

Team Coverage

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Recommendation: Not Rated

Current Price: RM 0.350

Previous Target Price: -

Target Price: RM 0.60

Upside/Downside: 71.4%

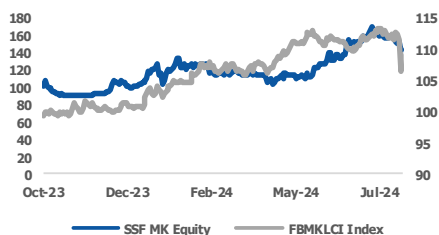
Stock information

Board	ACE
Sector	Consumer Products
Bursa / Bloomberg Code	0287 / SSF MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	800.0
Market Cap (RM' m)	280.0
52-Week Price Range (RM)	0.42-0.22
Beta (x)	#N/A N/A
Free float (%)	29.2
3M Average Volume (m)	4.1
3M Average Value (RM' m)	1.4

Top 3 Shareholders (%)

Wong Choong Loong	48.3
Lok Kok Khong	13.8
Chin See Kew	4.4

Share Price Performance



	1M	3M	12M
Absolute (%)	-9.1	25.0	N/A
Relative (%)	-7.0	26.8	N/A

SSF Home Group Berhad

One-stop solutions home decor

Summary

- **One of the leading home decors in Malaysia, commanding 0.3% market share from the total home furnishing retail industry in Malaysia in FY23.**
- **Core earnings are expected to improve from aggressive new outlet openings in bid to tap into wider geographical reach within Malaysia and improving purchasing power following the introduction of EPF Account 3.**
- **Our DCF-derived target price of RM0.60 (key assumptions WACC: 6.5%) takes into account SSF gradual opening of new outlets and stable historical operating cash flow trend.**

Investment Highlights

- **Extensive and growing presence.** SSF plans to ramp up the no. of retail outlets from 42 at present to 48 outlets by end-FY25F. The move aims to expand their presence and establish footprint across Malaysia. This allows the Group to raise brand visibility and recognition, while potentially enlarging customer base through wider geographical reach. We reckon that the move will also cement the Group position as one of the leading furniture retailing companies in Malaysia and will be earnings accretive over the long run.
- **Ramping up commercial space and improving customer engagement.** Actively in the lookout for collaboration with commercial partners such as restaurants, hotels and design firms for bulk purchases which has yet to account towards a sizeable revenue stream. While increasing geographical reach are on track, we gathered that SSF boasted approximately 100,000 active memberships. This serves as one of the main marketing channels improve reach of promotional activities as well as enhances customer loyalty and retention.
- **Boosting operational efficiency.** Given that bulk of the products are sourced from overseas at present, SSF aims to setup an in-house sourcing channel in bid to improve cost management efficiency and strengthen supply chain. The Group will also be partnering with a local manufacturing firm to establish an exclusive production line that is dedicated solely towards SSF products.
- **Valuation & Recommendation.** We like SSF for its integrated position as one of the largest home furniture retailers in Malaysia, commanding approximately 0.3% market share in Malaysia's home furnishing retail industry based on FY23 revenue. Longer-term business prospects will be well supported by strategic geographical expansion along with improving customer engagements through active membership participants, in-house mobile app and revolution of home products to meet customers' needs and demands.
- **Our DCF-derived target price of RM0.60 (key assumptions WACC: 6.5%) takes into account SSF gradual opening of new outlets and stable historical operating cash flow trend which will eventually capture multi-year earnings growth potential over the longer-term trajectory.**

Company Background

- SSF Home Group Berhad (SSF) history traces back to 1989 following the incorporation of Seven Star Trading involved in wholesale of various types of artificial flowers and plants.
- Over the years, SSF introduced various new types of products and established their online e-commerce website in 2016. To accommodate the expansion of retail outlets and product offerings, SSF rented a warehouse in Glenmarie, Selangor with a floor space of approximately 77,046 sqf.
- Presently, SSF Home operates 42 retail outlets located across all states in Malaysia except Perlis with a combined retail space of over 1.0m sqf. The Group has also consolidated their warehousing operations in 2022 with built-up area of approximately 2268,593 sqf.
- Over the years, SSF has grown and evolved into one of the leading retail home furnishing players in Malaysia with more than 10,000 SKUs. Based on the revenue of RM174.5m recorded in FY23, SSF commands approximately 0.3% market share in the home furnishing retail industry in Malaysia.

Business Overview

- SSF operates 42 retail outlets houses over 10,000 SKU with with a combined retail space of over 1.0m sqf located in shopping malls, shoplots and standalone outlets in commercial areas with heavy footfall traffic. All retail outlets are staffed with retail sales consultants that are well equipped to clarify and provide detailed information of the products and services offered to prospective customers. To-date, SSF operations are supported by approximately 700 employees.
- Layout of each retail outlet varies depending on size of the retail outlet, the number of products displayed and the target market based on location of the retail outlet. All retail outlet layouts are designed to optimise floor and merchandise space, including product displays and storage space. The Group adopts various visual merchandising strategies in their retail outlets, including window displays, house displays, concept displays, and eye-level displays. The move showcased a diverse array of products encompassing different designs, styles, and themes.
- Apart retailing of home furnishing products, SSF also offers value added services such as delivery services, installation services with additional charges applied. Meanwhile, all products sold are offered with seven days exchange policy, subject to terms and conditions set in their exchange policy.
- While sales are traditionally better during festive seasons such as Chinese New Year, Hari Raya Aidilfitri and Christmas, we gather that SSF is actively rolling out sales campaigns throughout the year

Retail Outlets



Source: Company

- All products underwent a through process from sourcing and evaluating, price negotiation, after sales services and delivery time lead among others. The Group has more than two dozen of approved suppliers to-date. In general, the lead time from placing an order to the receipt of products from suppliers is between 2 and 4 months.
- The Group also conducts seasonal and festive promotions at retail outlets and e-commerce platform Already, SSF has secured three roadshows in major shopping malls across Malaysia in 2024.

Festive Promotion Activities



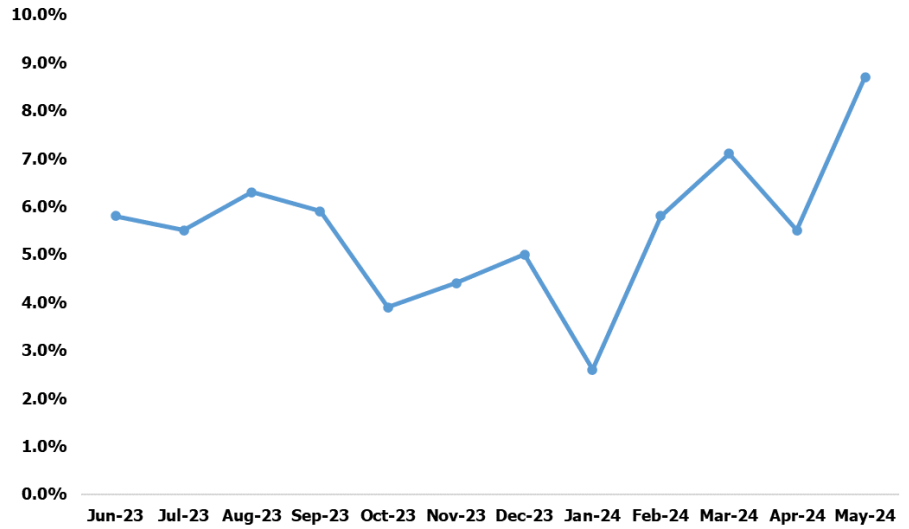
Source: Company

- To retain existing clients and boost marketing efforts, SSF offers membership loyalty programme priced at RM99/year under "SSFHOME VIP" which provides benefits such as birthday discount, free gifts as well as other promotions among others. The Group's active members have grown to 99,916 as at end-FY24.
- Going forward, SSF is on track to ramp up the no. of retail outlets, targeting additional 6 new outlets by end-FY25F. The move is part of the longer-term plan outlined in the prospectus, targeting 59 outlets (18 additional outlets) over the next three years post-listing with new outlets will be situated in tier 1 and 2 cities across Malaysia.
- Also, SSF will continue to roll out enhanced product offerings tailored to market demand. A well-structured rollout plan, including targeted marketing campaigns and phased product introductions helps to reinforce products relevance and competitiveness in the market.

Industry Overview

- SSF is classified under the home furnishing retail industry, which recorded approximately RM50.25bn of revenue in 2023. This represents a decent increase of 7.7% yoy from 2022. Notably, the industry's growth is projected to rise at a four-year CAGR of 9.3% to RM73.17bn in 2027. Growth is expected to be fuelled by (i) higher demand of smart home furnishings, (ii) recovery in the local property market and (iii) increase in Malaysian population.
- From a longer-term perspective, the home furnishing retail industry in Malaysia is poised to chart greater heights. This will be 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.
- In recent months, Malaysia's retail sales demonstrated resiliency, rising 8.7% yoy in May 2024, boosted by higher sales of goods in non-specialised outlets and other household equipment in specialised outlets. The improvement also marked the largest jump since April 2023.

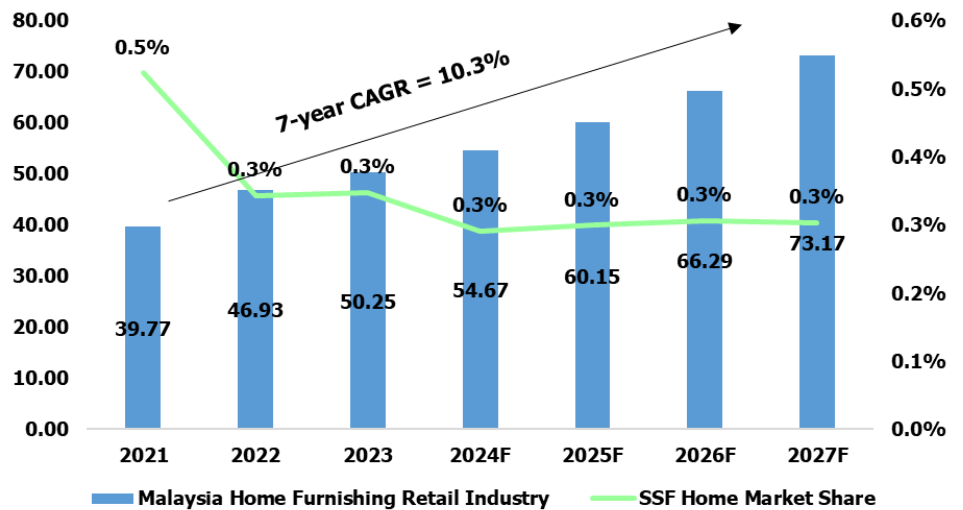
Malaysia Retail Sales Growth Rate (yoy)



Source: Trading Economics, Apex Securities

- On the supply end, manufacturers will be 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 mushrooming of new shopping malls across the country contributes to this positive trajectory.
- Based on SSF revenue of RM174.5m recorded in FY23, this represents approximately 0.3% market share from the total home furnishing retail industry in Malaysia at RM50.25bn.

Malaysia Home Furnishing Retail Industry vs SSF Market Share



Source: Protege, Apex Securities

Financial Highlights

- In FY24, SSF revenue and core net profit (after exclude listing expenses) stood at RM158.9m (-9.9% yoy) and RM11.5m (-28.4% yoy) respectively. The weakness was dragged down by weaker sales volume that was impacted by the rising cost of living as inflationary pressure bites into consumer purchasing power.
- Moving forward, we forecast core net profit to record at RM14.1m, RM16.6m and RM18.6m for FY25F/FY26F/FY27F respectively. Projected growth will be anchored by growing no. of retail outlets which is expected to contribute an average c.RM4.0/annum each outlet during a full financial year, recovery in purchasing power with the introduction of EPF Account 3 and normalising inflationary pressure.
- Also, we gathered that SSF boast a solid balance sheet with a cash position of RM72.0m as at end-FY24. We expect gearing level to remain minimal in coming years, although the Group is embarking onto a relatively aggressive retail outlet expansion.

FYE Apr (RM m)	FY23	FY24	FY25F	FY26F	FY26F
Revenue	174.5	158.9	180.1	202.8	221.9
EBITDA	33.7	23.4	32.4	36.5	39.9
Pre-tax Profit	22.0	11.4	20.1	23.7	26.5
Profit After Tax	16.0	7.2	14.1	16.6	18.6
Net Profit	16.0	7.2	14.1	16.6	18.6
Core Net Profit	16.0	11.5	14.1	16.6	18.6
Core EPS (sen)	2.0	1.4	1.8	2.1	2.3
Core P/E (x)	17.5	24.4	19.9	16.9	15.1
Dividend Yield (%)	0.0	1.4	2.0	2.4	2.7
P/B (x)	2.5	1.7	1.6	1.5	1.4
ROE (%)	14.2	7.0	8.2	9.1	9.6
Gearing (%)	22.1	8.9	7.6	6.4	5.2

Source: Company, Apex Securities

Peers Comparison

- While there are no direct competitors listed on Bursa Malaysia, we have gathered several PLCs involves in home furniture and fittings as indirect peers. While valuations are current share price appears to be fairly stretched, we believe the premium is justifiable, premised to SSF Home's strong market position in Malaysia's home furniture retail market as well as a comprehensive product offering including furniture, kitchenware, textile, carpets, home decorations and others.

Company	Market Group	FYE	Price (RM)	Market Cap (RM 'm)	P/E (x)		Gross DY (%)	Revenue RM 'm	Net Income RM 'm
					FY23	FY24F			
SSF Home Group Bhd*	ACE	Apr	0.35	280.0	24.4	19.9	2.0	158.9	7.2
Signature International Bhd	MAIN	Dec	1.20	774.6	10.6	9.7	3.3	684.8	79.5
Yoong Onn Corporation Bhd	MAIN	Jun	1.89	302.4	7.9	9.0	4.2	262.8	33.6
Avg ex-SSF Home Group Bhd					9.3	9.4	3.8	473.8	56.5

*SSF Home Group Bhd FY24F based on actual data

Source: Bloomberg, Apex Securities

Valuation & Recommendation

- We like SSF for its integrated position as one of the largest home furniture retailers in Malaysia, commanding approximately 0.3% market share in Malaysia's home furnishing retail industry based on FY23 revenue. Longer-term business prospects will be well supported by strategic geographical expansion along with improving customer engagements through active membership participants, in-house mobile app and revolution of home products to meet customers' needs and demands.
- Our DCF-derived target price of RM0.60 (key assumptions WACC: 6.5%) takes into account SSF gradual opening of new outlets and stable historical operating cash flow trend which will eventually capture multi-year earnings growth potential over the longer-term trajectory.
- Given the strong net cash position, we expect SSF to distribute 40.0% of net profit as dividend pay-outs over the foreseeable future.
- Also, we do not discount the possibility of SSF to transfer to the Main Board of Bursa Malaysia in coming years, based on their stability in financial track record over the years.

Investment Risks

- **Ability to secure prime locations for retail outlets.** Performance of each outlet is tied closely to customer traffic and any delay in new outlets opening may result in risk of revenue projection.
- **Obsolete inventories possession.** Failure to stay at current and latest market trends will expose SSF to the risk of having obsolete inventories.
- **Logistics disruption.** Delivery time lead may be affected when third-party logistics and courier services encounter disruptions, which may impact brand and reputation.

APEX SECURITIES BERHAD – CONTACT LIST

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

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

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