

## Margin leader in a macro storm

## What's New

- JTC offered Sheng Siong a lease for 61,297sqm land with max 2.5 gross plot ratio for 33 years, commencing 18 Dec 25
- Max built up area of 153,242sqm is ~2.6x larger than current Mandai distribution centre (DC)
- Capex costs likely to be around SGD300-400mn with completion around late 2029/early 2030
- Potential earnings drag in initial years from higher depreciation, to be gradually offset by gross margin expansion and improved operational efficiencies; Maintain BUY with TP at SGD2.30

## Investment Overview

**Achieving industry-leading margins through a no-frills, disciplined investment approach.** Sheng Siong operates with one of the leanest cost structures among grocery retailers globally. Unlike peers, the company has made minimal investments in marketing, e-commerce platforms, and membership programmes. Despite this underinvestment, it continues to remain highly relevant to domestic consumers due to its established brand, strong focus on fresh produce (less exposed to e-commerce disruption or cross-border purchases in JB), and commitment to offering the best value.

**Earnings growth supported by network expansion and SG60 voucher boost.** With six new stores opening in FY24 and ten more in FY25F, this network expansion will drive both revenue and margins over the next 2–3 years. While new HDB-linked openings remain limited (one in 2026 and three in 2027), the company is exploring private site opportunities and asset acquisitions to expand its footprint. Competition from Macrovalue's entry is not seen as a major threat, given its focus on the premium segment and profitability in the lead-up to an IPO. Sheng Siong should also benefit from the SGD1.1bn SG60 supermarket vouchers to be distributed next month, lifting industry-wide demand.

**Gross margin expansion outpacing rising operating costs.** New stores typically take 12–18 months to break even, raising investor concerns about the sustainability of operating margins amid rapid expansion. Sheng Siong has maintained stable margins in 1Q25, reflecting good cost control and gross margin improvement through better economies of scale and procurement efficiencies.

**TP raised to SGD2.30 (from SGD2.00) on re-rating on margin superiority and growing investor preference for high quality, defensive names.** Our earnings forecasts remain unchanged, supported by stable growth prospects and a resilient competitive position. We raised our target PE to 20.9x FY26F (from 19x) to reflect the premium deserved by Sheng Siong's superior and sustainable margin profile. In today's volatile macroeconomic environment, we believe investors will continue to assign a higher valuation to well-managed, stable companies like Sheng Siong

## Risks

Operational costs continue to outpace gross profit growth

## Company Overview

Sheng Siong is the third-largest supermarket operator in Singapore, behind NTUC Fairprice and Dairy Farm International. The Group has reputation for quality products and competitive prices and ventured into China in 2017. Sheng Siong was established in 1985 and listed on the Singapore Exchange in 2011.

## Analyst

Zheng Feng Chee | zhengfengchee@db.com

## Key Financial Data (FY Dec)

Bloomberg Ticker	SSG SP
Sector	Consumer Staples Distribution
Share Price(SGD)	2.02
DBS Rating	BUY
12-mth Target Price (SGD)	2.30
Market Cap (USDbn)	2.37
3m Avg. Daily Val (USDmn)	4.29
Dividend yield (%)	3.17
Fwd. P/E (x)	19.20
P/Book (x)	5.68
ROE (%)	26.73

Closing Price as of 28/08/2025

Source: Twelve Data, DBS

## Sheng Siong Group Ltd Share Price



Source: Twelve Data

## What's New

29 Aug 2025

## Scaling logistics to sustain long-term growth

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- **Capex costs likely to be around SGD300-400mn with completion around late 2029/early 2030**
- **Potential earnings drag in initial years from higher depreciation, to be gradually offset by gross margin expansion and improved operational efficiencies; Maintain BUY with TP at SGD2.30**

## What's New

Sheng Siong Group (SSG) has received a letter of offer from JTC to lease a 61,297 sqm site at Sungei Kadut Street 1, Singapore 729361, with a maximum gross plot ratio of 2.5. The lease term is 33 years, commencing on 18 December 2025. SSG is expected to use the site for a new distribution centre (DC) to replace its Mandai facility, which has 59,549 sqm of built-up area and has been operating near full capacity.

## Our views

We believe the company is likely to accept the offer and commence the construction of a new DC, a necessary capex investment given the current facility is at full capacity and the store network is set to expand. The existing DC cost SGD65mn in 2011, with a further SGD19mn spent in 2017 and 2018 on expansion. Adjusting for cost inflation and the new DC's larger scale (likely 2-2.5x larger), we estimate a total project cost of SGD300-400mn. Funding will likely come from a mix of existing cash (SGD367mn), operational cash flow (~>SGD200mn per annum) and low-cost debt at 2-4%, supported by the company's strong balance sheet and cash flow. Construction could commence in early 2026 and complete by late 2029 or early 2030. Thereafter, the company could monetise the current DC, which would have about nine years remaining on its lease with a 30-year extension option, potentially realising around SGD100mn based on prevailing rentals of about SGD1mn per month for a similarly sized warehouse. Based on JTC's guided rental rates, we estimate the land cost could be around SGD40mn with the remaining cost largely to be building and machineries. Accordingly, we believe the additional depreciation cost could be in the range of SGD10mn to SGD20mn per annum (6% - 12% of our FY26F earnings estimates). While the new DC should lift operational efficiencies through larger procurement scale, increased opportunistic buying and improved manpower utilisation, these gains would take time to materialise and may not fully offset higher depreciation especially in the early ramp-up years. In the initial years of the new DC operations, depreciation is likely to weigh on earnings. Over the longer term, however, the DC is necessary to support store network growth and continued gross margin expansion. We expect improving efficiencies to gradually offset the higher depreciation costs. Maintain BUY, with TP at SGD2.30.

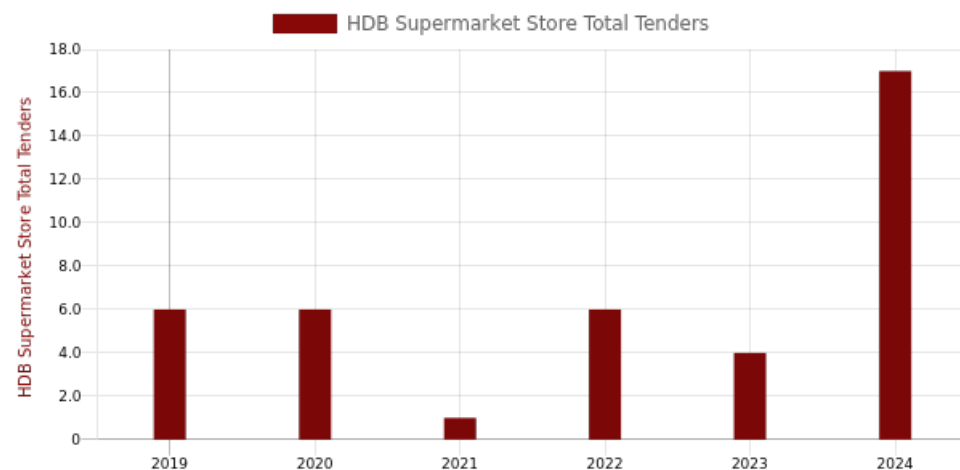
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## Principal Share Price Drivers

### Store count growth

Our research found that Singapore has a low supermarket penetration compared to similar peer cities like Hong Kong and Taipei, so existing neighbourhoods could accommodate more stores. In addition, the development of new housing districts like Tengah and Bidadari opens up new greenfield opportunities for supermarket players like Sheng Siong. One of its key competitors, DFI Retail, has also given up stores as part of its strategy to return to profitability by shutting down unprofitable Giant stores.

### HDB Supermarket Store Total Tenders



### Gross margin improvement

Earnings have been outgrowing revenue via margin expansion

### Share Price vs. Gross Profit Margin



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## Balance sheet

Net cash position as of 1Q25. The excess cash allows for strategic store acquisitions to expand its store presence in the future. The business generates positive working capital. Inventory is purchased on credit, and quickly turned into cash. Over the past eight years, the business had generated between over SGD100m of operating cashflow each year. Dividend payout has been attractive at over 70%. We expect this to be maintained as long as there is no significant requirement for cash funding with potential use for strategic store acquisitions.

## Environmental, social governance

Sheng Siong's sustainability journey is built on five key pillars of Business Excellence, Care for Customers, Care for Employees, Care for the Community, and Care for the Environment.

## Key assumptions

FY Dec	2022A	2023A	2024A	2025F	2026F
Rev per sqft	2,272	2,231	2,233	2,244	2,300
Operation Area (sqft)	607,822	618,349	661,534	726,534	741,534
Number of stores	67	69	75	85	88

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## Forecasts and Valuation (SGD, mn)

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Revenue	1,339	1,368	1,429	1,557	1,688
EBITDA	213.3	208.4	218.1	235.0	260.3
Pre-tax Profit	163.1	163.1	167.9	180.9	199.2
Net Profit	133.3	133.7	137.5	148.3	163.3
Net Pft (Pre Ex.)	133.3	133.7	137.5	148.3	163.3
Net Pft Gth (Pre-ex) (%)	0.4	0.3	2.9	7.9	10.1
EPS (S cts)	8.87	8.89	9.15	9.87	10.9
EPS Pre Ex. (S cts)	8.87	8.89	9.15	9.87	10.9
EPS Gth Pre Ex (%)	0.4	0.3	2.9	7.9	10.1
Diluted EPS (S cts)	8.87	8.89	9.15	9.87	10.9
Net DPS (S cts)	6.22	6.25	6.40	6.91	7.60
BV Per Share (S cts)	30.1	32.8	35.6	38.5	41.8
PE (x)	18.6	18.0	17.9	17.8	16.2
PE Pre Ex. (x)	18.6	18.0	17.9	17.8	16.2
P/Cash Flow (x)	15.7	14.4	12.3	14.3	11.6
EV/EBITDA (x)	10.4	10.0	9.7	9.4	8.1
Net Div Yield (%)	3.8	3.9	3.9	3.9	4.3
P/Book Value (x)	5.5	4.9	4.6	4.6	4.2
Net Debt/Equity (x)	cash	cash	cash	cash	cash
ROAE (%)	30.8	28.3	26.7	26.6	27.0

Source: DBS

## Income Statement (SGD, mn)

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Revenue	1,339	1,368	1,429	1,557	1,688
Cost of Goods Sold	(946.0)	(957.2)	(993.2)	(1,072)	(1,153)
<b>Gross Profit</b>	<b>393.5</b>	<b>410.5</b>	<b>435.5</b>	<b>485.5</b>	<b>534.8</b>
Other Opng (Exp)/Inc	(232.8)	(255.1)	(275.8)	(311.2)	(340.4)
<b>Operating Profit</b>	<b>160.7</b>	<b>155.4</b>	<b>159.7</b>	<b>174.3</b>	<b>194.5</b>
Other Non Opg (Exp)/Inc	1.48	0.00	0.00	0.00	0.00
Associates & JV Inc	0.00	0.00	0.00	0.00	0.00
Net Interest (Exp)/Inc	0.90	7.71	8.27	6.60	4.70
Exceptional Gain/(Loss)	0.00	0.00	0.00	0.00	0.00
<b>Pre-tax Profit</b>	<b>163.1</b>	<b>163.1</b>	<b>167.9</b>	<b>180.9</b>	<b>199.2</b>
Tax	(29.4)	(29.1)	(30.4)	(32.6)	(35.8)
Minority Interest	(0.34)	(0.35)	0.00	0.00	0.00
Preference Dividend	0.00	0.00	0.00	0.00	0.00
<b>Net Profit</b>	<b>133.3</b>	<b>133.7</b>	<b>137.5</b>	<b>148.3</b>	<b>163.3</b>
Net Profit before Except.	133.3	133.7	137.5	148.3	163.3
EBITDA	213.3	208.4	218.1	235.0	260.3
Revenue Gth (%)	(2.2)	2.1	4.5	9.0	8.4
EBITDA Gth (%)	(0.3)	(2.3)	4.7	7.7	10.7
Opg Profit Gth (%)	(0.9)	(3.3)	2.7	9.2	11.6
Net Profit Gth (Pre-ex) (%)	0.4	0.3	2.9	7.9	10.1
Gross Margins (%)	29.4	30.0	30.5	31.2	31.7
Opg Profit Margin (%)	12.0	11.4	11.2	11.2	11.5
Net Profit Margin (%)	10.0	9.8	9.6	9.5	9.7
ROAE (%)	30.8	28.3	26.7	26.6	27.0
ROA (%)	17.5	16.5	15.6	15.5	16.1
ROCE (%)	26.5	23.5	21.8	21.9	22.8
Div Payout Ratio (%)	70.2	70.3	70.0	70.0	70.0
Net Interest Cover (x)	0.00	0.00	0.00	0.00	0.00

Source: DBS

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## Balance Sheet (SGD, mn)

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Net Fixed Assets	291.6	283.7	304.5	261.8	211.0
Invt in Associates & JVs	0.00	0.00	0.00	0.00	0.00
Other LT Assets	97.3	101.8	158.3	158.3	158.3
Cash & ST Invt	275.5	324.4	353.4	435.0	549.6
Inventory	101.2	91.8	98.4	99.8	104.3
Debtors	19.5	28.5	20.5	26.5	28.2
Other Current Assets	0.00	0.00	0.00	0.00	0.00
<b>Total Assets</b>	<b>785.1</b>	<b>830.2</b>	<b>935.1</b>	<b>981.4</b>	<b>1,051</b>
ST Debt	0.00	0.00	0.00	0.00	0.00
Creditor	197.5	199.9	230.2	232.1	249.8
Other Current Liab	68.3	64.0	73.8	73.7	77.0
LT Debt	0.00	0.00	0.00	0.00	0.00
Other LT Liabilities	64.1	69.2	92.4	92.4	92.4
Shareholder's Equity	452.2	493.8	535.1	579.6	628.6
Minority Interests	2.93	3.20	3.41	3.41	3.41
<b>Total Cap. &amp; Liab.</b>	<b>785.1</b>	<b>830.2</b>	<b>935.0</b>	<b>981.2</b>	<b>1,051</b>
Non-Cash Wkg. Capital	(145.1)	(143.7)	(185.1)	(179.5)	(194.3)
Net Cash/(Debt)	275.5	324.4	353.4	435.0	549.6
Debtors Turn (avg days)	4.2	6.4	6.3	5.5	5.9
Creditors Turn (avg days)	83.7	80.2	84.0	83.5	80.9
Inventory Turn (avg days)	40.8	39.0	37.1	35.8	34.3
Asset Turnover (x)	1.8	1.7	1.6	1.6	1.7
Current Ratio (x)	1.5	1.7	1.6	1.8	2.1
Quick Ratio (x)	1.1	1.3	1.2	1.5	1.8
Net Debt/Equity (x)	cash	cash	cash	cash	cash
Net Debt/Equity ex MI (x)	(0.6)	(0.7)	NaN	(0.9)	NaN
Capex to Debt (%)	0.00	0.00	0.00	0.00	0.00

Source: DBS

## Cash Flow Statement (SGD, mn)

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Pre-Tax Profit	163.1	163.1	167.9	180.9	199.2
Dep. & Amort.	52.6	53.0	58.5	60.7	65.8
Tax Paid	(21.2)	(34.0)	(29.2)	(32.7)	(32.6)
Assoc. & JV Inc/(loss)	0.00	0.00	0.00	0.00	0.00
Chg in Wkg.Cap.	(25.7)	2.87	31.2	(5.51)	11.5
Other Operating CF	(1.95)	(7.92)	(9.51)	0.00	0.00
<b>Net Operating CF</b>	<b>166.8</b>	<b>177.1</b>	<b>219.0</b>	<b>203.5</b>	<b>243.9</b>
Capital Exp.(net)	(8.65)	(10.1)	(18.0)	(18.0)	(15.0)
Other Invt.(net)	0.00	0.00	0.00	0.00	0.00
Invt in Assoc. & JV	0.00	0.00	0.00	0.00	0.00
Div from Assoc & JV	0.00	0.00	0.00	0.00	0.00
Other Investing CF	3.67	11.2	(36.3)	0.00	0.00
<b>Net Investing CF</b>	<b>(4.97)</b>	<b>1.17</b>	<b>(54.3)</b>	<b>(18.0)</b>	<b>(15.0)</b>
Div Paid	(94.0)	(92.0)	(96.2)	(103.8)	(114.3)
Chg in Gross Debt	(5.00)	0.00	0.00	0.00	0.00
Capital Issues	0.00	0.00	0.00	0.00	0.00
Other Financing CF	(34.5)	(37.4)	(40.7)	0.00	0.00
<b>Net Financing CF</b>	<b>(133.0)</b>	<b>(129.3)</b>	<b>(135.7)</b>	<b>(103.8)</b>	<b>(114.3)</b>
Currency Adjustments	0.50	0.12	1.22	0.00	0.00
Chg in Cash	28.9	48.9	29.0	81.6	114.6
Opg CFPS (S cts)	12.8	11.6	12.5	13.9	15.5
Free CFPS (S cts)	10.5	11.1	13.4	12.3	15.2

Source: DBS

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## Target Price &amp; Ratings History - Sheng Siong Group Ltd (SSG\_SP\_Equity)



Source: DBS

Analyst: Zheng Feng Chee

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**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

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