



SSF Home Group Berhad

“IPO Note – The one-stop shop for your home furnishing needs”

Valuation / Recommendation

We have a SUBSCRIBE recommendation on SSF Home Group Berhad with a target price of RM0.38 based on FY24F EPS of 2.4 sen and the peer average PE of 15.8x.

We like the stock for its attractive expansion plans and strong market presence. The Group has 0.4% share of the home furnishing retail industry in Malaysia of RM46.93 billion in 2022, signifying potential room for growth. The target price represents a potential return of 52% over the IPO price.

Investment Insights

Extensive retail presence in the country. SSF currently operates and manages 41 retail outlets. This extensive network enables the company to tap into a broad customer base across Malaysia. The economies of scale derived from SSF’s wide network enhances its efficiency and allows it to offer cost-effective products, while the company’s substantial presence empowers it to introduce new products with minimal overhead costs.

Diverse supplier network. Presently, SSF’s supplier network comprises 28 entities, encompassing 19 local manufacturers, one local wholesaler, seven local trading houses, and one trading house in Hong Kong, all of which are unrelated to the company. This diversified supplier base enhances SSF’s adaptability and bargaining power during price negotiations and contract discussions. SSF generally purchases from trading houses to access a wider range of designs and products, market knowledge, and logistics support.

Excellent customer loyalty programme. SSF currently has 82,997 active paid members in the SSFHOMe VIP membership loyalty programme. On average, these members spent approximately RM1,181, RM2,253, RM2,178, and RM1,811 each for FYE 2020 to 2023, reflecting a 15.3% CAGR during this period. Loyal customers tend to continue patronizing SSF’s retail outlets and recommend its brand to others, creating a cycle of customer acquisition and retention. Additionally, its loyal customer base provides valuable feedback for improvements and customizing its offerings to better suit its target market.

High inventory levels optimise supply chain and distribution processes. SSF offers a wide array of furniture, home décor, and home living products, serving a diverse customer base, and targeting both middle to high-end markets and the mass market. This extensive product mix enables SSF to quickly adapt to changing market conditions and customer. To maintain product availability and negotiate favourable terms with suppliers, SSF maintains high inventory levels. Leveraging economies of scale and operational efficiencies, SSF optimises its supply chain and distribution processes, resulting in cost savings that allows it to provide affordable products to its customers.

Risk factors. (1) Shipping & logistics disruptions and fluctuation in freight rates. (2) Exchange rate fluctuations with trading houses.

INVESTMENT STATISTICS	FY21	FY22	FY23	FY24F	FY25F
Revenue (RM m)	208.1	161.0	174.5	200.0	225.5
EBITDA (RM m)	45.5	26.1	26.6	32.2	36.7
EBITDA Margin (%)	21.9	16.2	15.3	16.1	16.3
PAT (RM m)	31.2	16.8	16.0	18.9	21.4
EPS (sen)	5.2	2.8	2.7	2.4	2.7
EPS Growth (%)	-7.5	-46.3	-4.3	-11.5*	13.0
BV Per Share (sen)	16.8	16.3	18.8	26.0	28.7
PE (x)	6.4	11.9	12.5	10.6	9.3
Net gearing (%)	Cash	Cash	Cash	Cash	Cash
ROA (%)	21.8	11.2	10.8	7.3	8.2
ROE (%)	30.9	17.2	14.2	9.1	9.3

*Due to enlarged share capital post-listing. Sources: Company, Mercury Securities

ACE Market
Consumer Products & Services
Subscribe
IPO Price: RM0.25
Fair Value: RM0.38

Business Overview

SSF is principally involved in the retail of furniture, home décor and home living products available via our retail channel (retail outlets) and online channel (e-commerce website). It offers a comprehensive range of furniture, home décor and home living products for use in various applications and settings.

Listing Details

Listing Date	12 Oct. 2023
New Shares (m)	200.0
Offer For Sale (m)	24.0
Funds Raised (Rm m)	50.0

Post Listing

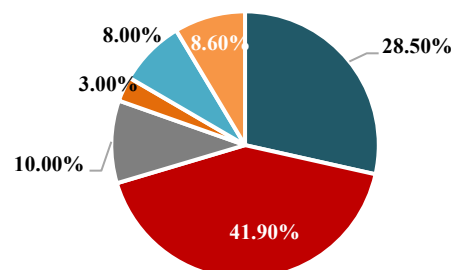
Ordinary shares (m)	800.0
Market Cap (RM m)	200.0
Free Float	25.0%
P/E (FY23)	12.5x

Major Shareholders

Wong Choong Loong	64.4%
Lok Kok Khong	20.0%
Chin See Kew	7.9%

Utilization of IPO Proceeds (RM m)

Capital expenditure (Within 36 months)	14.22
Start-up costs (Within 48 months)	20.97
Repayment of bank borrowings (Within 3 months)	5.0
Marketing activities (Within 24 months)	1.5
Working capital (12 months)	4.0
Estimated listing expenses (Immediately)	4.3



- Capital expenditure
- Start-up costs
- Repayment of bank borrowings
- Marketing activities
- Working capital

Nurul Farhana Zulkafli
farhanazulkafli@mersec.com.my

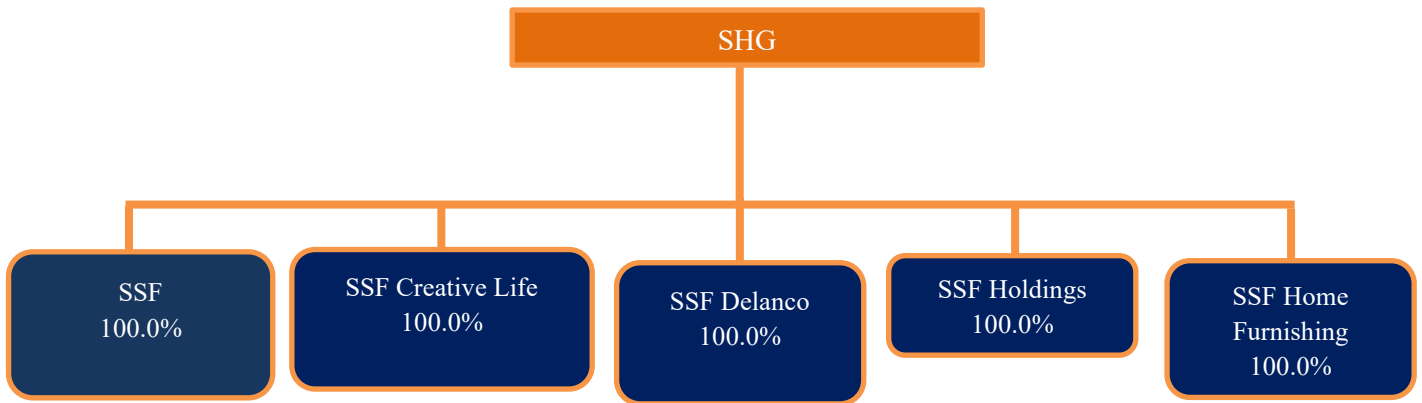


IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public	-	40.0	40.0	5.0
(ii) Pink Form Allocations	-	40.0	40.0	5.0
(iii) Private placement to Bumiputera investors approved by MITI	-	100.0	100.0	12.5
(iv) Private placement to selected investors	24.0	20.0	44.0	5.5
Total	24.0	200.0	224.0	28.0

Source: Company

Group structure post listing



Source: Company

Peer comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM'm)	PE (x)	EPS (sen)		EPS Growth		P/BV (x)	
				FY24	FY23	FY24	FY23	FY24	FY23	FY24
MR DIY Group M Bhd	MRDIY MK	1.52	14,000.0	21.1	6.0	7.0	19.5%	16.7%	8.0	6.6
AEON Co. M Bhd	AEON MK	1.04	1,500.0	10.5	9.6	10.0	21.2%	4.2%	0.0	0.8
Innature Bhd	INNATURE MK	0.44	310.6	15.7	2.0	2.8	-33.8%	-7.3%	2.2	2.2
Average				15.8						

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Registration No. 198401000672 (113193-W)

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: www.mercurysecurities.com.my

Email: mercurykl@mersec.com.my