

Company & Business Overview

Sheng Siong Group Ltd (“Sheng Siong”) is a Singapore-based supermarket operator focused on mass-market grocery retail, with a network of heartland stores targeting value-conscious consumers. The business generates stable, recurring cash flows underpinned by essentials-based spending, disciplined cost control and a conservative balance sheet.

This analysis values Sheng Siong using a 5-year unlevered free cash flow (FCF) DCF, built off a fully linked 3-statement model for FY2022–2024 and management’s historical disclosures in the audited annual reports.

Modelling Framework

- Historical financials: FY2022–2024 from group annual reports.
- Forecast horizon: FY2025–2029 (5 years).
- Valuation currency: S\$, modelled in S\$'000, presented here in S\$ millions.
- FCF definition:
 - NOPAT (EBIT after cash taxes)
 - + Depreciation & Amortization
 - (-) Capital Expenditure
 - (-) Change in operating NWC (Net working capital)

The model is built on a top-down operating approach, with revenue, margins, working capital and capex all driven by explicit assumptions calibrated to history.

Historical Performance Snapshot (All figures in S\$ millions)

Revenue

- 2022: **1,339.5**
- 2023: **1,367.7**
- 2024: **1,428.7**

Operating Profit (EBIT)

- 2022: **162.2 (12.1% margin)**
- 2023: **155.4 (11.4% margin)**
- 2024: **159.7 (11.2% margin)**

Depreciation & Amortization (PP&E + Right-of-use Assets)

- 2022: **52.6**
- 2023: **53.0**

- 2024: **58.5**

Sheng Siong shows low-single-digit revenue growth and stable low-teens EBIT margins, with moderate reinvestment and strong cash conversion.

Key Forecast Assumptions (Base Case)

Revenue Growth

- 2023: **+2.1%**
- 2024: **+4.5%**
- 2025-2029: **+3.3% p.a**

EBIT margin

- Historical range: **11.2–12.1%**
- Forecast: held at **~11.5%** from 2025 onwards.
- EBIT rises from **S\$159.7m (2024)** to **S\$193.9m (2029)**.

Depreciation & Amortisation

- Historical: **~3.9–4.1% of revenue**.
- Forecast: **~4.0% of revenue**, increasing from **S\$58.5m (2024)** to **S\$66.6m (2029)**.

Capital Expenditures

- Historical: S\$8.8m (2022), S\$10.2m (2023), S\$18.2m (2024).
- Forecast: **~S\$11–12m p.a.** (2025–2029), equivalent to **~0.8% of revenue and ~4% of beginning PPE**, reflecting maintenance capex and modest new store openings.

Tax Rate

- Effective tax (2022–2024) **~18–19% of PBT**.
- Forecast: operating tax rate on EBIT held at **~18–19%**, consistent with historical cash tax.

Working Capital

Operating net working capital (NWC) is driven by days metrics anchored to history:

- Days sales outstanding (DSO): **~5–7 days**
- Days inventory outstanding (DIO): **~24–28 days**
- Days payables outstanding (DPO): **~76–85 days**

Result: NWC remains broadly proportional to revenue with modest annual increases. NWC grows from **S\$168.0m** (2024) to **S\$196.1m** (2029), implying small annual working-capital outflows

Unlevered Free Cash Flow Profile

Using the assumptions above, base-case unlevered free cash flow (UFCF) develops as follows (S\$ millions):

- 2022: **176.5**
- 2023: **118.8**
- 2024: **182.2**
- 2025: **180.7**
- 2026: **188.0**
- 2027: **190.9**
- 2028: **201.8**
- 2029: **204.9**

These FCFs reflect:

- Stable NOPAT in the **S\$133–158m** range over the forecast;
- Non-cash D&A add-backs;
- Modest capex;
- Mild working-capital investment in line with revenue growth.

WACC and Terminal Value Assumptions

Capital structure (FY2024)

- **Cash & cash equivalents:** S\$353.4m
- **Lease liabilities (treated as debt):** S\$125.6m
- **Total equity:** S\$538.3m

Using FY2024 balances:

- **Debt (D):** S\$125.6m
- **Equity (E):** S\$538.3m

- **D / (D+E):** ~19%
- **E / (D+E):** ~81%

Cost of debt

- 2024 finance expenses: **S\$4.5m**
- Average lease debt (2023–2024): **~S\$113.5m**
- Pre-tax cost of debt ($K_e d$): **~3.9%**
- Effective tax rate (from FS): **~18.1%**
- After-tax cost of debt: **~3.2%**

Cost of equity (CAPM)

- Risk-free rate: **3.5%** (approx. SG 10-year govt yield)
- Market risk premium: **5.5%**
- Levered beta: **0.7** (defensive grocery retailer, low leverage)

$$\text{Cost of equity } (K_e) = 3.5\% + 0.7 \times 5.5\% \approx 7.35\%$$

Weighted Average Cost of Capital

Using the above:

- **WACC ≈ 6.6%**

Terminal value

- Long-term terminal growth rate $g = 2.0\%$, intended to approximate long-run nominal GDP / inflation in Singapore and consistent with a mature, low-growth retailer.
- Terminal value calculated on 2029 UFCF, capitalised by:

$$TV_{2029} = \frac{FCF_{2029} \times (1 + g)}{WACC - g}$$

Valuation Output

Present value of forecast FCF (2025–2029):

- Sum of PV of FCF: **~S\$798m**

Present value of terminal value:

- PV of terminal value: ~S\$3,329m

Enterprise value (EV):

- EV = PV of FCF + PV of TV = ~S\$4,127m

Bridge to equity value (FY2024):

- Enterprise value: S\$4,126.9m
- + Cash & cash equivalents: S\$353.4m
 - Lease debt: S\$125.6m
 - Non-controlling interests: S\$3.4m
- **Equity value: ~S\$4,351m**

Implied equity value per share:

- Diluted shares outstanding: ~1,504m shares
- **Implied value per share: ~S\$2.9**

Sensitivities & Interpretation

A standard WACC / terminal growth sensitivity suggests:

- **Higher WACC or lower g → lower equity value**
- **Lower WACC or higher g → higher equity value**

Across a reasonable range of **WACC 6.0–7.5%** and **g 1.5–2.5%**, the implied value per share moves within an approximate band of **S\$2.5–3.3**.

Given Sheng Siong's:

- defensive business model,
- net cash balance sheet, and
- stable margins,

a base-case DCF implying **~S\$2.9 per share** under a **6.6% WACC** and **2.0% terminal growth** appears broadly reasonable.

Discounted Cash Flow Valuation

Sheng Shiong Group Ltd (SGX:OV8)



Unlevered Free Cash Flow (mm)	2022	2023	2024	2025	2026	2027	2028	2029
Fiscal Year								
Revenue	1,339,464	1,367,719	1,428,716	1,475,644	1,524,112	1,574,173	1,625,878	1,679,282
COGS	(945,966)	(957,187)	(993,243)	(1,033,575)	(1,067,523)	(1,102,587)	(1,138,803)	(1,176,208)
Gross Profit	393,498	410,532	435,473	442,069	456,589	471,586	487,076	503,074
Selling, General, Administrative	(248,619)	(271,035)	(294,995)	(290,334)	(299,870)	(309,720)	(319,893)	(330,400)
Total Operating Expenses	248,619	271,035	294,995	290,334	299,870	309,720	319,893	330,400
EBITDA	214,738	208,430	218,137	228,916	236,435	244,201	252,222	260,507
Depreciation & Amortization	52,553	53,016	58,456	58,490	60,412	62,396	64,445	66,562
Operating Profit (EBIT)	162,185	155,414	159,681	170,426	176,024	181,805	187,777	193,944
Operating Taxes	29,440	29,124	30,429	31,783	32,827	33,905	35,019	36,169
NOPAT (Net Operating Profit After Taxes)	132,745	126,290	129,252	138,643	143,196	147,900	152,758	157,775
(+) Depreciation & Amortization	52,553	53,016	58,456	58,490	60,412	62,396	64,445	66,562
(-) Capital Expenditures	8,795	10,158	18,191	12,181	11,908	11,649	11,394	11,143
(-) Change in NWC	--	50,332	(12,714)	4,281	3,736	7,770	3,985	8,288
NWC	130,417	180,749	168,035	172,316	176,052	183,822	187,807	196,095
Current Assets	396,221	444,738	472,290	468,046	483,419	499,298	515,698	532,636
Current Liabilities	265,804	263,989	304,255	295,730	307,368	315,476	327,891	336,541
Unlevered Free Cash Flow	176,503	118,816	182,231	180,671	187,964	190,877	201,824	204,906

Historical and projected operating performance & free cash flow

Weighted Average Cost of Capital (WACC)
Equity (mm)
Debt (mm)
Cost of Debt
Tax Rate
D/(D+E)
After Tax Cost of Debt
Risk Free Rate
Expected Market Return
Market Risk Premium
Levered Beta
E/(D+E)
Cost of Equity
WACC

Capital structure and WACC assumptions

Unlevered Free Cash Flow (mm)	2022	2023	2024	2025	2026	2027	2028	2029
Fiscal Year								
Unlevered Free Cash Flow	176,503	118,816	182,231	180,671	187,964	190,877	201,824	204,906
Projection Year				1	2	3	4	5
Present Value of Free Cash Flow				169,535	165,508	157,714	156,481	149,078

Implied Share Price Calculation
Sum of PV of FCF
798,316
Growth Rate
2%
WACC
6.6%
Terminal Value
4,575,091
PV of Terminal Value
3,328,582
Enterprise Value
4,126,898
(+) Cash
353,363
(-) Debt
125,617
(-) Minority Interest
3,414
Equity Value
4,351,230
Diluted Shares Outstanding (mm)
1,504,000
Implied Share Price
2.89

Sensitivity Table					
	Growth Rate				
WACC	2.89	1.00%	1.50%	2.00%	2.50%
	5.57%	2.99	3.29	3.67	4.17
	6.07%	2.71	2.94	3.23	3.60
	6.57%	2.48	2.66	2.89	3.18
	7.07%	2.28	2.44	2.62	2.85
	7.57%	2.12	2.25	2.40	2.58

Valuation summary & equity value bridge along with sensitivity to WACC and terminal growth

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