

SDS Group Berhad (0212)

Growth prospect continue

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BUY ↔

TP: RM 1.06 (35%) ↓

Current Share Price: RM 0.785

Growth

Investment Horizon
12 months

Valuation

Our target price is based on:

FY26F PE of 15x, in line with its indirect peer that serve baked goods to the mass market, we are projecting stronger earnings growth from both wholesales and retail segments

Result Report

Results Review

 SDS's FY25 core net profit of RM33.3m came below expectation at 93% of ours. The negative variance was due to higher expenses from new acquisition of delivery fleet. On a QoQ basis, 4QFY25 revenue decreased by 8% mainly due to fasting period, affecting both wholesale and retail segments equally with an 8% decrease each. Core earnings for the quarter declined by 25% due to a high return rate in new wholesale distribution areas and an unfavorable product mix.

Outlook

 While SDS's fleet expansion and addition one retail outlet in 4QFY25, bringing the total to 42 in FY25, contribute to a positive long-term view, a shift in strategy is underway. We foresee fewer new retail outlets opening due to weak consumer sentiment, prompting management to prioritize internal initiatives like promotional bundles and outlet refurbishments to enhance existing business and attract more customers. This cautious spending environment, coupled with higher market penetration costs, is expected to impact economies of scale and operational efficiency, resulting in a 15%-17% cut to our FY26F-FY27F earnings forecasts, with a new FY28F forecast included. Despite these adjustments, we maintain our BUY call on SDS. Our revised target price is RM1.06 (down from RM1.67), based on an unchanged 15x FY26F PER, reflecting underlying growth in both segments and the new share base post 1-for-3 bonus issue.

Key Assumptions

Revenue growth	Before			After		
	FY2026F	FY2027F	FY2028F	FY2026F	FY2027F	FY2028F
Wholesale revenue growth	13.0%	10.0%	NEW	7.0%	8.0%	9.0%
# of retail outlet	46	49	NEW	44	47	50
Same store sales growth	2.0%	2.0%	NEW	2.0%	2.0%	2.0%
Overall GP margin	34.5%	34.5%	NEW	34.2%	34.2%	34.2%

Results Summary

FYE 31 Mar (RM'mil)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	85.7	90.9	89.5	-1.6	4.3	241.9	263.4	8.9
Gross profit	30.6	32.4	30.5	-5.9	-0.3	82.0	91.8	12.0
EBITDA	18.2	18.5	16.9	-8.4	-6.8	46.4	52.3	12.6
Depreciation	-4.5	-5.1	-5.6	-8.1	-22.4	-13.1	-15.4	-17.8
EBIT	13.6	13.3	11.4	-14.7	-16.5	33.3	36.9	10.6
Pretax Profit	13.4	13.1	11.1	-15.1	-17.0	32.7	36.1	10.5
Taxation	-3.0	-3.2	-2.7	14.6	10.7	-7.8	-8.8	-12.3
Net Profit	10.4	9.9	8.4	-15.2	-18.9	24.9	27.4	10.0
Core Net Profit	10.3	9.8	8.3	-15.5	-19.3	24.6	27.1	9.8
Margin (%)								
GP	35.6	35.6	34.1			33.9	34.9	
EBITDA	21.2	20.3	18.9			19.2	19.8	
Pretax	15.6	14.4	12.4			13.5	13.7	
Net Profit	12.0	10.8	9.3			10.2	10.3	

Financial Exhibits

FYE 31 Mar	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RMm)	324.1	345.7	374.2	404.6	439.2
EBITDA (RMm)	62.0	60.7	67.8	72.5	77.8
Pretax profit (RMm)	43.3	44.3	51.1	55.3	60.1
Net profit (RMm)	32.9	33.7	38.8	42.0	45.7
EPS (sen)	6.0	6.2	7.1	7.7	8.4
PER (x)	13.0	12.7	11.0	10.2	9.4
Core net profit (RMm)	32.6	33.3	38.4	41.6	45.2
Core EPS (sen)	6.0	6.1	7.1	7.6	8.3
Core EPS growth (%)	32.7	2.2	15.4	8.3	8.7
Core PER (x)	13.1	12.8	11.1	10.3	9.4
Net DPS (sen)	1.7	1.5	1.5	1.5	1.5
Dividend Yield (%)	2.1	1.9	1.9	1.9	1.9
ROE (%)	25.5	21.4	20.7	18.9	0.0
P/BV (x)	3.3	2.7	2.3	1.9	1.7



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Equity:

- BUY: Total stock return expected to exceed +15% over 12-month period
- HOLD: Total stock return to be between -15% and +15% over a 12-month period
- SELL: Total stock return expected to below -15% over a 12-month period
- TRADING BUY: Total stock return expected to exceed +10% over 6-month period
- TRADING SELL: Total stock return expected to below -10% over a 6-month period