

# Sheng Siong Group Ltd

Resilience despite no new shops



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## SINGAPORE | CONSUMER | 1Q21 UPDATE

- 1Q21 revenue and earnings were within expectations, at 27%/30% of forecasts. 1Q21 benefitted from festive spending.
- Gross margins remained elevated at 27.6% vs. pre-pandemic's 26.8%.
- No new stores were opened in past six months. Tenders of new HDB stores have been delayed, except for one large upcoming bid.
- Our FY21e PATMI and target price of S\$1.71 are unchanged, at 25x P/E, its 5-year historical average. Maintain ACCUMULATE. With international borders still closed, revenue should remain above pre-pandemic levels. FY22e to benefit from accelerated rollout of new stores. 1Q21 annualised revenue per sq ft was S\$2,363, towering above S\$1,916 in pre-pandemic 2019.

### Results at a glance

SGD mn	1Q21	1Q20	YoY	Comments
Revenue	337.5	328.7	2.7%	New stores +2.7%, SSSG +0%, China +0%
Gross profit	93.1	88.8	4.9%	Gross margins improved +0.6% pt to 27.6%.
EBITDA	46.1	43.3	6.5%	Government grant in 1Q21 was S\$1.9mn (1Q20: S\$1.6mn).
EBIT	37.9	35.2	7.7%	Dist. expenses -6%, admin. expenses +3% YoY
PATMI	30.8	28.7	7.5%	
Area (sft 000s)	571.2	553.0	3.3%	No new stores in the quarter.

Source: Company, PSR

### The Positives

**+ Revenue resilience.** Revenue growth was entirely powered by new stores opened for a year. 1Q21 annualised revenue per sq ft remained a lofty S\$2,363 vs. pre-pandemic's S\$1,916 in 2019. Gross margins at 27.6% were above historical levels of 26.8%, thanks to lower input prices and a higher sales mix of fresh goods.

**+ Healthy cash and strengthening balance sheet.** Operating cash flow generated in 1Q21 was S\$28.8mn. Net cash is now S\$241mn (4Q20: S\$224mn).

### The Negative

**- No store openings.** There were no new store openings in the past six months. SSG was not successful in two tenders in November. HDB has temporarily paused on tenders except for a large store SSG is looking to bid in the current quarter which could potentially be rolled out in 3Q21.

### Outlook

1Q21 revenue per sq ft remained elevated at S\$2,363 on an annualised basis (FY20: S\$2,423). A reason was the continued closure of international borders, which kept more households in the country. Working from home was another contributor. As borders re-open, growth in FY22e should stem from accelerated store expansion from the recent pause in HDB tenders.

### Maintain ACCUMULATE with unchanged TP of S\$1.71

SSG's investment merits remain its impressive 26% ROEs, dividend yields of 3.2% and net cash of S\$224mn. Stock catalysts are expected from new store openings.

## ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 1.54
FORECAST DIV	SGD 0.050
TARGET PRICE	SGD 1.71
TOTAL RETURN	14.3%

### COMPANY DATA

BLOOMBERG CODE	SSG SP
O/S SHARES (MN)	1,504
MARKET CAP (USD mn / SGD mn)	1744 / 2315
52 - WK HI/LO (SGD)	1.86 / 1.44
3M Average Daily T/O (mn)	3.99

### MAJOR SHAREHOLDERS

SS HOLDINGS	29.9%
LIM HOCK CHEE	9.2%
LIM HOCK LENG	9.1%
LIM HOCK ENG	9.1%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	1.3	(4.3)	(0.6)
STI RETURN	2.0	9.3	13.7

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec (SGD mn)	FY19	FY20	FY21e	FY22e
Revenue	991	1,394	1,225	1,187
EBITDA	128.2	180.1	166.8	161.2
PATMI	75.7	138.7	103.0	100.0
EPS	5.04	9.22	6.85	6.65
PER, x	30.6	16.7	22.5	23.2
P/BV, x	7.4	6.2	5.8	5.4
DPS (SGD cents)	3.55	6.50	5.00	5.00
Div Yield	2.3%	4.2%	3.2%	3.2%
ROE	25.1%	40.4%	26.7%	24.2%

Source: Company, PSR est.

### Valuation Method

P/E Multiple @ 25x FY21e

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## Financials

### Income Statement

Y/E Dec, SGD mn	FY18	FY19	FY20	FY21e	FY22e
<b>Revenue</b>	<b>890.9</b>	<b>991.3</b>	<b>1,394.0</b>	<b>1,225.1</b>	<b>1,186.9</b>
Gross profit	238.4	266.9	381.9	330.8	320.5
<b>EBITDA</b>	<b>95.0</b>	<b>128.2</b>	<b>180.1</b>	<b>166.8</b>	<b>161.2</b>
Other income	7.6	8.9	41.2	9.8	9.5
Depreciation & Amortisation	(16.5)	(41.8)	(50.6)	(49.2)	(47.0)
<b>EBIT</b>	<b>83.8</b>	<b>92.6</b>	<b>166.1</b>	<b>124.0</b>	<b>120.4</b>
Net Finance Inc/(Exp)	0.9	(0.7)	(1.0)	1.8	1.7
<b>Profit Before Tax</b>	<b>84.7</b>	<b>91.9</b>	<b>165.1</b>	<b>125.8</b>	<b>122.1</b>
Taxation	(14.1)	(16.2)	(26.0)	(22.6)	(22.0)
<b>Profit After Tax</b>	<b>70.5</b>	<b>75.8</b>	<b>139.1</b>	<b>103.1</b>	<b>100.1</b>
Non Controlling Interest	(0.3)	0.0	0.5	0.1	0.1
<b>Net profit, reported</b>	<b>70.8</b>	<b>75.7</b>	<b>138.7</b>	<b>103.0</b>	<b>100.0</b>

### Per share data (SGD Cents)

Y/E Dec	FY18	FY19	FY20	FY21e	FY22e
EPS, reported	4.71	5.04	9.22	6.85	6.65
EPS, adj.	4.71	5.04	9.22	6.85	6.65
DPS	3.40	3.55	6.50	5.00	5.00
BVPS	19.30	20.83	24.77	26.62	28.27

### Cash Flow

Y/E Dec, SGD mn	FY18	FY19	FY20	FY21e	FY22e
<b>CFO</b>					
<b>Profit before tax</b>	<b>84.7</b>	<b>91.9</b>	<b>165.1</b>	<b>125.8</b>	<b>122.1</b>
Adjustments	15.6	42.4	51.7	45.9	44.4
WC changes	6.9	(2.2)	69.6	(68.1)	(1.3)
Cash generated from ops	107.1	132.1	286.4	103.6	165.1
Others	(14.9)	(14.8)	(12.3)	(22.6)	(22.0)
<b>Cashflow from ops</b>	<b>92.2</b>	<b>117.3</b>	<b>274.1</b>	<b>80.9</b>	<b>143.1</b>
<b>CFI</b>					
CAPEX, net	(27.9)	(53.5)	(17.1)	(30.0)	(30.0)
Others	0.9	1.3	1.0	3.3	2.7
<b>Cashflow from investments</b>	<b>(27.0)</b>	<b>(52.2)</b>	<b>(16.1)</b>	<b>(26.7)</b>	<b>(27.3)</b>
<b>CFF</b>					
Share issuance, net	0.0	0.0	0.0	0.0	0.0
Loans, net of repayments	0.0	0.0	30.0	(5.0)	(5.0)
Dividends	(51.1)	(52.6)	(79.7)	(75.2)	(75.2)
Others	0.0	0.0	(31.2)	0.0	0.0
<b>Cashflow from financing</b>	<b>(51.1)</b>	<b>(52.6)</b>	<b>(80.9)</b>	<b>(80.2)</b>	<b>(80.2)</b>
<b>Net change in cash</b>	<b>14.1</b>	<b>12.5</b>	<b>177.1</b>	<b>(26.0)</b>	<b>35.6</b>
Effects of exchange rates	(0.3)	(0.0)	0.4	0.0	0.0
<b>CCE, end</b>	<b>87.2</b>	<b>76.4</b>	<b>253.9</b>	<b>207.9</b>	<b>223.6</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, SGD mn	FY18	FY19	FY20	FY21e	FY22e
<b>ASSETS</b>					
PPE	266.2	295.3	291.6	298.3	305.8
Others	0.0	60.9	48.7	42.8	38.3
<b>Total non-current assets</b>	<b>266.2</b>	<b>356.2</b>	<b>340.3</b>	<b>341.1</b>	<b>344.1</b>
Accounts receivables	13.0	18.0	19.9	19.1	18.5
Cash	87.2	76.4	253.9	207.9	223.6
Inventories	69.9	82.2	77.9	98.0	94.9
<b>Total current assets</b>	<b>170.1</b>	<b>176.6</b>	<b>351.8</b>	<b>325.1</b>	<b>337.1</b>
<b>Total Assets</b>	<b>436.3</b>	<b>532.8</b>	<b>692.1</b>	<b>666.2</b>	<b>681.1</b>
<b>LIABILITIES</b>					
Accounts payables	125.7	140.8	208.1	159.3	154.3
Lease liabilities	0.0	26.7	22.4	22.4	22.4
Short term loans	0.0	0.0	15.0	10.0	5.0
Others	15.4	16.6	29.8	29.8	29.8
<b>Total current liabilities</b>	<b>141.1</b>	<b>184.1</b>	<b>275.2</b>	<b>221.4</b>	<b>211.4</b>
Lease liabilities	0.0	30.2	23.1	23.1	23.1
Long term loans	0.0	0.0	15.0	15.0	15.0
Others	2.9	3.0	3.6	3.6	3.6
<b>Total non-current liabilities</b>	<b>2.9</b>	<b>33.3</b>	<b>41.7</b>	<b>41.7</b>	<b>41.7</b>
<b>Total Liabilities</b>	<b>144.0</b>	<b>217.4</b>	<b>317.0</b>	<b>263.1</b>	<b>253.2</b>
<b>EQUITY</b>					
Non-controlling interests	2.1	2.1	2.7	2.8	2.9
<b>Shareholder Equity</b>	<b>290.2</b>	<b>313.3</b>	<b>372.4</b>	<b>400.2</b>	<b>425.1</b>

### Valuation Ratios

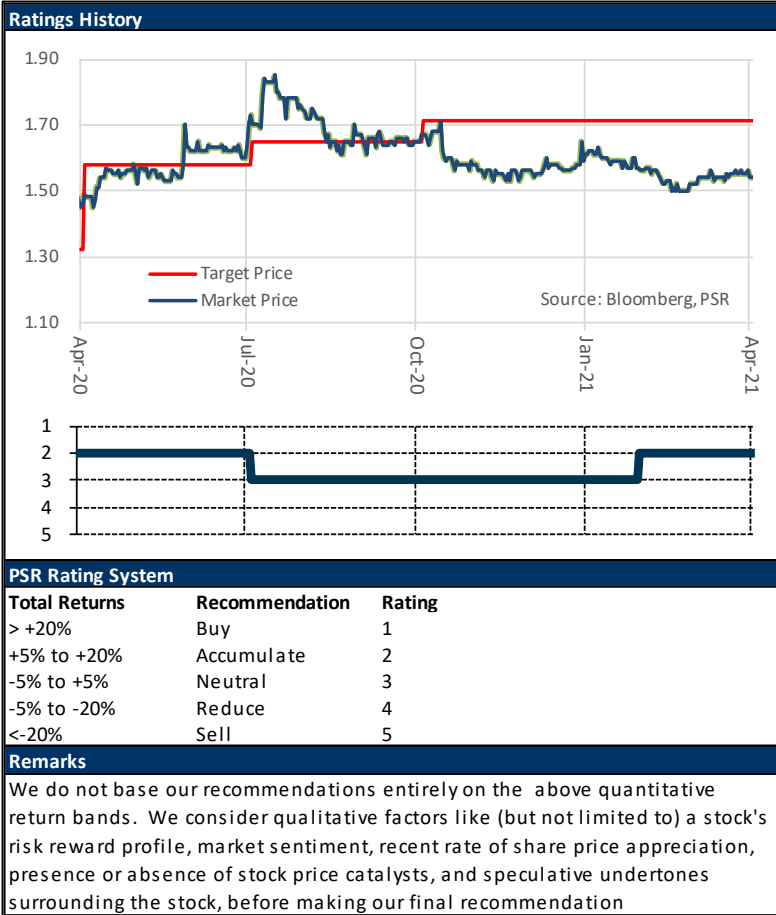
Y/E Dec	FY18	FY19	FY20	FY21e	FY22e
P/E (X)	32.7	30.6	16.7	22.5	23.2
P/B (X)	8.0	7.4	6.2	5.8	5.4
EV/EBITDA (X)	23.5	17.7	11.7	12.9	13.2
Dividend Yield	2.2%	2.3%	4.2%	3.2%	3.2%

### Growth & Margins

<b>Growth</b>					
Revenue	7.4%	11.3%	40.6%	-12.1%	-3.1%
EBITDA	7.0%	34.9%	40.5%	-7.4%	-3.3%
EBIT	2.4%	10.5%	79.4%	-25.4%	-2.9%
Net profit	1.4%	7.0%	83.1%	-25.7%	-3.0%
<b>Margins</b>					
Gross margin	26.8%	26.9%	27.4%	27.0%	27.0%
EBITDA margin	10.7%	12.9%	12.9%	13.6%	13.6%
EBIT margin	9.4%	9.3%	11.9%	10.1%	10.1%
Net profit margin	7.9%	7.6%	9.9%	8.4%	8.4%

### Key Ratios

ROE	25.2%	25.1%	40.4%	26.7%	24.2%
ROA	16.9%	15.6%	22.6%	15.2%	14.8%
Net Debt/(Cash)	(87)	(76)	(224)	(183)	(204)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash



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