

SDS Group Berhad (0212)

Growth Baking In

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BUY ↔

TP: RM 1.06 (49%) ↔

Current Share Price: RM 0.71

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 1QFY26 core net profit of RM7.2m deem as within expectation at 19% of ours and 20% of consensus. As a comparison, 1Q accounted for 15%-26% of FY24-FY25 net profit. We expect sequential improvement to continue, underpinned by seasonally stronger demand during upcoming festive and school holiday periods. On a QoQ basis, 1QFY26 revenue rose 3%, driven by broader contributions across both retail and wholesale segments following the fasting period in the prior quarter. Core earnings increased 15% QoQ on the back of better operational efficiency and product mix.

Outlook

 SDS has proposed to acquire factories and related assets for a total consideration of RM28m, funded via a mix of borrowings and internal funds. The deal is intended to broaden its bakery portfolio—particularly swiss rolls, layer cakes, and bear cakes—while adding manufacturing capacity and know-how. We view the acquisition positively as the brand is well established and should provide SDS with an additional revenue stream likely in CY26, stronger brand equity, and cross-selling opportunities across its existing retail network and distribution channels. In the near term, management remains prudent on new retail store openings amid soft consumer sentiment. Instead, SDS will prioritize internal initiatives like promotional bundles and outlet refurbishments to enhance existing business and attract more customers. These efforts, combined with product range expansion, should support a healthier sales mix and margin resilience. We maintain our BUY call on SDS with an unchanged target price of RM1.06, based on 15x FY26F PER, reflecting our confidence in underlying growth across both manufacturing and retail segments.

Key Assumptions

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

Results Summary

FYE 31 Mar (RMm)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)	3MFY25	3MFY26	YoY (%)
Revenue	83.0	82.2	84.8	3.1	2.2	83.0	84.8	2.2
Gross profit	29.0	26.5	28.1	6.3	-2.9	29.0	28.1	-2.9
EBITDA	16.8	14.2	15.0	5.9	-11.0	16.8	15.0	-11.0
Depreciation	-4.7	-5.7	-5.7	-0.7	-22.2	-4.7	-5.7	-22.2
EBIT	12.1	8.4	9.2	9.4	-23.9	12.1	9.2	-23.9
Pretax Profit	11.9	8.2	9.0	9.7	-24.5	11.9	9.0	-24.5
Taxation	-2.9	-1.9	-1.7	8.6	39.6	-2.9	-1.7	39.6
Net Profit	9.0	6.3	7.3	15.2	-19.8	9.0	7.3	-19.8
Core Net Profit	8.9	6.2	7.2	15.3	-19.6	8.9	7.2	-19.6
Margin (%)								
GP	34.9	32.2	33.2			34.9	33.2	
EBITDA	20.3	17.2	17.7			20.3	17.7	
Pretax	14.3	10.0	10.6			14.3	10.6	
Core Net Profit	10.8	7.6	8.5			10.8	8.5	

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	66.4	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)	11.8	11.5	10.0	9.2	8.5
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)	11.9	11.6	10.1	9.3	8.5
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	20.7	18.9	0.0
P/BV (x)	3.0	2.5	2.1	1.8	1.5



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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