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Sheng Siong Group's revenue grew 11.4% yoy to S$253.8 million for 3Q2019

- New stores were the main driver of revenue growth
- Gross profit margin increased to 27.1 % in 3Q2019 from 26.5% in 3Q2018 mainly due to lower input costs and higher sales mix of fresh produce
- The Group will continue to expand the retail network in Singapore

Singapore, 30 October 2019 – 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 16.4% year-on-year ("yoy") increase in net profit to S$20.6 million for the 3 months ended 30 September 2019 ("3Q2019") mainly due to increase in gross profit arising from the growth in revenue, slightly improved gross margin, higher other income but was partially offset by higher operating expenses and net finance expense. The effect of adopting SFRS (I) 16 Leases with effect from 1 January 2019 was a reduction of the Group's 9M2019's net profit by S$0.9 million. Without this adjustment, the Group's 9M2019's net profit would have been S$59.3 million or 11.6% higher compared with 9M2018.

Financial Highlights (S$ 'million)	3 months ended 30 September 2019 (3Q2019)	3 months ended 30 September 2018 (3Q2018)	Change	9 months ended 30 September 2019 (9M2019)	9 months ended 30 September 2018 (9M2018)	Change
Revenue	253.8	227.9	11.4%	743.4	669.1	11.1%
Gross profit	68.7	60.3	14.0%	199.5	178.2	11.9%
Gross profit margin	*27.1%*	*26.5%*	*0.6p.p*	*26.8%*	*26.6%*	*0.2p.p*
Other Income	2.9	1.8	61.3%	7.2	5.8	23.8%
Net profit	20.6	17.7	16.4%	58.4	53.1	10.0%
Net profit margin	*8.1%*	*7.8%*	*0.3pp*	*7.9%*	*7.9%*	-
EPS (cents)#	1.37	1.19	15.1%	3.88	3.54	9.6%

p.p denotes percentage points
 # Based on weighted average number of 1,503,537,000 shares for 3Q2019, 3Q2018, 9M2019 and 9M2018

Consumer's sentiment seems to have deteriorated in the last few months. Sales at supermarkets dipped in the last few months as reported in the retail sales numbers published by the Department of Statistics, Singapore. Competition was keener as more new stores were added into the market by the competition. Despite keener competition, revenue grew by 11.4% in 3Q2019 of which 10.4 percentage points was contributed by new stores and 1.3 percentage points by the stores in China but was offset by a reduction of 0.3 percentage points in comparable same store sales. New stores were the major source of revenue growth. Comparable same store sale, which was weighed down by poor consumer's sentiments contracted slightly in 9M2019 and 3Q2019.

Gross margin increased to 27.1% in 3Q2019 compared with 26.5% in 3Q2018, mainly because of a slightly higher sales mix of fresh versus non-fresh produce and lower input cost arising from higher suppliers' rebates.

Administrative expenses increased by S$4.9 million in 3Q2019 compared with 3Q2018. The increase was mainly due to higher staff costs as additional headcount was required to operate the new stores, higher provision for bonuses because of the better financial performance and increase in depreciation which was partially offset by decrease in rental upon the adoption of SFRS (I) 16 Leases. Administrative expenses as a % of sales was higher at 17.3% in 3Q2019 compared with 17.1% in 3Q2018 mainly due to the opening of new stores in 2018 and 2019. Revenue at the new stores will require time to grow to its normal level, but certain expenses like rent and basic staff crewing are fixed, regardless of revenue.

Cash generated from operating activities before working capital changes and payment of tax amounted to S$35.8 million in 3Q2019, mainly because of the higher volume of business and the adoption of SFRS(I) 16 Leases, where rent payments which were previously treated as operating is now classified as repayment of lease liabilities within financing activities.

Cash used for capital expenditures in 9M2019 amounted to S$16.4 million consisting mainly of payments for fitting out the new stores and IT equipment for the supermarket operations of $9.0 million, additional or replacement of some of the equipment in the distribution centre totalling $1.6 million, extension of the warehouse for S$4.5 million and S$1.3 million incurred by the supermarkets in China.

The Group's balance sheet remained healthy with cash of S$82.6 million as at 30 September 2019.

Business Outlook

Competition in the supermarket industry is expected to remain keen, particularly with the increase in the number of new supermarkets in new HDB shops and large online retailers striving for market share.

Weather conditions or other disruptions in the supply chain may affect supplies and may drive up the Group's input costs which will impact gross margin if the increase cannot be passed on to the customers. Input prices may also be affected by any adverse developments in the current threat to free trade.

The Group is still looking for suitable retail spaces in areas where it does not have a presence. Competition for new HDB shops is still keen but bidding has become more rational. In the recent tenders, the Group has secured three new outlets at Block 182 Woodland Street 13 (8,500 sq. ft), Block 602A Tampines Ave 9 (9,000 sq. ft) and Block 202 Marsiling Drive (approx, 5,300 sq.ft). The first two supermarkets were opened on 19 October 2019 and the third at Block 202 Marsiling Drive should be operational by 1Q2020.

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The Group will be closing its outlet at Thomson Imperial Court on 11 December when the lease expires as terms for the renewal could not be agreed. This outlet has a retail area of approximately 10, 000 sq. ft and contributed to less than 1% of the Group's revenue for 9M2019.

On the future plans of the Group, **Mr Lim Hock Chee, the Group's Chief Executive Officer**, added, ***"We are pleased that we have opened two new stores at Block 182 Woodland Street 13 and Block 602A Tampines Ave 9 with retail areas of 8,500 sq ft and 9,000 sq ft respectively while another store at Block 202 Marsiling Drive which we have secured will be operational by 1Q2020.***

Going ahead, we will continue with our efforts in expanding our retail network in Singapore, especially in areas where our potential customers reside. Besides placing focus on nurturing the growth of our new stores in Singapore and China, we remain committed to enhancing the gross margin and lowering input cost by improving the sales mix with a higher proportion of fresh produce and deriving more efficiency gains in the supply chain."

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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 59 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 1200 products under its 18 housebrands, ranging from food products to paper goods.

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

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