

COMPANY RESULTS

Sheng Siong Group (SSG SP)

3Q24: Another Solid Quarter; Steady Growth Ahead

SSG reported stronger-than-expected 3Q24 revenue of S\$363m (+5% yoy) and earnings of S\$39m (+12% yoy), bringing 9M24 revenue and earnings to 77%/81% of our full-year forecasts. This was driven by both new stores and higher comparable same-store sales. Another record gross margin of 31.3% (+1ppt yoy) was achieved on improved sales mix. We see further upside from potential new store openings and upgrade our 2024-26 EPS by 7-9%. Maintain BUY with a higher target price of S\$1.93.

3Q24/9M24 RESULTS

Year to 31 Dec (S\$m)	3Q24	yoy % chg	qoq % chg	9M24	yoy % chg
Revenue	363.2	5.0	7.5	1,077.4	4.0
Gross profit	113.8	8.4	9.0	328.8	6.0
Gross margin (%)	31.3	1.0ppt	0.4ppt	30.5	0.6ppt
Net profit	39.1	12.4	16.2	109.1	8.7
Net margin (%)	10.8	0.7ppt	0.8ppt	10.1	0.4ppt

Source: Sheng Siong Group, UOB Kay Hian

RESULTS

- 3Q24 results above expectations.** Sheng Siong Group's (SSG) 3Q24 revenue and earnings came in at S\$363m (+5% yoy, +8% qoq) and S\$39m (+12% yoy, +16% qoq) respectively, bringing 9M24 revenue of S\$1.1b and earnings of S\$109m to 77%/81% of our 2024 estimates respectively. New store sales (<two years old) and comparable same-store sales (at least two years old) led to 3.2% yoy and 1.5% yoy growths in 3Q24 revenue respectively. Gross margin reached another record high of 31.3% (+1ppt yoy), from higher fresh product sales mix, higher contributions from house brands and improved margins across both categories. Other income doubled to S\$6m, largely from a S\$3.2m increase in government grants received under the progressive wage credit scheme.
- Continuing to outperform peers in sales growth.** SSG's 3Q24 revenue growth of 5% is well above Singapore's supermarket and hypermarket retail sales yoy growth of 2% across July and August. We are of the view that SSG has been steadily gaining market share, as we note SSG's sales-growth outperformance vs its peers over the past three quarters.
- China sales rose 14% yoy in 3Q24,** led by the official opening of its 6th store in Aug 24. Competition continues to remain stiff from unregulated street hawking and wet markets. While 3Q24 recorded a loss due to new store opening costs incurred, 9M24 remained profitable.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,339	1,368	1,422	1,477	1,531
EBITDA	182	173	186	191	196
Operating profit	162	155	167	173	178
Net profit (rep./act.)	133	134	144	149	154
Net profit (adj.)	133	134	144	149	154
EPS (S\$ cent)	8.9	8.9	9.6	9.9	10.2
PE (x)	18.3	18.2	16.9	16.4	15.8
P/B (x)	5.4	4.9	4.5	4.2	3.9
EV/EBITDA (x)	11.7	12.3	11.4	11.1	10.8
Dividend yield (%)	3.8	3.9	4.2	4.3	4.4
Net margin (%)	10.0	9.8	10.1	10.1	10.1
Net debt/(cash) to equity (%)	(60.9)	(65.7)	(58.9)	(63.8)	(68.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	30.8	28.3	28.0	26.6	25.5
Consensus net profit	-	-	143	148	154
UOBKH/Consensus (x)	-	-	1.01	1.00	1.00

Source: Sheng Siong Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.62
Target Price	S\$1.93
Upside	+19.1%
(Previous TP:	S\$1.88)

COMPANY DESCRIPTION

Sheng Siong Group is a mass-market supermarket operator in Singapore. It is the third-largest player in Singapore by market share.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	SSG SP
Shares issued (m):	1,503.5
Market cap (S\$m):	2,435.7
Market cap (US\$m):	1,813.1
3-mth avg daily t'over (US\$m):	2.1

Price Performance (%)

52-week high/low S\$1.68/S\$1.47

1mth	3mth	6mth	1yr	YTD
3.2	8.0	7.3	1.9	1.3

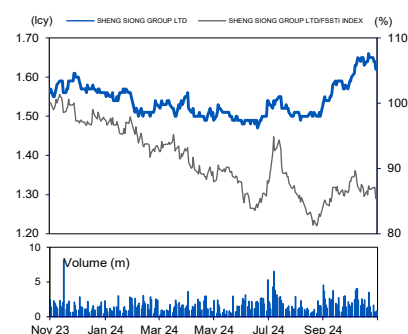
Major Shareholders

	%
Sheng Siong Hldgs	29.9
Lim Hock Chee	8.0
Lim Hock Eng	7.9

FY24 NAV/Share (S\$) 0.36

FY24 Net Cash/Share (S\$) 0.21

PRICE CHART



Source: Bloomberg

ANALYST(S)

Heidi Mo
+65 6590 6630
heidimo@uobkayhian.com

John Cheong
+65 6590 6623
johncheong@uobkayhian.com

STOCK IMPACT

- Jelita Property acquisition to increase store count and open up additional revenue stream.** SSG acquired DFI Retail Group Holdings' (DFI) last two properties at Siglap V and Toa Payoh for S\$50.2m on 30 Oct 24. This was wholly financed by internally generated funds. Siglap V is a freehold property (10,624sf) with eight strata units, where the CS Fresh and Guardian brands are located. We expect SSG to lease this space back to DFI and earn rental income as well as enjoy potential capital appreciation in the near term. As for the Toa Payoh property (9,731sf), it is leasehold with remaining tenure of 47 years, and Giant closed its outlet on 15 Sep 24. SSG expects to open a new store at this location in 4Q24.
- Store opening outlook.** SSG opened two new stores in 1H24 and two in 3Q24, bringing total retail area across 73 stores in Singapore to 642,234sf (+4% yoy). Additionally, SSG opened a new store at Bishan in Oct 24, and expects to open another at Toa Payoh in 4Q24. SSG also continues to bid for new shop spaces in the heartland areas. To recap, the group is awaiting the outcome of four HDB tenders, and is likely to bid for one more tender to be put up in 4Q24. We expect SSG to enjoy stable earnings growth from its four new store openings ytd and continuing network expansion.
- Robust net cash position maintained.** During the quarter, SSG continued to grow its operating cash flows by 8% yoy to S\$59m, resulting in a strong cash balance of S\$350m with zero borrowings as of 30 Sep 24. After the Jelita Property acquisition, SSG still maintains a strong net cash position of about S\$300m, which can comfortably support its endeavour to reward its shareholders with 70% payout.

EARNINGS REVISION/RISK

- We lift our 2024/25/26 revenue forecasts by 2-4%**, as we adjust our store openings estimates to 6/3/3 respectively (4/3/3 previously) and recalibrate revenue per sf to account for new stores. We also expect further gross margin expansion and raised it slightly from 30.1-30.2% to 30.5-30.6% across 2024-26, as well as lower utility costs for 2025-26 due to renewed electricity contracts. Overall, 2024-26 earnings estimates are raised by 7-9%.

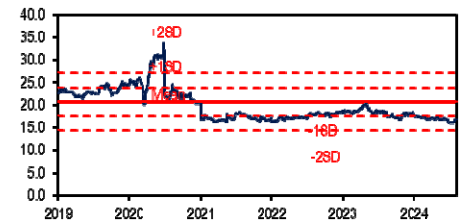
VALUATION/RECOMMENDATION

- Maintain BUY with a higher PE-based target price of S\$1.93 (S\$1.88 previously)**, due to our earnings upgrades as mentioned above. This is pegged to a 2025F PE of 20x, or its five-year average mean PE. We also roll over our valuation base year to 2025. As SSG's store count is a significant growth driver for its top-line, we see further upside from potential new store openings. Additionally, the cost of living in Singapore remains elevated, and we expect SSG to benefit with its value offerings.

SHARE PRICE CATALYST(S)

- Higher-than-expected new-store openings and same-store sales growth.
- Boosted demand arising from inflationary environment and GST hike.

HISTORICAL PE CHART



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	1,367.7	1,421.9	1,476.6	1,531.2
EBITDA	173.3	185.8	190.6	195.9
Deprec. & amort.	17.9	18.5	17.9	17.4
EBIT	155.4	167.3	172.6	178.5
Net interest income/(expense)	7.7	8.0	8.6	9.3
Pre-tax profit	163.1	175.3	181.2	187.8
Tax	(29.1)	(31.2)	(32.3)	(33.4)
Minorities	(0.3)	(0.1)	(0.3)	(0.3)
Net profit	133.7	144.0	148.7	154.0
Net profit (adj.)	133.7	144.0	148.7	154.0

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	283.7	276.1	268.3	261.0
Other LT assets	101.8	152.0	152.0	152.0
Cash/ST investment	324.4	315.8	370.5	426.6
Other current assets	120.3	126.8	131.7	136.6
Total assets	830.2	870.8	922.5	976.2
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	264.0	261.7	269.0	276.6
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	69.2	69.2	69.2	69.2
Shareholders' equity	493.8	536.5	580.7	626.4
Minority interest	3.2	3.3	3.6	3.9
Total liabilities & equity	830.2	870.8	922.5	976.2

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	177.1	159.3	175.5	180.5
Pre-tax profit	163.1	175.3	181.2	187.8
Tax	(34.0)	(31.2)	(32.3)	(33.4)
Deprec. & amort.	17.9	18.5	17.9	17.4
Working capital changes	2.9	(8.8)	2.4	2.7
Non-cash items	(0.0)	0.0	0.0	0.0
Other operating cashflows	27.2	5.4	6.1	6.0
Investing	1.2	(47.5)	3.4	4.1
Capex (growth)	(10.2)	(10.2)	(10.2)	(10.2)
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	11.2	(37.3)	13.6	14.2
Financing	(129.5)	(120.4)	(124.2)	(128.5)
Dividend payments	(92.0)	(101.2)	(104.5)	(108.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Others/interest paid	(37.4)	(19.1)	(19.7)	(20.2)
Net cash inflow (outflow)	48.8	(8.6)	54.7	56.1
Beginning cash & cash equivalent	275.5	324.4	315.8	370.5
Changes due to forex impact	0.1	0.0	0.0	0.0
Ending cash & cash equivalent	324.4	315.8	370.5	426.6

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	12.7	13.1	12.9	12.8
Pre-tax margin	11.9	12.3	12.3	12.3
Net margin	9.8	10.1	10.1	10.1
ROA	16.5	16.9	16.6	16.2
ROE	28.3	28.0	26.6	25.5
Growth				
Turnover	2.1	4.0	3.9	3.7
EBITDA	(4.6)	7.2	2.6	2.8
Pre-tax profit	0.0	7.5	3.4	3.6
Net profit	0.3	7.7	3.2	3.6
Net profit (adj.)	0.3	7.7	3.2	3.6
EPS	0.3	7.7	3.2	3.6
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(65.7)	(58.9)	(63.8)	(68.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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