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Sheng Siong Group's net profit grew 25.3% yoy to $19.6 million for 3Q2017

- Revenue increased 4.2% yoy to $210.9 million in 3Q2017 mainly contributed by new stores
- Gross profit margin remained stable at 25.8% in 3Q2017
- Tax refunds of $2.2 million
- Focus on store expansion plans where the Group does not have a presence

Singapore, 26 October 2017 – Sheng Siong Group Ltd. ("Sheng Siong", together with its subsidiaries, the "Group" or "昇菘集团"), one of the largest supermarket chains in Singapore, reported a 25.3% year-on-year ("yoy") increase in net profit to $19.6 million for the 3 months ended 30 September 2017 ("3Q2017"), mainly because of higher revenue, tax refunds and lower operating expenses which was partially offset by lower other income. Excluding the tax refunds amounting to $2.2 million, the improvement in net profits for 3Q2017 was 11.5%.

Financial Highlights ($ 'million)	3 months ended 30 Sep 2017 (3Q2017)	3 months ended 30 Sep 2016 (3Q2016)	Change	9 months ended 30 Sep 2017 (9M2017)	9 months ended 30 Sep 2016 (9M2016)	Change
Revenue	210.9	202.4	4.2%	629.6	599.7	5.0%
Gross profit	54.5	52.5	3.8%	162.3	152.8	6.2%
Gross profit margin	*25.8%*	*25.9%*	*(0.1p.p)*	*25.8%*	*25.5%*	*0.3p.p*
Other Income	2.0	2.2	(8.4%)	6.4	8.2	(22.3%)
Net profit	19.6	15.7	25.3%	52.9	47.3	11.8%
Net profit margin*	*8.3%*	*7.7%*	*0.6p.p*	*8.1%*	*7.9%*	*0.2p.p*
EPS (cents)	1.31	1.04	26.0%	3.52	3.14	12.1%
EPS (cents)*	1.16	1.04	11.5%	3.37	3.14	7.3%

p.p denotes percentage points
**Excludes tax refunds of $2.2 million*

Consumer's sentiment is still cautious and sales at supermarkets remained flattish for the greater part of 9M2017 as reported in the retail sales numbers published by the Department of Statistics, Singapore. Coupled with keener competition, revenue grew by 4.2% yoy in 3Q2017 of which 3.9% and 1.7% were contributed by the new stores and comparable same store sales respectively, but was offset by the Loyang Point and The Verge Stores. These two stores were not included in computing comparable same store sales as they were not fully operational either during the period under review or in the corresponding prior period. Revenue at the Woodlands store, which will be closed in November 2017 continued to decline, as residents moved out from the affected blocks in the vicinity. Excluding the Woodlands store, comparable same store sales would have grown by 2.7% instead of 1.7%.

Gross margin remained stable at 25.8% in 3Q2017 as compared with 25.9% in 3Q2016. Consistent with trend, 3Q2017 margin was lower than 2Q2017 because of festive sales during the Chinese seventh month. Gross margin for the 9M2017 was higher than 9M2016 because of efficiency gains derived from the central distribution centre and higher rebates from suppliers in the first half of FY2017.

Administrative expenses decreased by $0.2 million in 3Q2017 compared with 3Q2016, mainly attributable to lower staff cost and rent saved arising from the closure of the store at The Verge towards the end of June 2017, but was partially offset by higher depreciation charges of $0.2 million.

Cash generated from operating activities before working capital changes and payment of tax increased to $24.8 million and $72.7 million in 3Q2017 and 9M2017 respectively, mainly because of the higher level of business activities. Free cash flow of $52.4 million was generated in 9M2017, after paying for capital expenditures amounting to $8.1 million consisting mainly of property, plant and equipment needed to improve productivity in the stores and the central distribution centre as well as fitting cost for the stores at Loyang Point, Tampines Block 506 and Fajar Block 446.

Business Outlook

Competition in the supermarket industry is expected to remain keen, particularly with the influx of large online retailers.

Weather conditions or other disruptions in the supply chain may affect supplies and may drive up the Group’s input costs.

The Group has successfully bid for three new HDB shops at Woodlands Street 12 (11,800 sq.ft), Edgedale Plains Block 660A in Punggol (3,100 sq. ft) and Anchorvale Crescent Block 338 in Sengkang (5,100 sq.ft). Subject to the execution of tenancy agreements with HDB, these three new stores should be operational in 4Q2017.

The Group is still looking for suitable retail space particularly in areas where the Group does not have a presence. However, competition for retail space, particularly for new HDB shops is expected to remain keen but rational, judging by the prices at the recent biddings.

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The store at Woodlands, with an area of 41,500 sq. ft will be permanently closed in November 2017 as the HDB is re-developing the area. The revenue contribution of this store for 9M2017 was 4.5%.

The fitting out of the new store in Kunming China is now completed and subject to regulatory approvals, the supermarket should commence operation before the end of FY2017.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We have successfully opened a new store of 4,000 sq feet in Fajar 446 this quarter, expanding the Group's total retail square footage to 431,000 sq feet. Our store expansion plans are on track as we have successfully bid for three new HDB shops at Woodlands Street 12, Edgedale Plains Block 660A and Anchorvale Crescent Block 338.***

Moving ahead, we will remain focused on our store expansion plans in Singapore, particularly in areas where our potential customers are residing. Concurrently, we will continue to drive growth of our new and existing stores. Besides this, we remain committed to improve cost efficiencies through lowering input costs and operating overheads. Such initiatives include increasing direct purchasing, bulk handling, changing the sales mix to a higher proportion of fresh produce and reducing operating expenses by improving productivity."

- End –

About Sheng Siong Group Ltd.

Sheng Siong Group Ltd. is one of the largest supermarket chains in Singapore. Principally engaged in operating the Sheng Siong Groceries Chain, consisting of 43 outlets all across the island, the Group's outlets are primarily located in retail locations in the heartlands of Singapore. The outlets are designed to provide its customers with both "wet and dry" shopping options, including a wide assortment of live, fresh and chilled produce, such as seafood, meat and vegetables, in addition to processed, packaged and/or preserved food products as well as general merchandise such as toiletries and essential household products.

Sheng Siong has developed a selection of housebrands to offer customers quality alternatives to national brands at substantial savings. Sheng Siong offers over 400 products under its 10 housebrands, ranging from food products to paper goods.

For more information, please refer to: http://www.shengsiong.com.sg

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