SDS Group Berhad (0212)

Kneading Time

Bloomberg Ticker: SDS MK | Investment Horizon: 12 Months

Recommendation

We maintained our HOLD call with a lower target price of RM0.50 (from RM0.64), based on unchanged FY27F PER of 10x, which in line with its 5-year mean, reflecting the gestation period required for new businesses to contribute meaningfully, alongside soft consumer sentiment.

Results Review

SDS's FY26 core earnings of RM26.9m came in below our expectations, accounting for 92% of our forecast and 100% of consensus estimates. The negative variance was primarily attributable to higher operating costs and weaker-than-expected consumer sentiment across both the retail and wholesale segments.

On a YoY basis, FY26 revenue declined marginally by 3%, dragged by softer sales in the retail (−5% YoY) and wholesale (−2% YoY) segments. Core earnings fell 19.4% YoY due to an unfavourable product mix and elevated operating costs, resulting in a 3.4ppt contraction in EBITDA margin to 15.8%.

On a QoQ basis, 4QFY26 core earnings declined 31% QoQ, dragged by weaker retail (−10% QoQ) and wholesale sales (−7% QoQ), an unfavourable product mix, and seasonal softness during the fasting month notwithstanding the benefit of two festive seasons in the quarter. Gross margin contracted 1.7ppt QoQ to 31.9%.

Outlook

We maintain a cautious stance on SDS, as near-term earnings are likely to remain under pressure amid subdued consumer sentiment and integration costs stemming from recent acquisitions. Accordingly, we have revised down our FY26F–FY27F assumptions to reflect a longer gestation period for new products to gain market traction. The Group targets the commencement of operations for its new venture, London Bakery, in CY26, which is expected to provide incremental revenue contribution and leverage SDS's established brand presence and in-house distribution network.

Consumer sentiment remains soft. We understand that government cash handouts (CDC vouchers) in Singapore may temporarily support their domestic spending, potentially diverting Singaporean cross-border traffic away from Malaysia and resulting in softer revenue contribution for SDS. In response, the Group is expanding its product range across both the retail and wholesale segments to drive footfall and broaden product appeal.

Nevertheless, we believe the strategic acquisitions, expanded fleet capacity, new production facilities, and broader product offerings will strengthen the Group's scale and distribution efficiency over the medium to long term. These initiatives should enhance product diversity, reinforce SDS's competitive positioning, and support more sustainable earnings growth once the integration phase stabilises.

Forecast

We cut our FY27F-FY28F earnings forecasts by 19%-22% to reflect elevated operational costs and weaker consumer sentiment. And we introduce FY29F numbers.

Investment Risk to our Call

(i) Increase in raw material cost, (ii) Low entry barriers for bread and bakery products, (iii) Low penetration of markets, and (iv) slower-than-expected contribution from new acquisitions.

HOLD ↔

Target Price: RM0.50 (+14%) ↓

Current Share Price: RM0.44

Main Market
Consumer Products & Services

Tan Jia Hui
Research Analyst
jiahui@tradeviewcapital.my

Company Overview

SDS Group Berhad specializes in the manufacturing and distribution of bakery products through its retail and wholesale channels.

Stock Information

Market Cap (RM'mn)	237.7
Issued Shares (mn)	540.3
52W High (RM)	0.85
52W Low (RM)	0.41
Estimated Free Float (%)	21.8
Beta vs FBM KLCI	0.9
3-month Average Vol. (mn)	0.5
Shariah Compliant	Yes

Consensus	FY26A	FY27F	FY28F
EPS (sen)	4.9	6.8	7.5
TP (RM)	High	Mean	Low
	0.81	0.80	0.64
Ratings	Buy	Hold	Sell
	2	1	0

Category	Score	Materiality	Weighted Score
Environmental	29	45%	2.8
Social	28	25%	1.4
Governance	28	30%	1.7
Total	85	100%	5.9

Results Summary

FYE 31 Mar (RMm)	4QFY25	3QFY26	4QFY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)
Revenue	82.2	85.5	78.4	*-8.2*	*-4.6*	345.7	335.2	*-3.0*
Gross profit	26.5	28.8	25.1	*-12.9*	*-5.4*	118.3	111.5	*-5.8*
EBITDA	14.2	15.8	12.1	*-23.3*	*-14.5*	66.4	59.2	*-10.9*
Depreciation	-5.7	-6.0	-6.0	*1.2*	*5.6*	-21.1	-23.5	*11.5*
EBIT	8.4	9.8	6.1	*-38.2*	*-28.1*	45.3	35.6	*-21.4*
Pretax Profit	8.2	9.5	5.8	*-39.3*	*-29.5*	44.3	34.5	*-22.1*
Taxation	-1.9	-2.3	-0.8	*-64.0*	*-56.5*	-10.6	-7.5	*-29.9*
Net Profit	6.3	7.2	5.0	*-31.5*	*-21.4*	33.7	27.0	*-19.7*
MI	-0.1	-0.1	0.0	*62.9*	*67.1*	-0.4	-0.2	*42.7*
Core Net Profit	6.2	7.2	4.9	*-31.3*	*-20.8*	33.3	26.8	*-19.4*
Margin (%)								
GP	32.2	33.7	31.9			34.2	33.3	
EBITDA	17.2	18.5	15.4			19.2	17.6	
Pretax	10.0	11.1	7.4			12.8	10.3	
Core Net Profit	7.6	8.4	6.3			9.6	8.0	

Key Assumption

Revenue Growth	Actual		Before			After		
	FY25	FY26	FY27F	FY28F	FY29F	FY26F	FY27F	FY28F
Wholesale	4%	2%	6%	6%	NEW	2%	2%	2%
Retail	11%	-12%	7%	7%	NEW	2%	2%	2%
Number of stores	42	38	45	48	NEW	41	44	46

Key Financial Metrics

FYE 31 Mar	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RM'mn)	345.7	335.2	340.3	345.5	362.6
EBITDA (RM'mn)	66.4	59.2	54.2	59.8	61.7
Pretax profit (RM'mn)	44.3	34.5	36.4	41.6	43.8
Net profit (RM'mn)	33.7	27.1	27.6	31.6	33.3
EPS (sen)	6.2	5.0	5.1	5.8	6.1
PER (x)	7.1	8.9	8.7	7.6	7.2
Core net profit (RM'mn)	33.3	26.9	27.4	31.3	33.0
Core EPS (sen)	6.1	4.9	5.0	5.7	6.1
Core EPS growth (%)	2.2	(19.3)	1.8	14.4	5.3
Core PER (x)	7.2	8.9	8.8	7.7	7.3
Net DPS (sen)	1.5	1.5	1.5	1.5	1.5
Dividend Yield (%)	3.4	3.4	3.4	3.4	3.4
ROE (%)	21.4	15.5	14.2	14.4	13.6
P/BV (x)	1.5	1.4	1.2	1.1	1.0

Financial Exhibits

Income Statement

FYE 31 Mar (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	345.7	335.2	340.3	345.5	362.6
Operating expenses	(279.3)	(276.0)	(286.1)	(285.7)	(300.9)
EBITDA	**66.4**	**59.2**	**54.2**	**59.8**	**61.7**
Depreciation	(21.1)	(23.5)	(17.2)	(17.5)	(17.2)
EBIT	**45.3**	**35.7**	**37.0**	**42.3**	**44.5**
Net int income/(expense)	(1.0)	(1.1)	(0.7)	(0.7)	(0.7)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	1.0
Associates' contribution	0.0	0.0	0.0	0.0	1.0
Pretax profit	**44.3**	**34.5**	**36.4**	**41.6**	**43.8**
Tax	(10.6)	(7.5)	(8.7)	(10.0)	(10.5)
Minority interest	0.4	0.2	0.3	0.3	0.3
Net profit	**33.7**	**27.1**	**27.6**	**31.6**	**33.3**
Core PATAMI	**33.3**	**26.9**	**27.4**	**31.3**	**33.0**

Balance Sheet Statement

FYE 31 Mar (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Fixed assets	133.3	143.0	145.9	143.4	141.2
Other long term assets	17.7	36.9	30.1	31.2	32.2
Total non-current assets	**151.0**	**180.0**	**176.0**	**174.5**	**173.3**
Cash and equivalents	44.6	27.6	57.3	83.2	104.0
Inventories	10.2	8.1	8.7	8.8	-
Receivables	19.2	29.9	17.7	18.0	-
Other current assets	3.5	3.2	3.2	3.2	3.2
Total current assets	**77.5**	**68.8**	**86.9**	**113.3**	**107.2**
Payables	38.4	34.6	32.9	33.4	-
Short term borrowings	0.4	0.3	0.3	0.3	0.3
Other current liabilities	8.4	9.7	-	-	-
Total current liabilities	**47.3**	**44.6**	**33.2**	**33.7**	**0.3**
Long term borrowings	3.1	3.0	3.0	3.0	3.0
Other long term liabilities	22.0	26.2	33.2	34.2	35.2
Total long term liab.	**25.2**	**29.2**	**36.2**	**37.2**	**38.2**
Shareholders' Funds	**155.2**	**173.8**	**193.2**	**216.6**	**241.8**
Minority Interest	**0.9**	**1.1**	**0.3**	**0.3**	**0.3**

Cash Flow Statement

FYE 31 Mar (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Pretax Profit	44.3	34.5	36.4	41.6	43.8
Depreciation & amortisation	21.1	23.6	17.2	17.5	17.2
Working capital changes	1.2	(1.4)	9.8	0.1	(6.6)
Cash tax paid	(8.1)	(8.2)	(8.7)	(10.0)	(10.5)
Others	(0.5)	0.1	0.0	0.0	0.0
C/F from operation	**58.0**	**48.7**	**54.6**	**49.2**	**43.9**
Capex	(25.7)	(36.6)	(20.0)	(15.0)	(15.0)
Others	(0.1)	(12.2)	0.0	0.0	0.0
C/F from investing	**(25.7)**	**(48.8)**	**(20.0)**	**(15.0)**	**(15.0)**
Debt raised/(repaid)	(6.7)	(8.5)	0.0	0.0	0.0
Dividends paid	(6.1)	(5.4)	(8.2)	(8.2)	(8.2)
Others	(1.0)	(2.7)	0.0	0.0	0.0
C/F from financing	**(13.9)**	**(16.6)**	**(8.2)**	**(8.2)**	**(8.2)**
Net change in cash flow	**18.3**	**(16.7)**	**26.4**	**26.0**	**20.8**
Free Cash Flow	**32.3**	**12.1**	**34.6**	**34.2**	**28.9**

DISCLOSURE AND DISCLAIMER

This report is prepared and issued by Tradeview Capital Sdn Bhd ("Tradeview") for general circulation only and shall not be construed or considered as an offer, recommendation, invitation and/or solicitation to purchase, subscribe to or sell any securities of the subject company mentioned in this report.

The information contained herein are based on data and sources believed to be reliable at the time of issuance and are subject to change without further notice. Readers are encouraged to evaluate any specific investment or strategy based on individual circumstances, risk profile, investment objectives and/or to seek legal, tax, financial and/or other advice prior to executing any transaction.

Tradeview does not make any representations and/or guarantee to the accuracy and completeness of the information and opinion contained herein and accepts no liability for any direct or consequential loss arising from the reliance of this report. Tradeview and its affiliates, directors, shareholders, employees and/or agents may have positions in the subject company covered in this report and may, from time to time, buy or sell securities of the subject company. This report can be found on https://www.tradeviewcapital.my/research-depository/

This report has been prepared by Tradeview pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report. This report can be found on : https://my.bursamalaysia.com/market/market-updates/bursa-digital-research

Tradeview Research Investment Rating System

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

IPO Note:
SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period
NEUTRAL: Total stock return expected to below +15% over 12-month period