



APEX SECURITIES BERHAD (47680-X)

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Fair Value: RM0.34

SSF Home Group Berhad

IPO Price RM 0.25

Fair Value RM 0.34

“Redefining spaces”**Company Description**

SSF Home Group Berhad primarily engages in the retail of furniture, home décor, and home living products, which are accessible through its retail stores.

IPO details

Board / Sector	ACE Market
Syariah Compliant status	Shariah
No. of shares (m)	800.0
Market cap. Upon listing (RM'm)	200.0

Utilization of IPO proceeds

	RM'm	%
New retail outlet	35.1	70.4
Bank borrowing	5.0	10.0
Marketing activities	1.5	3.0
Working capital	4.0	8.0
Estimated listing expenses	4.3	8.6

Major Shareholders (Post IPO)

	%
Wong Choong Loong	48.3
Lok Kok Khong	15.0
Chin See Kew	4.4

Events (IPO Shares)

	Date
Closing of Application	27 Sept 2023 (5pm)
Balloting of Application	3 Oct 2023
Allotment of IPO Shares to Successful Applicants	10 Oct 2023
Date of Listing	12 Oct 2023

Aiman Kamil
03-8736 1118, ext. 753
aiman@apexsecurities.com.my

Investment Highlights

- **Established track record.** SSF has been active in the home furnishing industry for over 30 years. It has established a strong reputation of product offerings through rigorous supplier selection with annual performance evaluations.
- **Expansion plans.** Currently, SSF operates 41 retail outlets and plans to expand by another 18 outlets to 59 outlets by the end of 2026. The company has allocated RM14.2 million from the IPO proceeds to cover the expected capital expenditure for these new outlets.
- **Boosted by recovery in local residential property market.** In 2022, the local residential property market saw an increase in both total transaction volume and total transaction value. The market for affordable residential properties is anticipated to remain strong, driven by continued government efforts to enhance their availability. This will boost demand for SSF's products.
- **Earnings growth momentum.** Moving forward, we expect SSF's revenue could reach RM187.3 (+7% yoy), RM212.8m (+14% yoy) and RM251.1m (+18% yoy) in FY2024f, FY2025f and FY2026f, respectively. This is underpinned by the new store openings (18 new outlets) and the expected positive demand from the smart-home concept and recovery in the property industry.
- **Robust margins among the retail industry.** Over the years, SSF has recorded a strong GP margin of over more than 50%. Meanwhile, its PAT margin stood at 9%-15% range.
- **Large base of loyal customers.** SSF boasts 82,000 active members who have registered for its membership program, all of whom are paying members.

Valuation / Recommendation

- We derive a target price of **RM0.34** for SSF Home Group Berhad. Our valuation is based on 15x PER of the Group's FY2024f EPS of 2.3 sen which is below the Bursa Malaysia Consumer Product and Services PER at 20x and its peers average PER at 15.5x. The ascribed PER of 26% discount from the Bursa Malaysia Consumer Product and Services is due to its unattractive market share at 0.4% and smaller market cap as compared to its peers. However, we hold a positive outlook for SSF Home Group Berhad due to its **established branding, strong presence across Malaysia, and strategic store expansion plans.**

Risks

- Exposed to logistics disruption.
- Risk in freight rates fluctuation.
- May be affected by product defects.
- Ability to secure prime locations for retail outlets.
- Possessing obsolete inventories.
- Forex fluctuation.

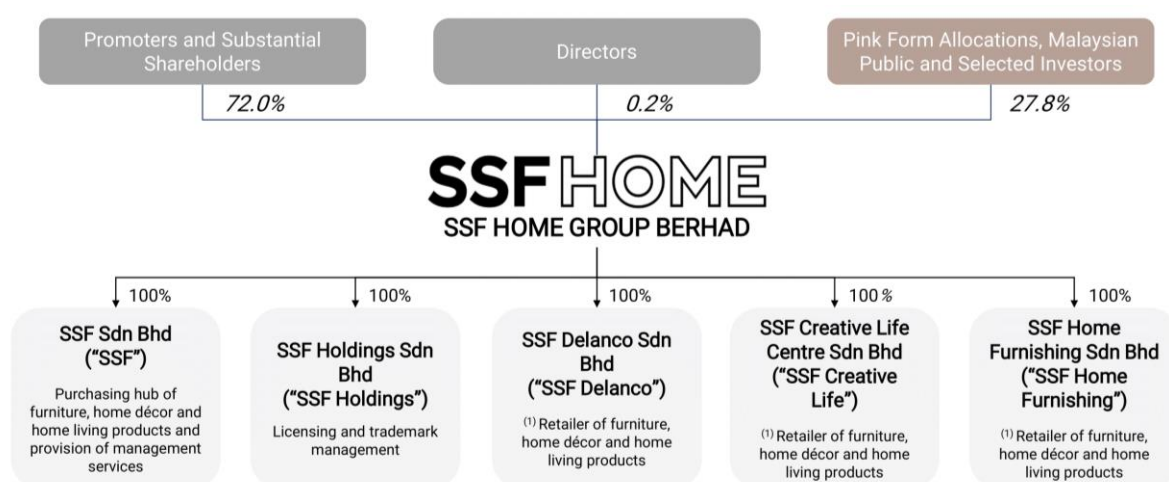
Please read carefully the important disclosures at end of this publication

Company Background










SSF Home Group Berhad primarily engages in the retail of furniture, home décor, and home living products, which are accessible through its retail stores and online platform. SSF offers a wide-ranging selection of furniture, home décor, and home living products designed for various uses and settings.

Currently, SSF successfully manages and operates a total of 41 retail outlets across three retail brands, encompassing approximately 1,026,504 square feet of retail space. These outlets are strategically located in shopping malls, shoplots, and standalone establishments within commercial areas. The Group has established a strong presence in cities and towns throughout Malaysia, spanning Johor, Kedah, Kelantan, the Federal Territory, Melaka, Negeri Sembilan, Pahang, Penang, Perak, Sabah, Selangor, Sarawak, and Terengganu.

Post-IPO shareholding structure and Key Personnel



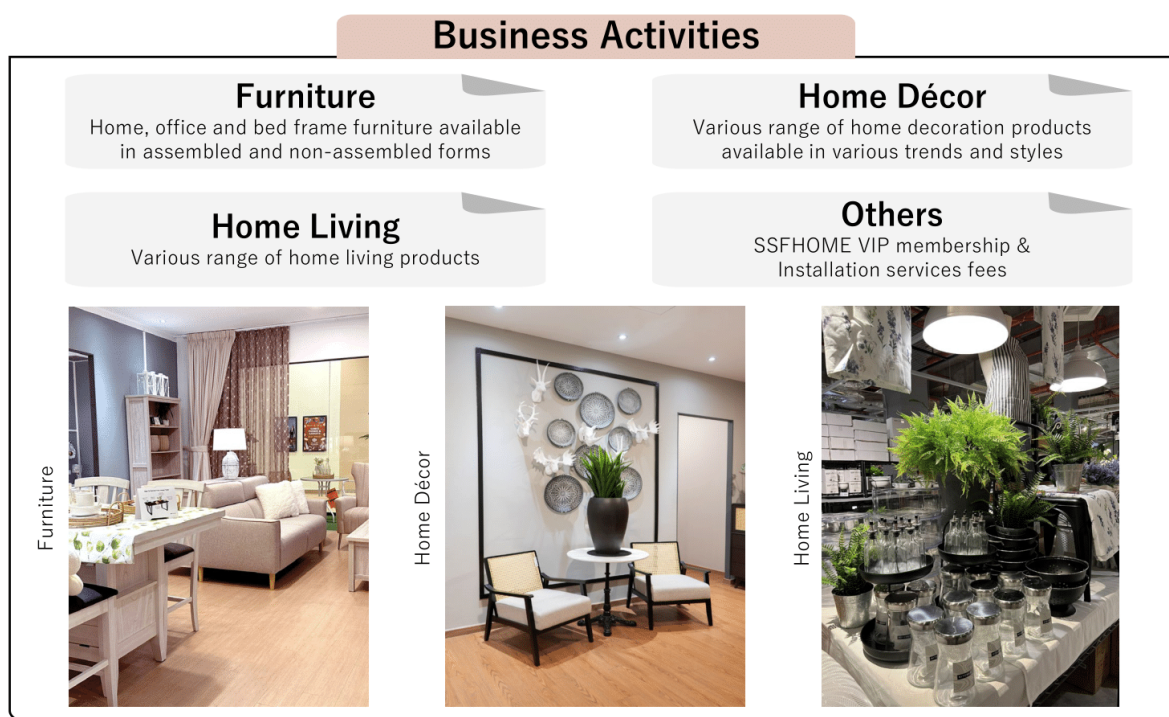
Source: Company

<p>WONG CHOONG LOONG MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER</p>  <p>34 years</p> <ul style="list-style-type: none"> Responsible for determining the strategic direction and growth of our Group, as well as formulating business plans, procurement strategies, and directions. Oversees overall operations and plays a significant role in spearheading the expansion of our Group. 	<p>LOK KOK KHONG EXECUTIVE DIRECTOR / DEPUTY CHIEF EXECUTIVE OFFICER</p>  <ul style="list-style-type: none"> Bachelor of Science (Honours) in Electronic Commerce from University of Staffordshire, UK. Responsible for implementing marketing strategies and overall day-to-day operational related matters of our Group. 	<p>POON WAI CHEE CHIEF FINANCIAL OFFICER</p>  <p>35 years</p> <ul style="list-style-type: none"> ACCA member since 1997, fellow since 2002. A member of Malaysia Institute of Accountants since 1997. Oversees finance-related matters within our Group. 			
<p>WONG CHOONG LIAN EXECUTIVE DIRECTOR</p>  <p>30 years</p>	<p>WONG SAU MEI HEAD OF OPERATIONS</p>  <p>16 years</p>	<p>WOON FOONG PENG HEAD OF HUMAN RESOURCE</p>  <p>15 years</p>	<p>LEE CHOOI SAN PURCHASING MANAGER</p>  <p>10 years</p>	<p>WONG WEE CHEN WAREHOUSE CUM PROJECT MANAGER</p>  <p>19 years</p>	<p>LEE PEI PEI MARKETING MANAGER</p>  <p>7 years</p>

Source: Company

Please read carefully the important disclosures at end of this publication

Business Overview



Source: Company

Industry Overview

SSF is classified within the home furnishing retail industry, which recorded RM39.8 billion of revenue in 2021. This represents a substantial increase of 7.7% from the preceding year 2020. Notably, the industry's growth continued into 2022, especially after the announcement of further relaxations in COVID-19 restrictions. In 2022, the home furnishing retail industry's sales rose to RM46.9 billion.

In 2023, it is anticipated that growth will be restrained due to the deceleration of the global economy. This slowdown can be attributed to the high levels of inflation observed in the United States and major European nations, which, in turn, have prompted governments to raise interest rates. This move is expected to have a ripple effect on economies worldwide.

Demand would likely to pick up... From a long-term perspective, the home furnishing retail industry in Malaysia is poised to rebound from the economic slowdown. This optimistic outlook is driven by the increased adoption of smart home technology among homeowners and the recovery of the local property market, supported by the government's ongoing commitment to the affordable housing program. Consequently, it is projected that the home furnishing retail industry will experience a Compound Annual Growth Rate (CAGR) of 9.3% from 2023 to 2027.

... as supply strengthening. This trend is further bolstered by the government's ongoing initiatives to stimulate the local manufacturing sector, considering that a significant portion of the suppliers are sourced locally. Additionally, the continuous development of new shopping malls across the country contributes to this positive trajectory.

Market share. SSF recorded a revenue of RM174.5 million in 2022, which represents a 0.4% share of the total home furnishing retail industry in Malaysia at RM46.9 billion.

Competitive strength



Source: Apex Securities, SSF Mytown outlet

Adopt visual merchandising strategies. SSF employs various visual merchandising strategies in their retail outlets, including window displays, house displays, concept displays, and eye-level displays. These strategies are utilized to showcase a diverse array of products encompassing different designs, styles, and themes. Through these in-store displays, SSF facilitates its customers in envisioning how these products can be applied in their homes, providing valuable interior design inspiration.

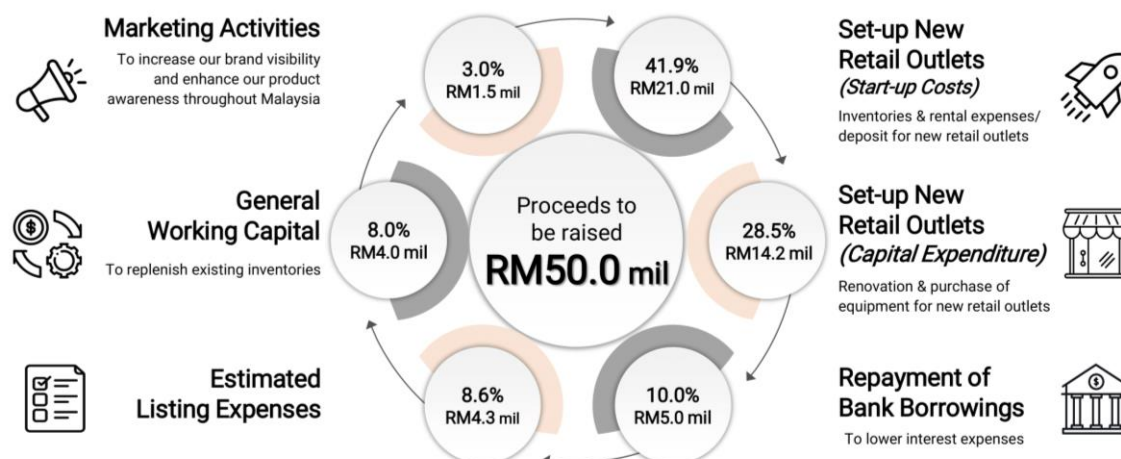
Extensive presence in Malaysia. SSF's widespread retail network enhances product visibility and accessibility, driving sales and customer loyalty. Their established industry reputation attracts new customers and retains existing ones while distinguishing them from smaller local competitors.

Established track record. SSF has been actively engaged in the home furnishing industry for over three decades. They have built a strong reputation in the home furnishing retail sector through the implementation of rigorous supplier selection and assessment procedures, conducting annual evaluations of supplier performance.

Large inventory coupled with high product mix. The Group has forged a reputation in the home furnishing retail industry through the implementation of rigorous supplier selection and evaluation procedures, conducting annual performance assessments of their suppliers.

Large base of loyal customers. SSF actively encourages customers to enroll in their SSFHOME VIP membership loyalty program. As of the prospectus date, SSF boasts 82,000 active members who have registered for this membership program, all of whom are paying members.

Use of proceeds



Source: Company

SSF plans to enhance its market presence by expanding its retail footprint, with 70.4% (RM35.2 million) of their total proceeds designated for the establishment of new retail outlets. They have ambitious plans to open 18 additional stores within the next 3 years.

The second-largest allocation of funds from the proceeds is for the repayment of bank borrowings, with RM5.0 million allocated for this purpose. This move is expected to result in potential interest expense savings of approximately RM0.09 million.

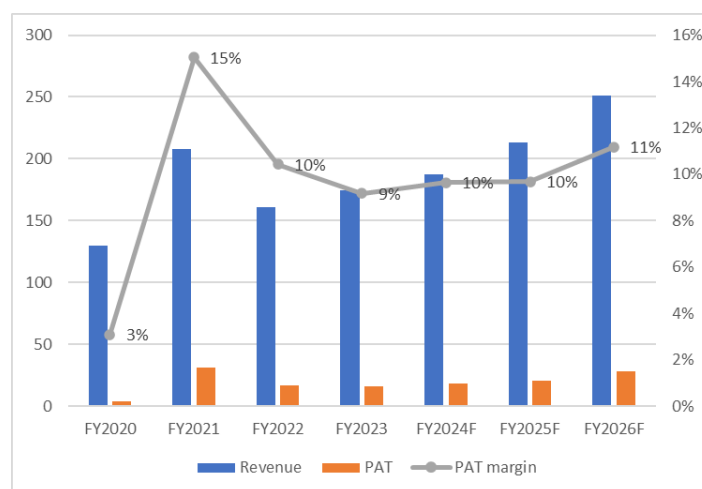
Financial Highlights

Income Statement						
FYE Apr	FY2021	FY2022	FY2023	FY2024F	FY2025F	FY2026F
Revenue	208.1	161.0	174.5	187.3	212.8	251.1
GP	115.5	89.8	95.1	101.1	117.0	135.6
Profit from operation	42.6	22.8	23.0	24.3	27.7	37.7
PBT	41.6	21.9	21.9	23.8	27.1	36.9
PAT	31.3	16.8	16.0	18.1	20.6	28.1
Net Profit	31.1	16.6	16.0	18.1	20.6	28.1
Margin						
GP	56%	56%	54%	54%	55%	54%
Profit from operation	20%	14%	13%	13%	13%	15%
PBT	20%	14%	13%	13%	13%	15%
PAT	15%	10%	9%	10%	10%	11%
Net Profit	15%	10%	9%	10%	10%	11%
Growth						
Revenue	61%	-23%	8%	7%	14%	18%
PBT	550%	-47%	0%	9%	14%	36%
PAT	682%	-46%	-5%	13%	14%	36%
Ratios						
EPS (sen)	3.9	2.1	2.0	2.3	2.6	3.5
PER (x)	6.4	12.0	12.5	11.1	9.7	7.1

Source: Apex Securities

BALANCE SHEET						
FYE Apr (RM'm)	FY2021	FY2022	FY2023	FY2024F	FY2025F	FY2026F
Long Term Assets	28.6	29.9	36.5	38.7	44.5	53.1
Others	1.4	3.4	3.0	4.3	4.9	5.9
Total NCA	30.0	33.3	39.5	43.0	49.4	59.0
Inventories	64.1	73.5	59.8	63.9	73.4	87.0
Receivables	14.4	17.4	12.3	13.2	15.1	18.1
FD	13.0	6.5	22.4	23.9	26.9	32.8
Cash	22.0	19.2	14.8	15.3	18.2	21.7
Total CA	113.4	116.6	109.3	116.2	133.6	159.5
Total Assets	143.4	149.9	148.8	159.2	183.0	218.5
Shareholder's Equity	100.4	97.7	113.0	119.4	137.3	168.8
Long Term Borrowings	2.2	4.8	7.1	2.9	2.3	2.1
Others	0.5	0.0	0.0	0.0	0.0	0.0
Total NCL	2.7	4.8	7.1	2.9	2.3	2.1
Payables	18.7	25.4	6.5	12.6	18.7	19.6
Short Term Borrowings	19.4	16.6	18.6	19.5	20.0	22.7
Others	1.9	5.4	3.7	4.7	4.7	5.2
Total CL	39.9	47.4	28.8	36.8	43.4	47.5
Total Liabilities	42.6	52.2	35.9	39.8	45.8	49.7
Total Equity and Liabilities	143.0	149.9	148.9	159.2	183.0	218.5

Source: Apex Securities



Source: Apex Securities

- The lower revenue in FY2020 was due to the closure of business as pandemic rises in Malaysia (imposition of MCO 1.0).
- Shift in behaviour of working from home impacted SSF positively in 2021, as consumers are spending more time at home.
- Moving forward, we expect that the revenue could reach RM187.3 (+7% yoy), RM212.8m (+14% yoy) and RM251.1m (+18% yoy) in FY2024f, FY2025f and FY2026f, respectively.
- This is underpinned by the new store opening (18 new outlets) and the expected positive demand from the smart-home concept and recovery in the property industry.
- SSF does not have any formal dividend policy. Dividend payout will depend on the Group's financial performance and capex requirement.

Peers

Name	Market Cap RM'm	Profit margin (%)	TTM PER (X)	TTM EPS (sen)	Net Gearing (X)
SSF HOME GROUP BERHAD	200.0	9.2	12.5	2.7	0.1
PARKSON HOLDINGS BHD	333.2	-4.1	N/A	-3.2	1.9
AEON CO (M) BHD	1,530.4	2.7	14.7	7.4	1.3
PADINI HOLDINGS BERHAD	2,611.9	12.2	11.7	33.9	0.4
INNATURE BHD	324.7	14.3	20.2	2.3	0.1

Simple average*

*Not include SSF Home Group

- SSF has the lowest net gearing ratio compared to its peers.
- SSF's PER of 12.5x appears to be undervalued when compared to the industry average of 15.5x. Additionally, SSF's PER is also lower than the Bursa Malaysia Consumer Product & Services PER at 20.0x.

Valuation

We derive a target price of RM0.34 for SSF Home Group Berhad. Our valuation is based on 15x PER of the Group's FY2024f EPS of 2.3 sen which is below the Bursa Malaysia Consumer Product and Services PER at 20x. The ascribed PER of 26% discount from the Bursa Malaysia Consumer Product and Services is due to its unattractive market share at 0.4% and smaller market cap as compared to its peers. However, we hold a positive outlook for SSF Home Group Berhad due to its established branding, strong presence across Malaysia, and strategic store expansion plans.

Our target price of RM0.34 represents a 35% upside against the listing price of RM0.25.

Risk

Exposed to logistics disruption. If third-party logistics and courier services face disruptions in any region across the country, and SSF unable to respond quickly to arrange alternative delivery options, it may affect their ability to deliver products to retail outlets and customers effectively.

Risk in freight rates fluctuation. Suppliers combined freight costs with product prices on invoices, sourced globally from local and overseas trading partners. Fluctuations in global freight rates impact them. While SSF has passed some increased freight costs to customers, it's uncertain if they can always do so. Failing to do this may affect their financial performance.

May be affected by product defects. If the products they sell are damaged or defective, SSF may be liable under consumer protection laws. They have insurance, but it may not cover claims exceeding industry standards in case of product defects.

Ability to secure prime locations for retail outlets. SSF operates 41 rented retail outlets in various locations nationwide. The performance of these outlets in terms of customer traffic and target markets is not guaranteed to meet their expectations consistently.

Possessing obsolete inventories. If SSF fails to stay current with the latest trends to provide customers with products in line with current preferences, they expose themselves to the risk of having obsolete inventories. This could potentially harm their brand and financial performance.

ESG

	Rating	Comments
Environmental	★★★	SSF is committed to environmental sustainability. They're going paperless in marketing, opting for digital materials, and have discontinued single-use plastic bags in their retail outlets, urging customers to use reusable ones. These actions align with their eco-friendly priorities.
Social	★★★★★	The Group has formed a Safety and Health Committee to enforce compliance with Occupational Safety and Health Policy guidelines. This committee's objective is to safeguard the well-being of employees by mitigating risks associated with operational processes.
Governance	★★★	The Group has a strong anti-bribery stance, enforcing strict compliance with the Malaysian Anti-Corruption Commission Act 2009. They have established a Risk Management Framework to monitor business-related risks and have implemented Whistleblowing and Privacy Policies to ensure fair business practices.
Overall Rating		
★★★★★		

ESG Rating

- ★★★★★ : Among the top performers in its industry or peer group in ESG factors.
- ★★★★★ : Above average in its industry or peer group in ESG factors.
- ★★★ : Has adequate ESG initiatives in place.
- ★★ : Has significant room for improvement in implementing ESG initiatives and practices.
- ★ : Poor in implementing ESG initiatives and practices.

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

Head Office:

Level 5, Menara UAC,
12, Jalan PJU 7/5, Mutiara
Damansara,
47800, Petaling Jaya, Selangor,
Malaysia.

General Line: (603) 7890 8888

PJ Office:

15th Floor, Menara Choy Fook On
No. 1B, Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

General Line: (603) 7620 1118

DEALING TEAM

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Nur Nadia (ext 2033)
Siti Nur Nadhirah (ext 2032)

PJ Office:

Azfar Bin Abdul Aziz (Ext 822)

RESEARCH TEAM

Head Office:

Kenneth Leong (ext 2093)
Lee Cherng Wee (ext 2067)
Aiman Kamil (ext 2071)
Jayden Tan (ext 2069)
Lucas Sim (ext 2070)
Steven Chong (ext 2068)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY :The stock's total returns* are expected to exceed 10% within the next 12 months.
HOLD :The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL :The stock's total returns* are expected to be below -10% within the next 12 months.
TRADING BUY :The stock's total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL :The stock's total returns* are expected to be below -10% within the next 3 months.

*capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT :The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
MARKETWEIGHT :The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT :The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

ESG RECOMMENDATIONS

☆☆☆☆ :Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆ :Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆ :Top 51-75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆ :Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

Source: Bursa Malaysia and FTSE Russell

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