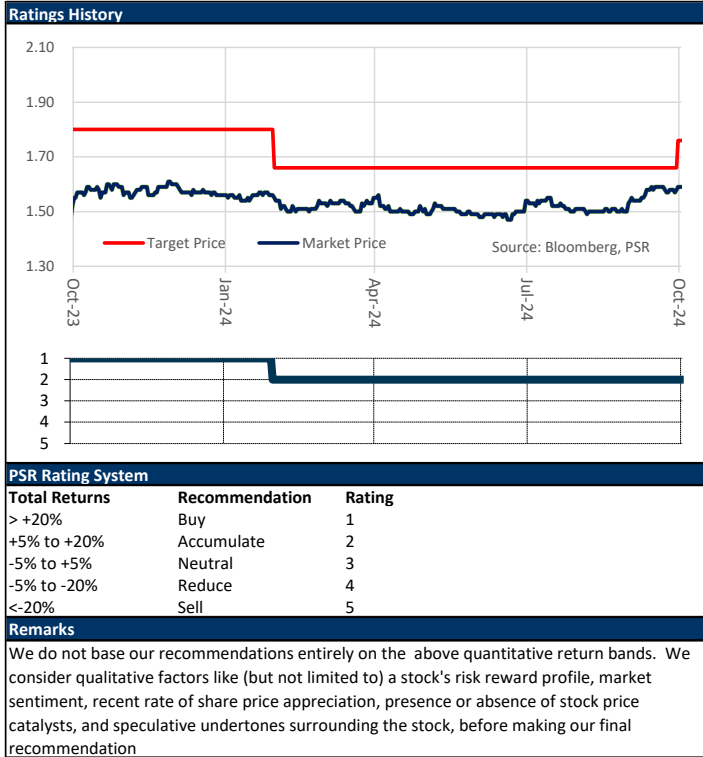
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X)	18.0	18.6	17.9	16.4	15.6
P/B (X)	5.8	5.3	4.8	4.4	4.0
EV/EBITDA (X)	10.4	10.7	10.7	9.6	9.0
Dividend Yield	3.9%	3.9%	3.9%	4.0%	4.1%

Growth & Margins

	FY21	FY22	FY23	FY24e	FY25e
Growth					
Revenue	-1.7%	-2.2%	2.1%	6.5%	6.2%
EBITDA	15.0%	-4.7%	-1.7%	9.0%	2.3%
EBIT	-2.4%	0.0%	-4.2%	8.1%	4.7%
Net profit - adjusted	-4.2%	-3.4%	0.3%	9.1%	5.1%
Margins					
Gross margin	28.7%	29.4%	30.0%	30.5%	30.0%
EBITDA margin	15.1%	14.7%	14.2%	14.5%	14.0%
EBIT margin	11.8%	12.1%	11.4%	11.5%	11.4%
Net profit margin	9.7%	10.0%	9.8%	10.0%	9.9%

Key Ratios

	FY21	FY22	FY23	FY24e	FY25e
ROE	33.8%	30.8%	28.3%	28.1%	26.8%
ROA	18.6%	17.5%	16.5%	17.2%	17.0%
Net Debt/(Cash)	-242	-275	-324	-358	-436
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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