

### COMPANY RESULTS

## Sheng Siong Group (SSG SP)

1Q24: Results In Line; Solid Start To The Year

**SSG's 1Q24 earnings of S\$36m (+9% yoy) were largely in line with expectations, forming 27% of our full-year estimate. Revenue rose 6% yoy on comparable same-store sales growth, while gross margin expanded 0.6ppt to 29.4% on a better sales mix. As the cost of living rises, consumers may shift toward SSG's value-for-money products. SSG also continues to actively seek store opening opportunities in areas where it lacks a presence. Maintain BUY with an unchanged target price of S\$1.88.**

### 1Q24 RESULTS

Year to 31 Dec (S\$m)	1Q24	1Q23	yoy % chg
Revenue	376.2	356.5	5.5
Gross profit	110.7	102.8	7.6
Gross margin (%)	29.4	28.8	0.6ppt
PATMI	36.3	33.4	8.9
Net margin (%)	9.7	9.4	0.3ppt

Source: Sheng Siong Group, UOB Kay Hian

### RESULTS

- Results in line.** Sheng Siong Group (SSG) reported 1Q24 revenue and earnings of S\$376m (+5.5% yoy) and S\$36m (+8.9% yoy) respectively, both forming 27% of our full-year forecasts. This is in line with our expectation as 1Q typically forms around 26% of full-year earnings from higher seasonality. The top-line growth comes from higher comparable same-store sales by 8% yoy and 0.1% yoy in Singapore and China respectively. Of the 8% growth in Singapore stores, 3.6% is contributed by 63 matured stores, while the remaining 4.4% is by four stores opened in 2022. Consumer spending had also picked up during the extended sales period from a later Chinese New Year (10 Feb 24 vs 22 Jan 23).
- Gross margin continues to tick upward; higher operating expenses from staff bonus.** Gross profit margin climbed 0.6ppt yoy to 29.4%, from a more favourable sales mix of higher-margin products like its house brands and non-fresh items. This is also a testament to the group's effective cost controls like diversification of supply sourcing. Operating expenses rose 8.8% yoy, owing to higher staff costs (+S\$4.8m yoy) from the increment of staff variable bonuses because of better financial performance. This was marginally offset by higher interest income of S\$3.3m (+22% yoy) from more fixed deposits placed during the quarter. Net margin expanded by 0.3ppt yoy as a result.

### KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,339	1,368	1,396	1,436	1,477
EBITDA	182	173	174	175	178
Operating profit	162	155	156	157	161
Net profit (rep./act.)	133	134	135	137	142
Net profit (adj.)	133	134	135	137	142
EPS (S\$ cent)	8.9	8.9	9.0	9.1	9.4
PE (x)	16.9	16.9	16.7	16.5	15.9
P/B (x)	5.0	4.6	4.2	3.9	3.7
EV/EBITDA (x)	10.4	10.9	10.9	10.8	10.6
Dividend yield (%)	4.1	4.2	4.2	4.3	4.4
Net margin (%)	10.0	9.8	9.7	9.5	9.6
Net debt/(cash) to equity (%)	(60.9)	(65.7)	(68.1)	(72.1)	(75.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	30.8	28.3	26.2	24.7	23.8
Consensus net profit	-	-	140	144	146
UOBKH/Consensus (x)	-	-	0.96	0.95	0.97

Source: Sheng Siong Group, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$1.50
Target Price	S\$1.88
Upside	+25.3%

### 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):	2,255.3
Market cap (US\$m):	1,674.4
3-mth avg daily t'over (US\$m):	1.7

### Price Performance (%)

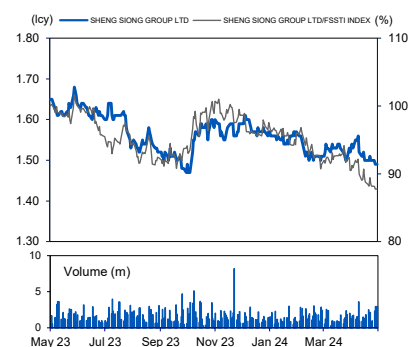
52-week high/low	S\$1.68/S\$1.47				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(0.7)	(5.1)	(6.9)	(11.8)	(6.9)	

### 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\$)	0.24

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

**John Cheong**  
+65 6590 6623  
johncheong@uobkayhian.com

**Heidi Mo**  
+65 6590 6630  
heidimo@uobkayhian.com

### STOCK IMPACT

- New store opening outlook.** SSG secured one new store in 1Q24, with 70 stores in Singapore as at end-Mar 24, totalling a retail area of 623,677sf (+1.7% yoy). Its tendering efforts remain robust, with the outcome of three Jan 24 tenders still pending. The ramp-up in supply of HDB projects provides more tendering opportunities for SSG, with six more supermarket locations expected to be up for tender over the next six months. Additionally, we note that the number of operators bidding for new stores has dwindled from 4-6 to around three. We think that SSG will be able to achieve growth through the continuous expansion of its network of outlets in Singapore and reach its target of at least three store openings annually. In China, its operations remain profitable, making up 2.3% of 1Q24 revenue. SSG expects its sixth store in Kunming to be operational by 2Q24.
- Elevated inflationary environment to increase consumer spending.** According to the Ministry of Trade and Industry, core inflation is expected to slow to 2.5-3.5% for 2024. The sustained inflationary pressures and the GST hike will continue to push consumers toward more value-for-money purchases. As consumers cut back on dining out, SSG will stand to benefit from boosted sales. As for the additional S\$600 of Community Development Council vouchers announced in the Singapore Budget 2024, management is of the opinion that it has limited impact on sales and is just an alternative payment method to cash.

### EARNINGS REVISION/RISK

- We have maintained our forecasts.

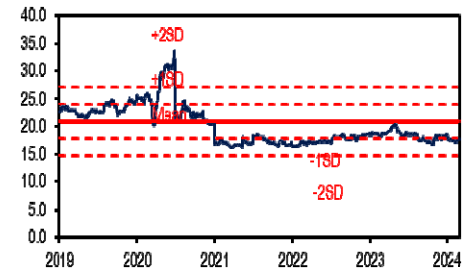
### VALUATION/RECOMMENDATION

- Maintain BUY and target price of S\$1.88**, pegged to an unchanged 2024F PE of 21x, or five-year average mean PE. We continue to like SSG for its sustainable growth, from the successful execution of steady store expansion, and as a beneficiary in the persistent inflationary environment.

### SHARE PRICE CATALYST

- Boosted demand arising from inflationary environment and GST hike.
- New store openings.

### HISTORICAL PE CHART



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Net turnover</b>	1,367.7	1,395.7	1,436.0	1,476.6
EBITDA	173.3	174.1	174.7	178.2
Deprec. & amort.	17.9	18.5	17.9	17.4
EBIT	155.4	155.6	156.8	160.8
Net interest income/(expense)	7.7	8.2	9.7	11.4
<b>Pre-tax profit</b>	<b>163.1</b>	<b>163.7</b>	<b>166.5</b>	<b>172.2</b>
Tax	(29.1)	(28.7)	(29.1)	(30.1)
Minorities	(0.3)	(0.3)	(0.3)	(0.3)
<b>Net profit</b>	<b>133.7</b>	<b>134.8</b>	<b>137.0</b>	<b>141.8</b>
Net profit (adj.)	133.7	134.8	137.0	141.8

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>283.7</b>	<b>276.1</b>	<b>268.3</b>	<b>261.0</b>
Other LT assets	101.8	101.8	101.8	101.8
Cash/ST investment	324.4	363.3	414.2	465.7
Other current assets	120.3	124.5	128.1	131.7
<b>Total assets</b>	<b>830.2</b>	<b>865.7</b>	<b>912.4</b>	<b>960.2</b>
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	264.0	259.2	264.8	270.2
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	533.8	574.5	616.6
Minority interest	3.2	3.5	3.8	4.2
<b>Total liabilities &amp; equity</b>	<b>830.2</b>	<b>865.7</b>	<b>912.4</b>	<b>960.2</b>

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>177.1</b>	<b>156.6</b>	<b>172.0</b>	<b>176.4</b>
Pre-tax profit	163.1	163.7	166.5	172.2
Tax	(34.0)	(28.7)	(29.1)	(30.1)
Deprec. & amort.	17.9	18.5	17.9	17.4
Working capital changes	2.9	(9.0)	2.0	1.8
Non-cash items	(0.0)	0.0	0.0	0.0
Other operating cashflows	27.2	12.0	14.7	15.1
<b>Investing</b>	<b>1.2</b>	<b>1.4</b>	<b>2.9</b>	<b>4.5</b>
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	11.6	13.0	14.7
<b>Financing</b>	<b>(129.5)</b>	<b>(119.1)</b>	<b>(124.0)</b>	<b>(129.5)</b>
Dividend payments	(92.0)	(94.7)	(96.3)	(99.7)
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)	(24.3)	(27.7)	(29.8)
<b>Net cash inflow (outflow)</b>	<b>48.8</b>	<b>38.9</b>	<b>50.8</b>	<b>51.5</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>275.5</b>	<b>324.4</b>	<b>363.3</b>	<b>414.2</b>
Changes due to forex impact	0.1	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>324.4</b>	<b>363.3</b>	<b>414.2</b>	<b>465.7</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	12.7	12.5	12.2	12.1
Pre-tax margin	11.9	11.7	11.6	11.7
Net margin	9.8	9.7	9.5	9.6
ROA	16.5	15.9	15.4	15.1
ROE	28.3	26.2	24.7	23.8
<b>Growth</b>				
Turnover	2.1	2.0	2.9	2.8
EBITDA	(4.6)	0.4	0.4	2.0
Pre-tax profit	0.0	0.4	1.7	3.5
Net profit	0.3	0.8	1.7	3.5
Net profit (adj.)	0.3	0.8	1.7	3.5
EPS	0.3	0.8	1.7	3.5
<b>Leverage</b>				
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)	(68.1)	(72.1)	(75.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W