Sheng Siong Group (SSG SP)

1H26: Strong Expansion Pipeline Supports Top-line Growth

BUY (Maintained)

Share Price	S$3.34
Target Price	S$3.71
Upside	+11.1%
Previous TP	S$3.40

Analyst(s)
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Highlights

- SSG reported 1H26 revenue of S$855m and earnings of S$81m, meeting our 2026F forecasts at 50.7% and 51.3% respectively.
- SSG opened four new stores in 1H26, with three more expected in 3Q26. This comes above the company's annual target of 3-5 new stores.
- Maintain BUY with a 9% higher target price of S$3.71, pegged to 32x 2027F PE or +3SD above its long-term historical mean.

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy%
Revenue	855.4	764.7	11.9
Gross profit	272.4	235.6	15.6
Gross profit margin (%)	31.8	30.8	1ppt
Net profit	81.0	72.3	11.9
Net profit margin (%)	9.5	9.5	-

Source: SSG

Analysis

- **1H26 results in line with expectations.** Sheng Siong Group's (SSG) 1H26 revenue of S$855.4m (+11.9% yoy) and earnings of S$81.0m (+11.9% yoy) are largely in line with expectations, forming 50.7%/51.3% of our full-year forecasts respectively. The strong performance is driven by contributions from 16 new stores, alongside 3.3% same-store sales growth. Gross profit margin grew to 31.8% in 1H26 (1H25: 30.8%), supported by improving sales mix and gradual price increase. Net profit margin came in at 9.5% in 1H26, stable yoy.
- **Healthy expansion pipeline supports long-term growth.** SSG expects to open three new stores in 3Q26 (Hougang, Rivervale Crescent and Woodlands), further strengthening its presence across Singapore. This brings the total confirmed number of new stores in 2026 to seven, above the management target of opening three to five new stores annually. Expansion visibility also remains healthy, with one HDB tender awaiting results and two additional HDB sites expected to be released over the next six to 12 months.
- **SSG declared an interim dividend of 3.75 S cents in 1H26** (+17% yoy; 1H25: 3.20 S cents), representing a payout ratio of 70%, in line with historical levels. This is supported by a robust net cash position of S$4.02m with zero borrowings as at end-1H26, and implies a 2026F yield of around 2.3%.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	1,429	1,570	1,703	1,761	1,819
EBITDA	177	193	216	225	232
Operating profit	160	176	197	206	212
Net profit (rep./act.)	138	149	167	174	180
Net profit (adj.)	138	149	167	174	180
EPS (S$ cent)	9.1	9.9	11.1	11.6	12.0
PE (x)	36.5	33.6	30.2	28.8	27.9
P/B (x)	9.4	8.5	7.9	7.3	6.7
EV/EBITDA (x)	25.6	23.5	21.0	20.2	19.6
Dividend yield (%)	1.9	2.1	2.3	2.4	2.5
Net margin (%)	9.6	9.5	9.8	9.9	9.9
Net debt/(cash) to equity (%)	(66.1)	(74.1)	(75.8)	(77.9)	(79.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	26.7	26.6	27.2	26.2	25.1
Consensus net profit (S$m)	-	-	165	176	181
UOBKH/Consensus (x)	-	-	1.01	0.99	0.99

Source: Sheng Siong, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	SSG SP
Shares issued (m)	1,503.5
Market cap (S$m)	5,021.8
Market cap (US$m)	3,893.2
3-mth avg daily t'over (US$m)	7.7

Price Performance (%)

52-week high/low: S$3.40/S$2.02

1mth	3mth	6mth	1yr	YTD
3.4	10.2	22.8	56.8	27.0

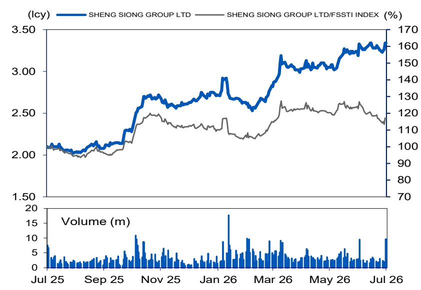
Major Shareholders

Major Shareholders	%
Sheng Siong Hldgs	29.9
Lim Hock Eng	8.0
Lim Hock Leng	6.6

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.42
FY26 Net Cash/ Share (S$)	0.32

Price Chart



Source: Bloomberg

Company Description

Sheng Siong Group is a retailer in Singapore. The company operates a groceries chain across Singapore. Sheng Siong's stores provide fresh and chilled produce, seafood, meat and vegetables, processed, packaged and preserved food products as well as general merchandise such as toiletries and essential household items.

Stock Impact

- **Resilient same-store sales reinforce underlying demand.** Revenue growth was driven by contributions from the 16 new stores (12 in 2025 and four in 1H26). Notably, same-store sales (SSS) increased 3.3% yoy, reflecting resilient consumer demand despite a competitive operating environment. SSG continued to outperform the national retail sales benchmark which saw moderate growth of 5.9% yoy in Apr and +1.1% yoy in May 26 (see graph on right-hand side), reinforcing its strong positioning.
- **Long-term runway remains intact.** While two stores (Serangoon North Avenue and Thomson Imperial Court) may close in 2026 due to lease expiries, the impact is expected to be mitigated by new store openings. More importantly, the S$520m Sungei Kadut Distribution Centre (DC) project is progressing and will support at least 120 supermarkets, providing SSG with a meaningful long-term growth runway beyond current levels. The DC is expected to be completed by 2029 and is expected to bring more operational efficiencies to SSG in the longer term. SSG's strong net cash position also support its expansion strategy.
- **Managing cost pressures.** Administrative expenses rose 14% yoy to S$33.40, driven by a S$3m increase in staff costs from increased headcount, variable bonuses and Progressive Wage Model wage adjustments, as well as higher depreciation from new store leases. Despite these cost pressures, the group maintained a stable NPM of 9.5% through cost discipline and operating leverage.
- **Expanding ecommerce initiatives.** SSG commenced its partnership with Foodpanda in Jun 26 to strengthen its online retail presence, broaden its customer reach, and enhance shopping convenience. While e-commerce currently contributes only a small share of revenue, the partnership provides an additional channel to capture incremental demand and support long-term sales growth.

Valuation/Recommendation

- **Maintain BUY with a 9% higher PE-based target price of S$3.71 (S$3.40 previously),** pegged to 32x 2027F PE (+3SD above its historical mean), up from 31x previously, on a renewed PE band. The higher PE also reflects a stronger earnings visibility, sustained market share gains and improving margin profile.
- We expect momentum in 2H26 top-line growth due to more new store openings, alongside upcoming festivities and CDC vouchers expiration. We also expect stronger gross margins supported by a better sales mix.

Earnings Revision/Risk

- **We raise our 2026-28F earnings forecasts by 6% respectively,** driven by higher gross margin assumptions on better sales mix and house brand penetration, alongside stronger topline growth from more new store openings.

Share Price Catalyst

- Higher-than-expected new store openings and same-store sales growth.
- Margin expansion from sales mix and supply chain efficiencies via new distribution centre.
- Higher dividend payout or special dividend.

Revenue Growth: SSG vs National Benchmark

Source: Sheng Siong Group, Singapore Department of Statistics

Historical PE Chart

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	1,570.0	1,703.5	1,760.6	1,818.6
EBITDA	193.0	216.4	225.2	231.6
Deprec. & amort.	17.2	18.9	19.1	19.2
EBIT	175.8	197.5	206.2	212.4
Total other non-operating income	0.0	(0.0)	(0.0)	(0.0)
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	3.8	4.4	4.9	5.4
Pre-tax profit	179.6	201.8	211.1	217.8
Tax	(30.4)	(35.3)	(36.9)	(38.1)
Minorities	0.3	0.0	0.0	0.0
Net profit	149.5	166.5	174.1	179.7
Net profit (adj.)	149.5	166.5	174.1	179.7

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	307.9	309.9	311.7	313.4
Other LT assets	206.1	206.1	206.1	206.1
Cash/ST investment	435.5	483.4	537.7	594.7
Other current assets	122.2	142.7	147.5	152.4
Total assets	1,071.7	1,142.1	1,203.0	1,266.5
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	343.3	363.7	372.3	382.0
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	137.3	137.3	137.3	137.3
Shareholders' equity	588.0	638.0	690.2	744.1
Minority interest	3.1	3.1	3.1	3.1
Total liabilities & equity	1,071.7	1,142.1	1,203.0	1,266.5

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	236.6	217.5	230.9	238.3
Pre-tax profit	179.6	201.8	211.1	217.8
Tax	(31.4)	(35.3)	(36.9)	(38.1)
Deprec. & amort.	17.2	18.9	19.1	19.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	30.6	(0.1)	3.9	4.8
Non-cash items	(0.0)	0.0	0.0	0.0
Other operating cashflows	40.7	32.2	33.9	34.6
Investing	(12.3)	(11.4)	(10.9)	(10.4)
Capex (growth)	(20.9)	(20.9)	(20.9)	(20.9)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	8.4	9.5	10.0	10.5
Financing	(142.1)	(158.3)	(165.7)	(170.9)
Dividend payments	(96.2)	(116.6)	(121.9)	(125.8)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(45.9)	(41.7)	(43.9)	(45.1)
Net cash inflow (outflow)	82.2	47.9	54.3	57.0
Beginning cash & cash equivalent	353.4	435.5	483.4	537.7
Changes due to forex impact	(0.1)	0.0	0.0	0.0
Ending cash & cash equivalent	435.5	483.4	537.7	594.7

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.3	12.7	12.8	12.7
Pre-tax margin	11.4	11.8	12.0	12.0
Net margin	9.5	9.8	9.9	9.9
ROA	14.9	15.0	14.9	14.6
ROE	26.6	27.2	26.2	25.1
Growth				
Turnover	9.9	8.5	3.4	3.3
EBITDA	8.9	12.1	4.1	2.8
Pre-tax profit	6.9	12.4	4.6	3.2
Net profit	8.7	11.4	4.6	3.2
Net profit (adj.)	8.7	11.4	4.6	3.2
EPS	8.7	11.4	4.6	3.2
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	(74.1)	(75.8)	(77.9)	(79.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.