

SDS Group Berhad (0212)

2QFY25 within expectation

By Tan Jia Hui / jiahui@tradeviewcapital.my

BUY ↔

TP: RM 1.67 (44%) ↔

Current Share Price: RM 1.16

Result Report

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

Results Review

 SDS's 1HFY25 core net profit of RM18.8mil came within expectation at 46% of ours. On a QoQ basis, 2QFY25 core net profit improved by 4% due to better sales from both wholesale and retail segments. SDS has expanded its fleets to cover Klang Valley and east coast region in 2QFY25 and thus wholesales segment revenue increased by 11% QoQ. Meanwhile, its retail segment also rose by 7% due to the sales of mid-autumn festive products as compared to lower revenue on a fasting month in 1QFY25.

Outlook

 We maintain positive on SDS as they continue to expand their fleets and retail outlets. We understand there are new launches of 3 retail outlets across Klang Valley and Johor, to 40 retail outlets as of 2QFY25. The new location successfully draws higher foot traffic and increased brand awareness. Besides that, its wholesale segment will grow as its fleet expands to new regions. We expect a better quarter ahead as the festive season and school holiday will draw higher footfall. We maintain our forecast and TP of RM1.67 based on an unchanged 15x FY26F PER to reflect the continuous growth in both segments.

Peer Comparison

Name	Last price	Market Cap	FYE	Earnings Growth			PE		Div. Yield	ROE
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.
HUP SENG INDUSTRIES BHD	1.17	936.0	12/2024	17.0	10.3	17.3	17.7	16.0	3.6	33.8
POWER ROOT BHD	1.41	609.1	03/2025	-2.4	13.6	20.7	16.2	14.0	4.4	9.5
Simple Avg				7.3	12.0	19.0	17.0	15.0	4.0	21.7
SDS GROUP BHD	1.16	462.9	03/2025	23.6	12.9	12.9	11.8	10.4	3.7	28.8

As 22 November 2024

Results Summary

FYE 31 Mar	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	84.8	83.0	90.9	9.5	7.2	156.1	174.0	11.4
Gross profit	29.7	29.0	32.4	11.7	9.0	51.4	61.4	19.3
EBITDA	17.0	16.8	18.5	9.8	8.9	28.2	35.3	25.1
Depreciation	-4.3	-4.7	-5.1	-9.4	-20.4	-8.5	-9.8	-15.3
EBIT	12.7	12.1	13.3	9.9	5.0	19.7	25.5	29.4
Pretax Profit	12.5	11.9	13.1	9.8	4.6	19.3	25.0	29.7
Taxation	-3.0	-2.9	-3.2	-10.9	-5.8	-4.8	-6.0	-26.9
Net Profit	9.5	9.0	9.9	9.5	4.2	14.5	19.0	30.6
Core Net Profit	9.4	8.9	9.8	9.8	4.3	14.4	18.8	30.6
Margin (%)								
GP	35.0	34.9	35.6			32.9	35.3	
EBITDA	20.0	20.3	20.3			18.1	20.3	
Pretax	14.7	14.3	14.4			12.3	14.4	
Net Profit	11.1	10.8	10.8			9.2	10.8	

Financial Exhibits

FYE 31 Mar	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Revenue (RMm)	283.7	324.1	355.6	393.2	433.6
EBITDA (RMm)	48.9	62.0	72.5	80.1	87.8
Pretax profit (RMm)	32.8	43.3	53.6	60.5	67.6
Net profit (RMm)	24.8	32.9	40.7	46.0	51.4
EPS (sen)	6.1	8.0	9.9	11.2	12.5
PER (x)	19.1	14.4	11.7	10.3	9.2
Core net profit (RMm)	24.5	32.6	40.3	45.5	50.9
Core EPS (sen)	6.0	7.9	9.8	11.1	12.4
Core EPS growth (%)	131.0	32.7	23.9	12.8	11.8
Core PER (x)	19.4	14.6	11.8	10.4	9.3
Net DPS (sen)	1.3	1.7	2.1	2.3	2.5
Dividend Yield (%)	1.1	1.4	1.8	2.0	2.1
ROE (%)	23.7	25.5	25.2	23.2	21.4
P/BV (x)	4.6	3.7	3.0	2.4	2.0

Key Assumptions

Revenue growth	Before			After		
	FY2025E	FY2026E	FY2027E	FY2025E	FY2026E	FY2027E
Wholesale revenue growth	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
# of retail outlet	43	46	49	43	46	49
Same store sales growth	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Overall GP margin	34.5%	34.5%	34.4%	34.5%	34.5%	34.4%



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