

# Sheng Siong Group Ltd

Rising market share



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## SINGAPORE | CONSUMER | 4Q24 RESULTS

- FY24 results were below expectations. Revenue/adj.PATMI were 98%/97%, respectively, of our FY24e forecast. Staff costs jumped 14% YoY to S\$56.6mn in 4Q24. The progressive wage model is causing wage levels across roles in the store to continue climbing.
- Sheng Siong (SSG) added two stores in 4Q24, bringing the total to 75. Two more new stores have been opened this year, and eight more being tendered. Several HDB stores have been secured from competitors who have relinquished them in matured estates.
- We lowered our FY25e forecast by 4% to S\$147.3mn. The rise in staff costs has been more severe than expected. FY25 will be the final year of the progressive wage model increases for the retail sector. We raised our target price to S\$1.76 (prev. S\$1.74) as we rolled over valuations to FY25e earnings. Our ACCUMULATE recommendation is maintained. The store openings for SSG are accelerating, further boosted by competitors reducing their footprint of supermarkets in HDB estates. Over the past 2 years, SSG's revenue growth has been 4%-5% points p.a. faster than the industry.

### Results at a glance

SGD mn	4Q24	4Q23	YoY	Comments
Revenue	351.3	331.4	6.0%	New stores +4.3%, SSS +1.4%, China +0.3%
Gross profit	106.7	100.4	6.2%	
Gross Margin	30.4%	30.3%	0.1%	Higher fresh and house brands.
EBITDA	40.8	45.6	-10.5%	
Net finance inc.	2.2	2.3	-6.0%	
PATMI	28.5	32.7	-12.9%	
Area (sft 000s)	661.5	618.3	7.0%	6 new stores in 2024
DPS - Final (cents)	3.20	3.20	0.0%	70% payout ratio.

Source: Company, PSR #Note—We assumed the S\$3.5mn reinstatement cost was capitalised and immediately amortised when computing adjusted PATMI.

### The Positive

**+ New stores fuelled growth.** Store footprint grew 7% in 2024, or six new stores. This is more than double the average expansion of 2.7% over the past 3 years, or two new stores yearly from 2021 to 2023. The new stores will fuel revenue growth in FY25e.

### The Negative

**- Rising staff costs.** Staff cost has been trending around 13% of revenue pre-pandemic. Since implementing the progressive wage model in 2023, staff cost has climbed to 16% of revenue. It effectively removes most of the gross margin expansion enjoyed since pre-pandemic. Another staffing challenge is the dependency ratio, which relies on recruiting citizens and permanent residents. Supermarket front-line roles do not attract locals and seniors.

### Outlook

We expect staff costs to remain elevated in FY25e. Rising staff costs and challenges in recruiting locally are likely factors causing competitors to exit. Competitors may not have the high gross margin fresh food operations similar to SSG to offset rising operating expenses. We expect SSG to continue increasing market share as competitors exit. Stores in mature HDB estates have the added attraction of existing amenities and population catchment when opened. We expect new stores and SG60 vouchers to be the key drivers of supermarket sales in 2025. The introduction of Deliveroo is an additional channel that can raise the productivity of Shen Siong's existing stores.

### Maintain ACCUMULATE with higher TP of S\$1.76 (prev. S\$1.74)

SSG's attractive financial metrics include an ROE of 27%, a dividend yield of 4.1%, and net cash of S\$353mn.

03 March 2025

### ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 1.64
FORECAST DIV	SGD 0.067
TARGET PRICE	SGD 1.76
TOTAL RETURN	11.4%

### COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN)	1,504
MARKET CAP (USD mn / SGD mn)	1816 / 2451
52 - WK HI/LO (SGD)	1.68 / 1.47
3M Average Daily T/O (mn)	1.35

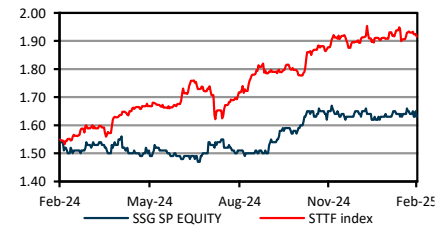
### MAJOR SHAREHOLDERS

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

### TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.6	0.6	0.6
STTF	3.3	5.7	4.0

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec (SGD mn)	FY23	FY24	FY25e	FY26e
Revenue	1,368	1,429	1,542	1,619
EBITDA	192.5	198.9	245.9	226.8
PATMI	132.0	134.0	147.3	155.5
EPS	8.89	9.15	9.79	10.34
PER, x	18.7	18.4	16.7	15.9
P/BV, x	5.0	4.6	4.2	3.9
DPS (SGD cents)	6.25	6.40	6.70	7.00
Div Yield	3.8%	3.9%	4.1%	4.3%
ROE	27.9%	26.0%	26.3%	25.4%

Source: Company, PSR est.

### Valuation Method

P/E Multiple @ 18x FY25e

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## Financials

### Income Statement

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
<b>Revenue</b>	<b>1,339.5</b>	<b>1,367.7</b>	<b>1,428.7</b>	<b>1,542.5</b>	<b>1,619.3</b>
Gross profit	393.5	410.5	435.5	472.0	497.1
<b>EBITDA</b>	<b>197.4</b>	<b>192.5</b>	<b>198.9</b>	<b>245.9</b>	<b>226.8</b>
Other income	17.3	15.9	19.2	15.0	15.0
Depreciation & Amortisation	(52.6)	(53.0)	(58.5)	(91.7)	(64.9)
<b>EBIT</b>	<b>162.2</b>	<b>155.4</b>	<b>159.7</b>	<b>169.2</b>	<b>176.9</b>
Net Finance Inc.	0.9	7.7	8.3	9.4	11.7
<b>Profit Before Tax</b>	<b>163.1</b>	<b>163.1</b>	<b>168.0</b>	<b>178.6</b>	<b>188.6</b>
Taxation	(29.4)	(29.1)	(30.4)	(31.3)	(33.0)
<b>Profit After Tax</b>	<b>133.6</b>	<b>134.0</b>	<b>137.5</b>	<b>147.4</b>	<b>155.6</b>
Non Controlling Interest	(0.3)	(0.3)	0.0	(0.1)	(0.1)
<b>PATMI</b>	<b>133.3</b>	<b>132.0</b>	<b>134.0</b>	<b>147.3</b>	<b>155.5</b>
<b>PATMI - adjusted</b>	<b>128.3</b>	<b>132.0</b>	<b>134.0</b>	<b>147.3</b>	<b>155.5</b>

### Per share data (SGD Cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
EPS, reported	8.87	8.89	9.15	9.79	10.34
EPS, adj.	8.53	8.78	8.91	9.79	10.34
DPS	6.22	6.25	6.40	6.70	7.00
BVPS	30.08	32.84	35.58	38.87	42.42

### Cash Flow

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Profit before tax</b>	<b>163.1</b>	<b>163.1</b>	<b>168.0</b>	<b>178.6</b>	<b>188.6</b>
Adjustments	50.6	45.1	49.0	82.3	53.2
WC changes	(25.7)	2.9	31.2	(62.1)	2.3
Cash generated from ops	188.0	211.1	248.1	198.9	244.2
Others	(21.2)	(34.0)	(29.2)	(31.3)	(33.0)
<b>Cashflow from ops</b>	<b>166.8</b>	<b>177.1</b>	<b>219.0</b>	<b>167.6</b>	<b>211.2</b>
<b>CFI</b>					
CAPEX, net	(8.6)	(10.1)	(18.0)	(11.0)	(10.0)
Others	3.7	11.2	(36.3)	12.4	13.7
<b>Cashflow from investments</b>	<b>(5.0)</b>	<b>1.2</b>	<b>(54.3)</b>	<b>1.4</b>	<b>3.7</b>
<b>CFF</b>					
Share issuance, net	0.0	0.0	0.0	0.0	0.0
Loans, net of repayments	(5.0)	0.0	0.0	0.0	0.0
Dividends	(94.0)	(92.0)	(96.2)	(97.7)	(102.2)
Others	(2.6)	(3.3)	(4.2)	(3.0)	(2.0)
<b>Cashflow from financing</b>	<b>(101.5)</b>	<b>(95.3)</b>	<b>(100.4)</b>	<b>(100.7)</b>	<b>(104.2)</b>
<b>Net change in cash</b>	<b>60.3</b>	<b>82.9</b>	<b>64.2</b>	<b>68.2</b>	<b>110.6</b>
Effects of exchange rates	0.5	0.1	1.2	0.0	0.0
<b>CCE, end</b>	<b>275.5</b>	<b>324.4</b>	<b>353.4</b>	<b>391.6</b>	<b>472.2</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD mn	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
PPE	291.6	283.7	304.5	295.5	284.4
Others	97.3	101.8	158.3	121.7	112.8
<b>Total non-current assets</b>	<b>388.9</b>	<b>385.5</b>	<b>462.9</b>	<b>417.2</b>	<b>397.2</b>
Accounts receivables	19.5	28.5	20.5	24.1	25.3
Cash	275.5	324.4	353.4	391.6	472.2
Inventories	101.2	91.8	98.4	117.3	123.0
<b>Total current assets</b>	<b>396.2</b>	<b>444.7</b>	<b>472.3</b>	<b>533.0</b>	<b>620.5</b>
<b>Total Assets</b>	<b>785.1</b>	<b>830.2</b>	<b>935.1</b>	<b>950.2</b>	<b>1017.7</b>
<b>LIABILITIES</b>					
Accounts payables	197.5	199.9	230.2	190.6	199.8
Lease liabilities	33.1	34.4	37.7	42.7	47.7
Short term loans	0.0	0.0	0.0	0.0	0.0
Others	35.3	29.6	36.3	36.3	36.3
<b>Total current liabilities</b>	<b>265.8</b>	<b>264.0</b>	<b>304.3</b>	<b>269.6</b>	<b>283.9</b>
Lease liabilities	62.6	66.9	87.9	87.9	87.9
Long term loans	0.0	0.0	0.0	0.0	0.0
Others	1.5	2.3	4.7	4.7	4.7
<b>Total non-current liabilities</b>	<b>64.1</b>	<b>69.2</b>	<b>92.5</b>	<b>92.5</b>	<b>92.5</b>
<b>Total Liabilities</b>	<b>329.9</b>	<b>333.2</b>	<b>396.8</b>	<b>362.2</b>	<b>376.4</b>
<b>EQUITY</b>					
Non-controlling interests	2.9	3.2	3.4	3.5	3.6
<b>Shareholder Equity</b>	<b>452.2</b>	<b>493.8</b>	<b>534.9</b>	<b>584.5</b>	<b>637.7</b>

### Valuation Ratios

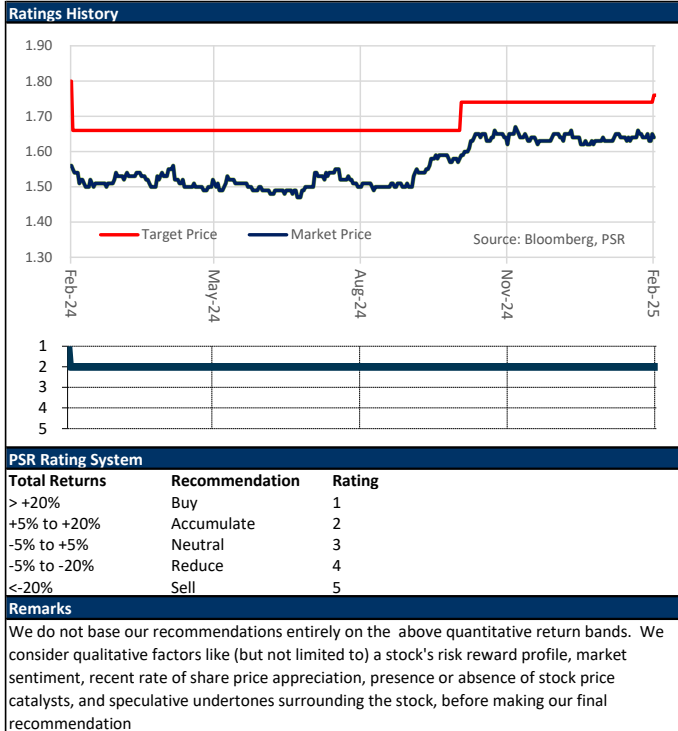
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X)	19.2	18.7	18.4	16.7	15.9
P/B (X)	5.5	5.0	4.6	4.2	3.9
EV/EBITDA (X)	11.1	11.1	10.6	8.4	8.8
Dividend Yield	3.8%	3.8%	3.9%	4.1%	4.3%

### Growth & Margins

<b>Growth</b>					
Revenue	-2.2%	2.1%	4.5%	8.0%	5.0%
EBITDA	-4.7%	-2.5%	3.3%	23.6%	-7.8%
EBIT	0.0%	-4.2%	2.7%	6.0%	4.5%
Net profit - adjusted	-3.4%	-1.0%	1.5%	9.9%	5.6%
<b>Margins</b>					
Gross margin	29.4%	30.0%	30.5%	30.6%	30.7%
EBITDA margin	14.7%	14.1%	13.9%	15.9%	14.0%
EBIT margin	12.1%	11.4%	11.2%	11.0%	10.9%
Net profit margin	10.0%	9.6%	9.4%	9.5%	9.6%

### Key Ratios

ROE	30.8%	27.9%	26.0%	26.3%	25.4%
ROA	17.5%	16.3%	15.2%	15.6%	15.8%
Net Debt/(Cash)	(275)	(324)	(353)	(392)	(472)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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