

SDS Group Berhad (0212)

Soft Sentiment

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BUY ↔

TP: RM0.89 (24%) ↓

Current Share Price: RM0.72

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 1HFY25 core earnings came in below expectations at 38% of our forecast and 42% of consensus. The negative variance was mainly due to higher operational costs and weaker-than-expected consumer sentiment on both retail and wholesale segments. QoQ, 2QFY25 core earnings improved marginally by 4.7%, in tandem with revenue growth driven by a better product mix during the festive season. The group declared first interim dividend of 0.5sen, which is in line with our assumption.

Outlook

 We remain cautiously optimistic on SDS's outlook, as weak consumer sentiment, together with the newly acquired fleets and businesses, continues to weigh on its financial performance. We also observed a slight margin contraction YoY, likely due to higher operational costs following these acquisitions. We expect it will take a longer period for the new revenue streams to meaningfully contribute, likely only from CY26 onwards. In the long term, we remain positive that the two acquisitions alongside the new fleets, new factories, and expanded bakery product range which will benefit SDS by broadening its product variety and strengthening its network. Consequently, we cut our FY26F-FY28F earnings forecasts by 13%–21% to reflect higher operational costs and weaker consumer sentiment. Nevertheless, we maintain our BUY call with a lower target price of RM0.89 (from RM1.06), based on unchanged 15x FY26F PER, reflecting our confidence in the underlying growth across both the manufacturing and retail segments.

Key Assumptions

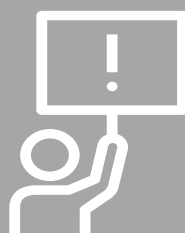
Revenue growth	Before			After		
	FY2026F	FY2027F	FY2028F	FY2026F	FY2027F	FY2028F
Wholesale revenue growth	7.0%	8.0%	9.0%	2.0%	6.0%	6.0%
# of retail outlet	44	47	50	44	47	50
Same store sales growth	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Overall GP margin	34.2%	34.2%	34.2%	33.5%	34.0%	34.2%

Results Summary

FYE 31 Mar (RMmn)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	90.9	84.8	86.5	2.0	-4.9	174.0	171.3	-1.5
Gross profit	32.4	28.1	29.5	4.8	-8.9	61.4	57.6	-6.1
EBITDA	18.5	15.0	16.3	8.7	-11.8	35.3	31.3	-11.4
Depreciation	-5.1	-5.7	-5.8	1.1	12.9	-9.8	-11.6	17.3
EBIT	13.3	9.2	10.5	13.5	-21.4	25.5	19.7	-22.6
Pretax Profit	13.1	9.0	10.2	13.5	-22.0	25.0	19.2	-23.2
Taxation	-3.2	-1.7	-2.6	51.9	17.2	-6.0	-4.4	-27.8
Net Profit	9.9	7.3	7.6	4.4	-23.5	19.0	14.8	-21.7
Core Net Profit	9.8	7.2	7.5	4.7	-23.4	18.8	14.7	-21.6
Margin (%)								
GP	35.6	33.2	34.1			35.3	33.6	
EBITDA	20.3	17.7	18.8			20.3	18.3	
Pretax	14.4	10.6	11.8			14.4	11.2	
Core Net Profit	10.8	8.5	8.7			10.8	8.6	

Financial Exhibits

FYE 31 Mar	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RMmn)	324.1	345.7	360.8	387.4	415.4
EBITDA (RMmn)	62.0	66.4	59.9	68.3	74.6
Pretax profit (RMmn)	43.3	44.3	43.2	51.1	57.0
Net profit (RMmn)	32.9	33.7	32.8	38.8	43.3
EPS (sen)	6.0	6.2	6.0	7.1	8.0
PER (x)	11.9	11.7	12.0	10.1	9.1
Core net profit (RMmn)	32.6	33.3	32.5	38.4	42.9
Core EPS (sen)	6.0	6.1	6.0	7.1	7.9
Core EPS growth (%)	32.7	2.2	(2.4)	18.4	11.5
Core PER (x)	12.0	11.8	12.1	10.2	9.1
Net DPS (sen)	1.7	1.5	1.5	1.5	1.5
Dividend Yield (%)	2.3	2.1	2.1	2.1	2.1
ROE (%)	25.5	21.4	18.1	18.3	0.0
P/BV (x)	3.1	2.5	2.2	1.9	1.6



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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