

## SSF Home Group Berhad

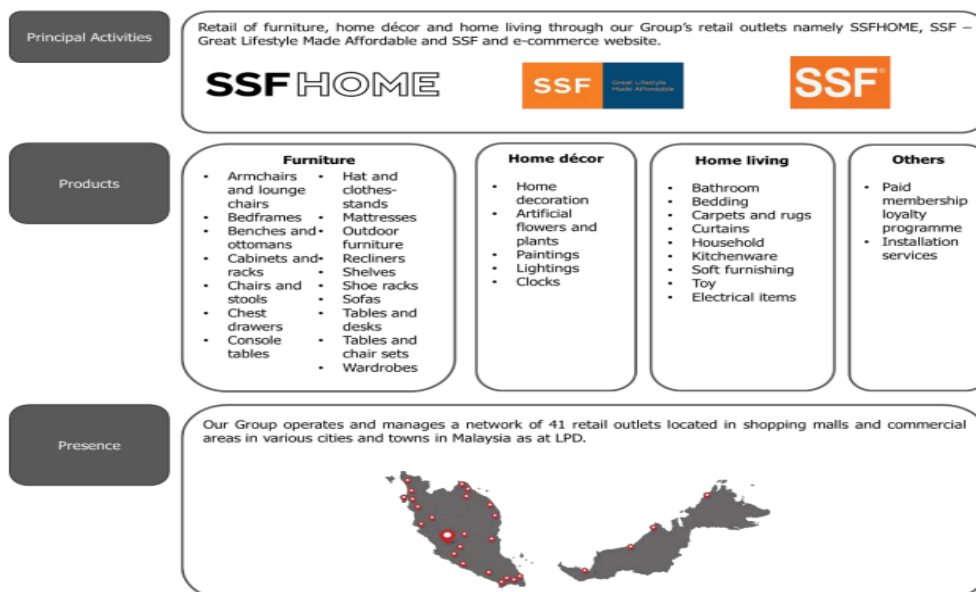
### SSF - Sleek Stylish Furniture

- SSF is involved in the retail of furniture, home décor and home living products. SSF has 41 outlets as of FY23 in shopping malls and commercial areas in various cities in Malaysia.
- SSF plans to expand 18 additional outlets by 2026, which should provide them with a decent boost in top line and bottom line going forward.
- At the IPO offer price of RM0.25, SSF is trading at 12.5x based on FY23 core net EPS of 2.1 sen. Meanwhile, SSF's forward P/E valuation for FY24-25f is estimated at 11.5x and 10.9x, respectively.
- We arrived at our fair value of RM0.335 (34.1% potential upside from its IPO price) by ascribing a target P/E of 15.0x to our forecasted mid-FY24f EPS of 2.23 sen. The ascribed P/E is a discount of 32% to the Consumer Discretionary Distribution & Retail industry of P/E of 22.1x given its smaller market cap position.

### Company Background

- Established in 1989, SSF Home Group Berhad (SSF) is principally involved in the retail of furniture, home décor and home living products via its 41 retail outlets chain in shopping malls and commercial areas in various cities in Malaysia, as well as on their e-commerce website. SSF offers a comprehensive range of furniture, home décor and home living products for use in various applications and settings.
- Currently, SSF has 28 supply partners enabling SSF to offer a broad range of products to appeal to the mass market and there are more than 89,000 active members in SSF's loyalty programme.

Fig #1 SSF Business Overview



Source: Company prospectus

- The 41 retail stores are under the brand names of "SSFHOME", "SSF-Great Lifestyle Made Affordable", and an e-commerce site under the "SSF" brand.

### IPO note report

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### Not Rated

IPO price	RM0.25
Fair value	RM0.335
Capital upside	34.1%
Dividend return	0.0%
Total return	34.1%

FBM KLCI	1436.49
FBM Small Cap	16168.57

### Company profile

SSF Home Group Berhad (SSF) is principally involved in the retail of furniture, home décor and home living products across Malaysia.

### Stock information

Bursa Code	0287
Bloomberg ticker	SSF MK
Listing market	ACE
Share issued (m)	800.0
Market Cap (m)	200.0
Shariah	Yes

### Major shareholders

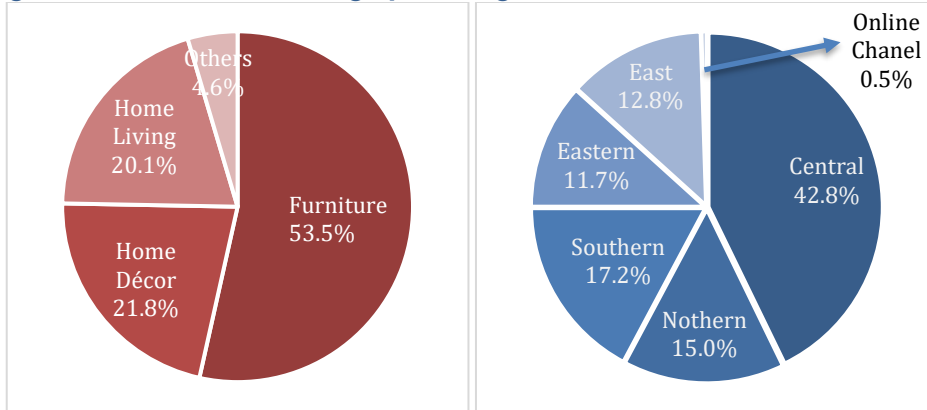
Major shareholders	%
Wong Choong Loong	48.3
Lok Kok Khong	15.0
Chin See Kew	4.4
Wong Choong Lian	4.3

### Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	16.0	17.4	18.4
EPS (sen)	2.0	2.2	2.3
P/E (x)	12.5	11.5	10.9

- In FY23, the group's revenue was RM174.5m, with the different segments of furniture, home décor, home living and others, contributing 53.5%, 21.8%, 20.1% and 4.6% to total revenue respectively. The revenue contributions have remained relatively constant for the past 4 years. The revenue contribution based on geographical locations namely the central, northern, southern, eastern, east Malaysia regions are 42.8%, 15.0%, 17.2%, 11.7%, 12.8% respectively, while the e-commerce segment contributes to the remaining 0.5% of sales.

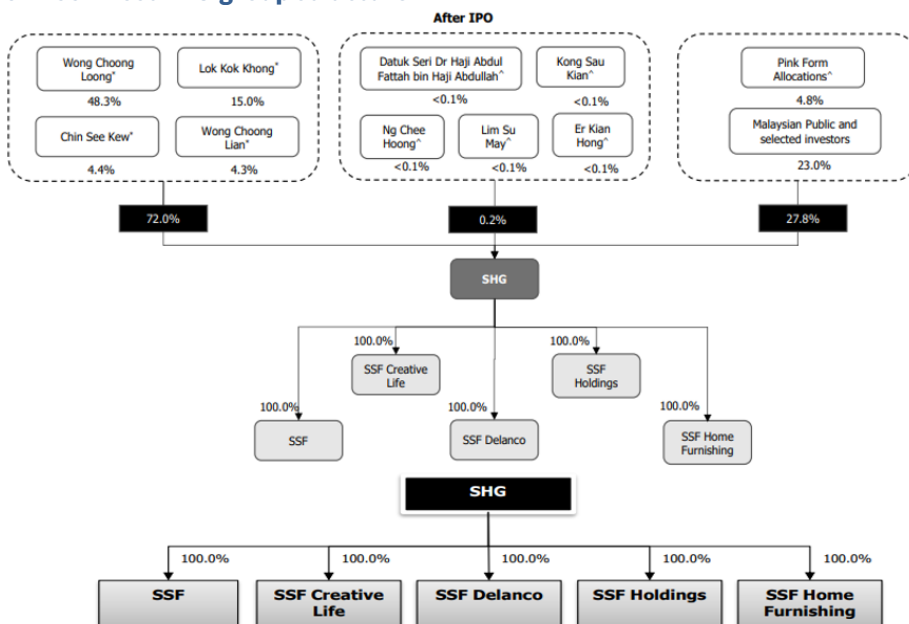
**Fig #2 FY23 Revenue & Geographical Segments**



Source: Company Prospectus

- Business strategies adopted by SSF are by having stores of different formats and sizes to cater to a wider audience, and visual merchandising such as window, house and concept displays to showcase their creative designs. Furthermore, they offer monetary discounts to active members, who are customers that has subscribed to the loyalty program membership for a fee of RM99.90. There are currently over 89,000 active members and they contribute to over 90% of SSF's revenue.

**Fig #3 SSF Post-IPO group structure**



Source: Company prospectus

## Industry Overview (from Protégé Associates)

- **In the non-grocery retail segment within the retail industry.** SSF belongs under the retailer segment where they stand in between the manufacturers and the end users. SSF belongs to the middle-upper affordability segment.

### Fig #4 Growth forecast and Demand drivers

Year	Market Size (RM billion)	Growth Rate (%)
2019	40.93	-
2020	36.94	-9.7
2021	39.77	7.7
2022	46.93	18.0
2023 <sup>f</sup>	50.25	7.1
2024 <sup>f</sup>	54.67	8.8
2025 <sup>f</sup>	60.15	10.0
2026 <sup>f</sup>	66.29	10.2
2027 <sup>f</sup>	73.17	10.4

Compound annual growth rate ("CAGR") (2023-2027) (base year of 2022): 9.3%

Note: <sup>f</sup> denotes forecast

Source: Protégé Associates

- **From 2024 to 2027, the home furnishing retail industry is projected to grow at a CAGR of 9.3%** from RM50.25bn in 2023 to RM73.17bn in 2027, supported by demand factors such as:

- the increasing demand for smart home furnishings,
- recovery in the local property market,
- the growing population and affluence of Malaysians.

### Fig #5 Comparison between SHG and Selected Competitors

Company Name	FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit/ (Loss) After Tax (RM'000)	Gross Profit Margin <sup>1</sup> (%)	Profit/ (Loss) After Tax Margin <sup>2</sup> (%)
SHG	30-04-2023	174,474.0	95,088.0	16,031	54.5	9.2
Commune Lifestyle Sdn Bhd	30-06-2022	641.1	278.3	(623.2)	43.4	(97.2)
Courts (Malaysia) Sdn Bhd	31-03-2022	285,561.0	106,044.0	29,528.0	37.1	10.3
Eadess Sdn Bhd	31-03-2022	21,893.2	10,404.8	(2,139.1)	47.5	(9.8)
Eastern Decorator Sdn Bhd	31-03-2022	235,183.8	109,419.3	20,331.0	46.5	8.6
Home Direct Group Sdn Bhd	31-12-2022	14,018.4	2,586.6	(234.2)	18.5	(1.7)
Maju Home Furnishing Sdn Bhd	31-12-2021	10,186.7	3,288.7	816.5	32.3	8.0
Meridian Outlook Sdn Bhd	31-12-2021	19,391.7	10,653.4	(1,912.4)	54.9	(9.9)
Nitori Trading (Malaysia) Sdn Bhd	31-12-2021	9,643.1	8,042.3	573.9	83.4	6.0
Syarikat Yoong Onn Sdn Bhd	30-06-2022	119,621.0	46,108.0	13,636.0	38.5	11.4

Source: Companies Commission of Malaysia, SHG and Protégé Associates

- **The home furnishing retail industry in Malaysia is highly competitive and saturated** there are more than 35,000 players in the industry in 2022. For the FYE 30 April 2023, SHG generated revenue of RM174.47m, which is equivalent to 0.4% share of the home furnishing retail industry in Malaysia of RM46.93bn in 2022.

## Investment merits

- **Solid presence in Malaysia.** SSF established a network of 41 retail outlets reaching a large base of customers across Malaysia. Meanwhile, SSF's established reputation over the years has helped to bring in new customers and maintain patronage from existing customers. Besides, SSF's size provides economies of scale benefits, thus reducing fixed costs and the means to offer more affordable products, which helps the group to capture the mass market.
- **Expansion plans in Malaysia.** Out of the RM50.00m IPO proceeds, 70.4% or RM35.19m will be used to set-up 18 new retail outlets nationwide which will increase SSF's brand visibility and customer base. In Fig #7, the table shows the current and expansion plans for SSF, Peninsular Malaysia will have 53 outlets (from 37) and East Malaysia will have 6 outlets (from 4) with a total of 59 outlets country-wide.

**Fig #6 Planned retail outlets in the region**

Geographical markets	Existing no. of retail outlets	No. of new retail outlets	Total no. of retail outlets after expansion
<b>Peninsular Malaysia</b>			
Central region	15	3	18
Northern region	7	7	14
Southern region	8	6	14
Eastern region	7	-	7
	37	16	53
<b>East Malaysia</b>	4	2	6
	41	18	59

Source: Company prospectus

- **Over the years, SSF has established a strong GP margin of more than 50%.** Thus, the sales growth from the expansion coupled with the sturdy margins will provide growth in SSF's profits.

## IPO Details

**Fig #7 Utilisation of IPO proceeds**

Utilisation of proceeds	RM 'm	%	Estimated timeframe for utilisation
Setting-up new retail outlets			
- Capital expenditure	14.22	28.5	Within 36 months
- Start-up costs	20.97	41.9	Within 48 months
Repayment of bank borrowings	5.00	10.0	Within 3 months
Marketing activities	1.50	3.0	Within 24 months
General working capital	4.01	8.0	Within 12 months
Estimated listing expenses	4.30	8.6	Immediately
<b>Total</b>	<b>50.00</b>	<b>100.0</b>	

Source: Company prospectus

## Financials

- **Slowdown in FY22...** SSF recorded revenue of RM161.0m (-22.6% YoY) and its net profit fell by 46% due to (i) high base effect following the resumption of consumer activities in FY21 post covid lockdown and (ii) a slowdown in consumer spending patterns due to the high interest rate environment towards the end of 2022.
- **...but should grow in tandem with its expansion plans.** We forecast SSF's revenue to grow at 15% and 18% to RM200.6-236.8m for FY24-25f supported by (i) expansion of estimated 12 stores by end of FY25. Meanwhile, we project its net profit to grow at a rate of 2.6-6.3% to RM16.4-17.5m for FY24-25f.

## Financial Highlights

FYE Apr (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	208.1	161.0	174.5	183.2	201.5
EBITDA	49.6	30.9	33.7	35.2	38.4
PATMI - Core	31.2	16.8	16.0	17.4	18.4
PATMI - Reported	31.2	16.8	16.0	17.4	18.4
Revenue growth (%)	60.8%	-22.6%	8.4%	5.0%	10.0%
Core PATMI growth (%)	659.8%	-46.3%	-4.3%	8.4%	5.7%
Core EPS (sen)	3.90	2.09	2.00	2.17	2.30
P/E (x)	6.4	11.9	12.5	11.5	10.9
P/B (x)	2.0	2.0	1.8	1.1	1.0
ROE (%)	36.8%	16.9%	15.2%	11.9%	9.7%
Net Gearing (%)	CASH	CASH	CASH	CASH	CASH

Source: Company prospectus, MSSB Research

## Valuation

- At the IPO offer price of RM0.25, SSF is trading at 12.5x based on FY23 core net EPS of 2.1 sen. Meanwhile, SSF's forward P/E valuation for FY24-25f is estimated at 11.5x and 10.9x, respectively.
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**Fig #8 Bloomberg – Selected Consumer Discretionary & Retail Peers P/E**

Consumer Discretionary Distribution & Retail (24 members)		10.850172	23,180.580696		22.10	22.03
MRDIY	MK MR DIY Group M Bhd	5.824830	9,440.198592	1.5900	31.03	31.22
BAUTO	MK Bermaz Auto Bhd	1.143826	1,169.646388	2.5200	8.22	6.71
PAD	MK Padini Holdings Bhd	1.008482	657.909500	3.9500	11.61	11.46
MBM	MK MBM Resources BHD	0.585523	390.887653	3.8600	6.05	5.54
AMW	MK Amway Malaysia Holdings Bhd	0.338100	164.385645	5.3000	11.02	11.09
ALN	MK Atlan Holdings Bhd	0.274628	253.650409	2.7900	31.74	32.99
SENHENG	MK Senheng New Retail Bhd	0.221197	1,500.000000	0.3800	11.81	11.34
FHB	MK Fiamma Holdings BHD	0.190331	530.226884	0.9250	7.28	7.36
MSTGOLF	MK MST Golf Group Bhd	0.160868	820.868600	0.5050	--	--
MNHB	MK Mynews Holdings Bhd	0.160153	750.354000	0.5500	--	--
BON	MK Bonia Corp Bhd	0.140802	201.571842	1.8000	0.19	0.19
PKS	MK Parkson Holdings Bhd	0.135984	1,148.902050	0.3050	--	--
INNATURE	MK InNature Bhd	0.115050	705.881488	0.4200	18.64	23.03
FCW	MK FCW Holdings BHD	0.099924	249.994126	1.0300	10.22	10.13
YOCB	MK Yoong Onn Corp BHD	0.094378	160.000000	1.5200	6.33	5.54
MARC	MK Marco Holdings BHD	0.079782	1,054.306850	0.1950	10.65	10.11
TOME	MK Tomei Consolidated Bhd	0.062929	138.600000	1.1700	3.02	2.71
ABB	MK Asia Brands BHD	0.047850	232.647600	0.5300	13.62	12.85
SOLID	MK Solid Automotive Bhd	0.039302	519.371864	0.1950	14.23	13.14
TGL	MK Teo Guan Lee Corp BHD	0.038559	83.498400	1.1900	8.69	8.10
PERM	MK Permaisuri Industries Bhd	0.033972	1,945.394378	0.0450	--	--

Source: Bloomberg

- SSF currently does not have a formal dividend policy, however the management may implement one in the future.

## Investment risks

- **Dependent on the branding and reputation of the “SSF” brand**, logo and trademarks have brand value and recognition that is vital for the continued growth of SSF’s business. Therefore, any negative publicity on SSF’s brand may adversely affect the preference of shoppers.
- **Potential slowdown in consumer spending.** SSF belongs to the retail sector, and the growth in FY20-22 was mainly due to the revenge spendings post Covid-19 lockdowns. However, the current elevated inflationary and interest rate environment could reduce consumer’s willingness to purchase or upgrade non-essential items such as furniture, home décor, etc.

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(a) nil.

## Stock recommendation guide

<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
<b>TRADING SELL</b>	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
<b>NOT RATED</b>	No recommendation is assigned