INITIATION OF COVERAGE

Sheng Siong Group (SGX: OV8)

Building capacity for the next phase of growth

RECOMMENDATION	SHARE PRICE	12-MONTH TARGET	CAPITAL UPSIDE	FORECAST DIV. YIELD	12-MONTH TSR
BUY	**S$2.41**	**S$2.97**	**23.2%**	**3.1%**	**~26.3%**

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Investment view

Sheng Siong has built one of Singapore's most profitable supermarket businesses through convenient neighbourhood stores, a strong fresh-food offering and efficient purchasing. We see opportunities for further expansion, but generating attractive returns from that growth will be harder as operating costs rise.

The company operated 92 supermarkets in Singapore at September 2026. We expect 106 by FY2031, taking group revenue from S$1.71 billion in FY2026 to S$2.16 billion. Profit growth is likely to be much slower, with higher wages and occupancy costs absorbing much of the benefit from stronger gross margins.

The new Sungei Kadut distribution centre will support a larger network, but depreciation and transition costs will arrive before the facility is fully utilised. We expect EBIT margin to fall from 11.2% in FY2026 to 9.8% in FY2031, before recovering as more stores make use of the additional capacity.

We initiate coverage with a BUY recommendation and a 12-month target of S$2.97. With the shares trading at S$2.41, we see 23.2% capital upside and approximately 26.3% expected total return, including a 3.1% forecast dividend yield.

At a glance

S$m except stores and EPS	2025A	2026E	2031E
Singapore stores	87	92	106
Revenue	1,570.0	1,710.9	2,159.6
Operating profit	175.8	192.2	212.1
Attributable profit	149.5	159.6	174.4
EPS SG cents	9.94	10.61	11.60

Source: Sheng Siong financial statements; Evermore Research estimates. EPS in Singapore cents. Figures rounded.

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Company data

Exchange / ticker	SGX / OV8
Market cap S$bn	3.62
Shares m	1,503.5
52-week range S$	2.32–3.46
Public float	~46.7%
FY2026E P/E	22.7x
FY2027E P/E	22.3x

Price and 52-week range as at 5 November 2026. Source: Stock Analysis / Yahoo Finance.

Direct ownership

Sheng Siong Holdings Pte. Ltd.	29.85%
Lim Hock Eng	7.98%
Lim Hock Chee	7.83%
Lim Hock Leng	6.78%

Source: FY2025 Annual Report, pp. 115–116; holdings at 17 March 2026. Public float is the reported percentage held by the public. Direct holdings only; deemed interests overlap.

Share price: S$2.41 at 5 November 2026. Financial forecasts are Evermore Research estimates. Research disclosures appear at the end of this report.

01 Investment thesis

Store expansion provides the main growth opportunity

Sheng Siong has continued to expand its supermarket network despite operating in one of Asia's more mature grocery markets. The company had 69 supermarkets in Singapore at the end of 2023 and 92 by September 2026. New housing developments and opportunities in established neighbourhoods should provide further room for growth, although competition for attractive premises and rising rents will make site selection increasingly important.

We expect Sheng Siong to operate 106 Singapore supermarkets by FY2031. With sales growth at established stores likely to remain modest, new openings should account for most of the increase in group revenue from S$1.71 billion in FY2026 to S$2.16 billion by FY2031, equivalent to approximately 4.8% annual growth. We believe this is achievable without a substantial recovery in comparable-store sales, provided Sheng Siong continues securing locations with attractive operating economics.

The benefit extends beyond the revenue generated by individual stores. A larger network should strengthen Sheng Siong's purchasing power and allow distribution costs to be spread across greater sales volumes. New supermarkets must still attract enough customers to cover staffing, rent and other operating expenses, but successful openings should make the broader business more efficient as well as larger.

Converting revenue growth into earnings will be more challenging

Sheng Siong has an impressive record of improving gross margins through direct sourcing, private-label products and disciplined purchasing. These advantages have helped the company remain profitable while competing aggressively on everyday grocery prices. However, higher wages, staffing requirements and occupancy costs have absorbed much of the improvement, while new supermarkets incur expenses before reaching their normal sales levels.

The September 2026 quarter illustrates the challenge. Revenue increased 6.2%, but comparable-store sales declined 0.5% and attributable profit grew just 1.9%. Recently opened supermarkets contributed additional revenue, yet higher operating costs prevented that growth from delivering a comparable increase in earnings.

We forecast attributable profit rising from S$159.6 million in FY2026 to S$174.4 million by FY2031, equivalent to annual growth of approximately 1.8%. That is a modest improvement relative to the anticipated expansion in revenue. We expect Sheng Siong to continue growing its supermarket business, but achieving stronger earnings growth will require better sales productivity and continued control over operating expenses.

Sungei Kadut will reshape the economics of expansion

The new integrated headquarters and distribution centre at Sungei Kadut is central to Sheng Siong's longer-term ambitions. Mandai Link has supported the company's expansion for more than a decade, but its capacity is increasingly stretched. The new facility is designed to serve more than 120 supermarkets, providing room for a substantially larger network while introducing greater automation and more efficient procurement, storage and fresh-food handling.

The S$520 million commitment is significant, although it includes rent over the 33-year land lease rather than representing entirely upfront construction expenditure. We believe the additional capacity is necessary if Sheng Siong is to continue expanding beyond the limitations of its existing infrastructure. The financial returns, however, will ultimately come from the additional supermarkets it supports and the operating savings the new facility can deliver.

We expect Sungei Kadut to begin operating around FY2030. Depreciation, commissioning expenses and some duplication of costs during the transition from Mandai will weigh on profitability before the facility reaches more mature utilisation. We forecast EBIT margin declining from 11.2% in FY2026 to 9.8% in FY2031, even as group revenue continues increasing.

The longer-term outlook is more encouraging. As Sheng Siong opens additional supermarkets, higher distribution volumes should allow it to spread the facility's operating costs across a larger revenue base. Automation and improved inventory management also offer opportunities to reduce handling costs and wastage, although management has yet to quantify the savings it expects.

We forecast a recovery in operating margins as these benefits emerge, but investors will need to distinguish genuine efficiency improvements from changes in depreciation. Some equipment will eventually become fully depreciated, lifting reported profits even though maintenance and replacement expenditure continues. Cash generation will provide a more reliable measure of the investment's success than the recovery in accounting margins alone.

Our analysis indicates an internal rate of return of 9.6% for Sungei Kadut. We consider that a satisfactory prospective return, but not one that leaves substantial room for disappointing store growth or higher costs. Much of the project's estimated value comes from cash generated after FY2040, making the profitability of future supermarket openings and the durability of distribution savings important to its success.

Financial strength provides room to invest

Sheng Siong is well placed to undertake this investment. At September 2026, it held S$388.9 million in cash and had no conventional bank borrowings. Its established supermarket network also generates substantial operating cash flow, giving the company resources to fund construction, open new stores and continue paying dividends.

The next few years will nevertheless place greater demands on that cash. We forecast free cash flow before dividends falling to approximately S$25 million in FY2029 as construction expenditure reaches its peak. Dividend payments are expected to exceed free cash flow during that period, requiring Sheng Siong to draw on its reserves and, in our forecasts, make modest use of borrowing.

We expect that borrowing to be temporary, with cash generation recovering as construction spending subsides. This is our assessment of how the investment could be financed rather than a borrowing plan announced by management. The company's substantial cash reserves provide considerable protection against weaker trading or additional project costs.

The more important question is what Sheng Siong earns from the investment once construction is complete. Lower capital expenditure will improve free cash flow, but the lasting benefit must come from a larger supermarket network generating higher cash earnings and making better use of the company's distribution infrastructure.

Valuation reflects the timing and uncertainty of returns

We value Sheng Siong at S$2.97 per share using discounted cash flow, with a 6.98% weighted average cost of capital and 2.0% terminal growth. Its established profitability, resilient grocery demand and substantial cash reserves support our valuation, alongside the opportunity to expand the supermarket network over the coming years.

Sungei Kadut introduces greater uncertainty. The investment will absorb considerable cash before its benefits become fully apparent, and a significant proportion of our estimated value comes from earnings and cash flows generated well into the future. Those returns will depend on Sheng Siong continuing to find profitable supermarket locations, maintaining its purchasing advantages and achieving lasting improvements in distribution efficiency.

We believe the current share price provides sufficient compensation for those risks. At S$2.41, our S$2.97 target offers 23.2% capital upside and approximately 26.3% expected total return including forecast dividends. That is an attractive prospective return for a business with Sheng Siong's established profitability, financial strength and opportunities for further expansion.

We initiate coverage with a BUY recommendation. Earnings growth will be subdued during the most demanding years of the Sungei Kadut investment, but we expect Sheng Siong to emerge with the capacity to support a considerably larger and more efficient supermarket network. At the current share price, we believe investors are being offered an attractive opportunity to participate in that longer-term growth.

02 Company Overview and Business Model

A neighbourhood supermarket business built around convenience

Founded in 1985 by the Lim family, Sheng Siong Group has grown from a single supermarket in Ang Mo Kio into one of Singapore's largest grocery retailers. The company listed on the Singapore Exchange in 2011 and has expanded steadily across the island, concentrating on residential neighbourhoods rather than relying on large shopping centres or premium retail locations.

At 30 September 2026, Sheng Siong operated 92 supermarkets in Singapore, covering approximately 800,000 square feet of retail space. This compares with 75 stores at the end of 2024 and 87 at the end of 2025. The group generated revenue of S$1.57 billion and group net profit of S$149.2 million in FY2025, with revenue increasing a further 9.9% during the first nine months of FY2026.

The business is built around convenient access to everyday groceries. Many supermarkets serve Housing & Development Board (HDB) estates, allowing residents to shop close to home. This encourages frequent visits for fresh food and household essentials, giving stores opportunities to generate recurring sales from concentrated local catchments.

Location is central to store economics. A supermarket serving a densely populated residential area can generate substantial sales from a modest footprint, while one facing stronger competition or higher rents may struggle to achieve the same returns. Sheng Siong's expansion has been supported by its ability to secure suitable locations, but individual store performance remains dependent on local demand and operating costs.

Fresh food and private labels support the retail proposition

Sheng Siong combines the fresh-food offering traditionally associated with Singapore's wet markets with the convenience of a modern supermarket. Customers can purchase seafood, meat, vegetables and fruit alongside packaged groceries, beverages, frozen foods and household products. Bringing these categories together allows Sheng Siong to serve customers who might otherwise make separate shopping trips.

Fresh food offers opportunities to differentiate through sourcing, handling and availability. Its established procurement and processing operations provide control over how products are selected, prepared and delivered to stores, important in categories where freshness, wastage and inventory turnover directly influence profitability.

The company offered more than 2,000 private-label products across 28 house brands at the end of 2025. These provide lower-priced alternatives to established consumer brands while giving Sheng Siong greater control over sourcing, product specifications and pricing. Private-label products can carry more attractive gross margins than comparable branded merchandise, allowing competitive prices while retaining more of the selling price.

Together with direct sourcing and improvements in product mix, these capabilities have supported a steady increase in gross margin, from 30.0% in FY2023 to 31.3% in FY2025 and 32.0% during the first nine months of FY2026. The improvement is significant for a retailer competing on value, although retaining purchasing advantages without compromising customer prices will remain essential.

Centralised operations underpin the economics

A distinguishing feature of Sheng Siong's operating model is the centralisation of purchasing, food processing, warehousing and distribution. These functions are coordinated through Mandai Link, which began operating in 2011 and has subsequently been expanded to accommodate a larger supermarket network.

Centralisation allows stores to concentrate on retailing while purchasing and logistics are managed across the group. Larger order volumes strengthen negotiations with suppliers; coordinated deliveries and inventory management reduce duplication at individual outlets. Fresh-food processing and packaging at central facilities help maintain consistency and control handling costs across the network.

These advantages become more valuable as store numbers increase. Additional outlets create greater purchasing volume and allow shared infrastructure costs to be spread across a larger revenue base. In FY2025, Sheng Siong generated operating profit of S$175.8 million, equivalent to an EBIT margin of 11.2%. That profitability reflects the combined contribution of purchasing, merchandising and disciplined store operations.

The centralised model also imposes a practical limit on expansion. Mandai Link was designed for a much smaller network, and Sheng Siong has already extended it beyond its original configuration. The Sungei Kadut investment will increase capacity substantially, although its financial benefits depend on the volume ultimately handled through the new operation.

Singapore remains the core business

Sheng Siong entered China in 2017 and operates six supermarkets in Kunming, Yunnan province. The stores contributed approximately 2% of group revenue during the first nine months of FY2026 and collectively reached breakeven over that period. Management has focused on improving their performance rather than pursuing rapid expansion.

Sheng Siong Online and the company's mobile application complement its physical stores, but the business remains overwhelmingly dependent on neighbourhood supermarkets in Singapore, where its brand, supplier relationships and distribution infrastructure are most established.

This concentration has allowed Sheng Siong to develop considerable operating expertise in a single market. Future growth will continue to depend primarily on the availability of attractive domestic supermarket locations and the company's ability to maintain its operating advantages as the network expands.

03 Singapore Supermarket Industry and Competitive Landscape

A concentrated market with limited pricing power

Singapore's supermarket industry is dominated by a handful of established operators. According to Euromonitor International, NTUC FairPrice accounted for approximately 42% of supermarket sales by value in 2025, followed by Sheng Siong with 30% and the businesses formerly operated by DFI Retail Group with 16%. Together, these operators controlled around 88% of the market, leaving relatively little room for smaller supermarket chains.

Exhibit 3.1 | Estimated Singapore supermarket value share, 2025

Operator	Market share
NTUC FairPrice	42%
Sheng Siong	30%
DFI legacy Giant / Cold Storage businesses	16%
Other supermarket operators	12%

Source: Euromonitor International, June 2026. Supermarket-channel value share. The Giant and Cold Storage operations transferred from DFI to Macrovalue in 2025. The estimates exclude hypermarkets and other grocery retail formats.

Despite this concentration, Singapore's leading supermarkets have limited freedom to raise prices. Customers can compare everyday grocery prices across retailers, while wet markets, hypermarkets, specialist grocers and online platforms provide further alternatives. Established brands and purchasing scale give the largest operators an advantage, but neither guarantees that customers will accept higher prices.

Competition is also intensely local. Two supermarket chains may hold substantial national market shares yet compete for the same households in a single residential neighbourhood. A convenient location, reliable fresh-food offering and competitive prices can determine where those customers shop. Sheng Siong has built its business around these strengths, allowing it to generate attractive operating margins without relying on premium pricing.

Maintaining that performance becomes more demanding as the company expands. Each new supermarket must attract enough customers to justify its rent and staffing costs, often while competing against an established operator nearby.

FairPrice sets a demanding competitive benchmark

NTUC FairPrice is Sheng Siong's largest competitor. Its extensive network includes conventional supermarkets, the premium FairPrice Finest format and larger FairPrice Xtra hypermarkets. FairPrice also operates online, giving customers several ways to shop across different price points.

Its cooperative structure adds another dimension to the competition. FairPrice has an explicit commitment to keeping everyday essentials affordable, which can make it a difficult rival for retailers seeking to protect margins. During 2026, it froze prices on more than 500 everyday products for part of the year and subsequently reduced or maintained prices on selected chicken and egg products through December.

These initiatives reinforce the pressure on Sheng Siong to remain competitive on products customers purchase frequently and can compare easily. Passing higher wages, rents and other expenses directly to shoppers is not always an option when FairPrice is actively holding down prices.

Sheng Siong's response has been to improve the economics of selling groceries. Direct sourcing, private-label products, centralised purchasing and careful inventory management help reduce costs without requiring higher shelf prices. Some of those savings will inevitably be passed on to customers, but the company's ability to keep improving purchasing and operating efficiency has been an important source of its profitability.

We believe that remains the most effective way for Sheng Siong to compete with FairPrice. Winning customers through aggressive discounts may support sales, but sustainable earnings growth requires the company to preserve the cost advantages that allow it to offer competitive prices in the first place.

Giant and Cold Storage are entering a new phase

The most significant recent change to Singapore's supermarket market came in 2025, when Malaysia's Macrovalue acquired Giant and Cold Storage's Singapore operations. The transaction included 41 Giant stores, 48 Cold Storage-branded outlets and two distribution centres, giving Macrovalue an established presence across both mainstream and premium grocery retailing.

Giant competes more directly with Sheng Siong for value-conscious customers, while Cold Storage and CS Fresh cater to shoppers seeking premium, imported and speciality products. Under their new owner, the businesses may benefit from closer coordination of purchasing, sourcing and logistics across Singapore and Malaysia.

Macrovalue has identified opportunities to improve procurement and operating efficiency, although it is too early to know whether these plans will translate into meaningful market-share gains. Its proposed introduction of Cold Storage On The Go across 58 Esso service stations will extend the brand into convenience retailing, but should not be confused with opening another 58 full-sized supermarkets.

The more significant threat to Sheng Siong would come from a stronger Giant business. If Macrovalue can lower purchasing costs and improve store productivity, Giant could compete more aggressively on price while protecting its own profitability. That would make it harder for Sheng Siong to retain customers through competitive pricing alone.

We see this as a developing competitive risk rather than an immediate change to Sheng Siong's earnings outlook. Integrating the acquired operations and improving their economics will take time. Nevertheless, a more efficient Giant would be a more formidable competitor for the neighbourhood grocery customers Sheng Siong serves.

Smaller retailers and online platforms add to pricing pressure

Competition extends well beyond the largest supermarket chains. Prime Supermarket and other neighbourhood operators serve established residential areas, while traditional wet markets remain important for fresh produce, seafood and meat. Don Don Donki and specialist Asian grocers attract customers seeking particular products, even when they do not compete for an entire household's grocery spending.

Online shopping adds further choice. RedMart, FairPrice Online and Sheng Siong Online allow customers to compare prices and arrange deliveries without visiting a store. Delivery and fulfilment expenses make online grocery retailing costly, however, and neighbourhood supermarkets retain an advantage for customers making frequent purchases of fresh food or everyday essentials close to home.

The greater competitive effect may be improved price transparency. In October 2026, the Competition and Consumer Commission of Singapore and the Consumers Association of Singapore expanded their grocery unit-pricing pilot to additional retailers, products and online channels, including Sheng Siong and RedMart.

By making it easier to compare prices across different package sizes, these initiatives give customers more information when choosing between retailers. Sheng Siong's competitive position will therefore depend increasingly on genuine purchasing and operating efficiencies, rather than differences in how products are packaged or displayed.

Its neighbourhood locations remain valuable, but convenience alone will not protect sales if customers consistently find better value elsewhere.

Competition for attractive locations is equally important

Competition between supermarket operators is not limited to customers and grocery prices. Securing suitable premises is another important part of the battle, especially in Singapore's densely populated residential neighbourhoods.

Housing & Development Board (HDB) tenders assess rental bids alongside qualitative factors, including operating practices and affordability. From 2026, successful shop tenderers generally face a commitment to maintain their tendered rent across two tenancy terms, potentially six years.

This creates a demanding decision for supermarket operators. Attractive locations can generate substantial sales, but strong competition for premises may push rents higher before a store has demonstrated its earning potential. Newly developed estates present an additional challenge because population growth and customer spending may take several years to mature.

Sheng Siong's experience in selecting and operating neighbourhood supermarkets should help it identify promising locations. However, an established brand cannot compensate indefinitely for excessive rent or disappointing customer traffic. A supermarket that fails to attract sufficient sales may remain tied to an expensive lease for several years.

We expect Sheng Siong to continue finding opportunities to expand, supported by new residential developments and changes in existing retail tenancies. The challenge will be securing those locations without sacrificing the returns that have made its supermarket network so profitable.

For Sheng Siong, winning a new site is only the beginning. The financial success of its expansion will depend on how much profit each store can generate after paying the costs of competing for that location and serving its customers.

04 Store Network and Growth Opportunities

An expanding network in a mature market

Sheng Siong has steadily expanded its supermarket network despite Singapore's mature and competitive grocery market. It operated 69 supermarkets at the end of 2023, increasing to 75 in 2024 and 87 in 2025, when it opened a record 12 stores. Seven openings and two closures during the first nine months of 2026 brought the network to 92 supermarkets, covering approximately 800,000 square feet of retail space.

Our mapping of these 92 locations shows that Sheng Siong has established a broad presence across Singapore. The Central and North-East regions account for just over half the network under our classification, followed by the West, North and East. However, the distribution of stores between regions provides only a starting point for assessing expansion opportunities. Supermarket demand is highly localised, and the number of outlets within a planning area does not necessarily indicate how well its residential population is served.

Exhibit 4.1 | Singapore supermarket network by region, September 2026

Region	Stores	Share of network
Central	24	26%
North-East	23	25%
West	20	22%
North	15	16%
East	10	11%
Total	**92**	**100%**

Source: Sheng Siong store locations; Evermore Research geographical classification. Regions represent research groupings rather than sales-weighted catchments.

Further growth depends on finding neighbourhoods where population density, household spending and existing competition can support another supermarket. A new store may be attractive even where Sheng Siong already has substantial regional representation, provided it serves a distinct catchment. Equally, a region with relatively few stores is not necessarily underserved if its population is smaller or existing supermarkets already meet local demand.

Residential development provides opportunities for new stores

Singapore's housing development creates potential supermarket locations. HDB completed approximately 19,600 flats in 2025 and planned around 55,000 new Build-To-Order flats for launch between 2025 and 2027. These developments should gradually increase the number of households seeking convenient groceries, although several years may pass between a launch and residents moving in.

Tengah illustrates how new residential districts can create supermarket demand. The town is being developed with neighbourhood centres, transport connections and supporting retail facilities, allowing grocery operators to establish stores as the population grows. Further opportunities may emerge from housing development and renewal in Woodlands, Sembawang and Yishun.

Existing neighbourhoods can also create opportunities when premises become available through redevelopment, tenancy changes or competing retailers' closures. Sheng Siong has demonstrated an ability to secure such locations, although the economics depend on the customer base and rental terms at each property.

These opportunities support continued expansion, but they do not amount to a committed pipeline of new stores. Housing developments do not automatically produce supermarket tenders available to Sheng Siong, and attractive premises can draw substantial competition. We therefore expect steady growth rather than assuming the company will secure a fixed proportion of future sites.

A broader range of locations could support expansion

Recent openings suggest greater flexibility in the premises Sheng Siong can occupy. Stores at The Cathay, KINEX and Leisure Park Kallang demonstrate that its value-focused grocery offering can work in selected shopping centres, broadening the potential network beyond traditional neighbourhood premises.

Shopping centres can attract customers from surrounding residential areas, workplaces and transport connections, but may also involve higher rents and different shopping habits. Additional sales must justify those costs.

Taking over premises vacated by other grocery retailers offers another opportunity and may reduce the time needed to establish a store. However, a previous operator's departure does not necessarily make the location attractive. Sheng Siong still needs enough customers and a more efficient operation to make the site profitable.

Store economics matter more than the number of openings

Recent results show how dependent Sheng Siong's growth has become on new supermarkets. Stores opened during 2025 and 2026 contributed approximately 9.5 percentage points to group revenue growth in the first nine months of FY2026, compared with 1.9 percentage points from comparable older stores. In the September quarter, comparable-store sales declined 0.5%, partly reflecting an unusually strong year-earlier period supported by SG60 vouchers.

Revenue growth is increasingly driven by additional selling space rather than rapid increases in spending at established stores. Opening another supermarket can increase group revenue, but the financial benefit depends on how quickly it attracts customers and whether sales cover staffing, rent and other operating costs.

At September 2026, Sheng Siong's average supermarket occupied approximately 8,700 square feet, although outlets vary considerably in size. New stores incur staffing, fit-out, inventory and occupancy costs before reaching normal sales levels. Their profitability depends on sales productivity, product mix and the ability to share purchasing and distribution expenses across the wider network.

Management has indicated that supermarket leases generally run for three to six years, while HDB's revised tender arrangements can require tenants to maintain rent across two tenancy terms. A store that matures more slowly than expected may therefore incur substantial costs before making an attractive contribution.

Sheng Siong does not disclose store-level profitability or invested capital in enough detail to calculate reliable payback periods. We allow new stores time to build sales in our forecasts, rather than assuming they will perform like established supermarkets from the outset. We also account for their initial capital requirements and the possibility of closures.

A measured expansion towards 106 supermarkets

Management has indicated an ambition to open approximately three to five supermarkets annually, depending on suitable locations. We forecast 106 Singapore stores by FY2031, compared with 92 at September 2026. That represents approximately three net additions a year, allowing for closures alongside new openings.

We consider this achievable given Sheng Siong's recent expansion and the opportunities created by residential development. It does not require the company to repeat the exceptional 2025 opening programme or secure every available site. Our more optimistic scenario reaches 111 supermarkets by FY2031, although maintaining that pace would require a steady supply of suitable premises without accepting weaker store economics.

The Sungei Kadut distribution centre is designed to support more than 120 supermarkets, providing room for the network to expand well beyond our FY2031 forecast. That additional capacity is valuable, but the returns will ultimately depend on Sheng Siong continuing to open profitable stores. The next challenge is ensuring its distribution infrastructure can support that growth efficiently.

05 New Distribution Centre

A substantial investment in operating infrastructure

Sheng Siong's new integrated headquarters and distribution centre at Sungei Kadut represents the largest investment in its history. The S$520 million commitment will substantially expand warehousing, food-processing and distribution capabilities, replacing infrastructure that has been stretched beyond its original capacity.

Mandai Link was initially designed to support approximately 50 supermarkets. An expansion in 2021 and subsequent technology investment have allowed it to serve a network that reached 92 Singapore stores by September 2026. Further growth is increasingly constrained by the facility's physical capacity. Without additional infrastructure, Sheng Siong could eventually have to limit openings or accept higher distribution costs.

The Sungei Kadut site covers approximately 61,300 square metres, around two and a half times Mandai Link's land area. Its planned seven-storey building will combine warehousing, food processing, temperature-controlled storage and corporate offices. Designed to serve more than 120 supermarkets, it will provide capacity well beyond the 106 stores in our FY2031 forecast.

Automated storage and retrieval systems, robotics and more sophisticated warehouse management technology are intended to reduce manual handling and improve the movement of merchandise. The facility is expected to accommodate more than 70,000 pallet positions, with separate environments for fresh, chilled, frozen and dry goods.

These capabilities should be valuable to a retailer whose profitability depends on purchasing efficiency, inventory turnover and controlled wastage. Faster stock movement and consistent temperature management could improve fresh-food availability and reduce spoilage. Greater storage capacity may also allow Sheng Siong to purchase more efficiently from its network of over 900 local suppliers.

The financial benefits should come from better purchasing terms and lower distribution costs for each unit handled. Automation could reduce labour requirements for some activities, although it will also introduce software, maintenance and specialist staffing costs. Management has not disclosed a quantified annual savings target, making it difficult to judge how much of the investment will eventually translate into higher profits.

Understanding the S$520 million commitment

Sheng Siong's September 2025 announcement includes rent payable over the 33-year Sungei Kadut land lease alongside construction, machinery, cold-storage facilities, fit-out and solar installations. The S$520 million should not be treated entirely as upfront construction expenditure.

The land arrangements require at least S$120 million of investment in new plant and machinery within four years of the lease commencing in December 2025. Construction is expected to be completed in 2029, with project expenditure continuing progressively through 2030. Management intends to use internal resources and potentially borrowings, but has not specified the final funding mix.

The distinction between construction spending and lease accounting is important when assessing the project's cost. Sheng Siong has not provided a detailed budget, so we estimate how spending will be divided between buildings, equipment and other assets. These estimates affect the timing of cash outflows, depreciation and future equipment replacement costs.

The land lease has already begun affecting reported earnings. Sheng Siong recognised additional right-of-use depreciation associated with Sungei Kadut during 2026, before the facility became operational. We distinguish costs already reflected in the accounts from the larger depreciation and operating expenses expected on completion.

The transition also involves Mandai. Under the JTC property arrangements, Sheng Siong must sell or assign the existing site to an approved buyer within two years of the new facility receiving its temporary occupation permit, or by 17 December 2031, whichever is earlier. Proceeds could offset part of the investment, but their timing and amount are uncertain, so we have excluded them from our valuation.

Higher depreciation before operating benefits emerge

The most demanding period for reported profitability is likely to begin when Sungei Kadut enters operation. Depreciation on the new building and equipment will increase as the assets become available for use, while commissioning expenses, maintenance and some overlap with Mandai could temporarily raise operating costs.

We expect Sungei Kadut to begin operating on a limited basis around FY2030, with the full depreciation and operating-cost burden reflected in FY2031. By then, we forecast 106 Singapore stores, leaving considerable capacity unused. The company will therefore be carrying the costs of a facility designed for a much larger network before it has the sales volumes to make full use of it.

Exhibit 5.1 | Evermore forecast distribution-centre transition

Year	Singapore stores	EBIT margin	Operating stage
FY2026E	92	11.24%	Construction
FY2029E	101	10.96%	Before commissioning
FY2031E	106	9.82%	Early operations
FY2036E	116	12.15%	Greater utilisation
FY2040E	120	12.25%	Mature network

Source: Evermore Research estimates. Forecasts reflect our assumptions rather than management guidance.

We forecast EBIT margin declining from 11.2% in FY2026 to 9.8% in FY2031, before recovering to approximately 12.2% by FY2036. Higher volumes should spread the facility's largely fixed costs across greater revenue, while purchasing, warehouse productivity and inventory management may contribute further gains.

Not all the projected improvement represents additional cash earnings. Some equipment will be depreciated over relatively short useful lives, consistent with Sheng Siong's existing accounting policies. Once those assets are fully depreciated, reported profit can rise even if they still require maintenance or replacement. We therefore allow for replacement expenditure in our longer-term cash flow forecasts. The precise useful lives of Sungei Kadut's automated systems remain unconfirmed.

Returns depend on profitable supermarket expansion

Warehouse savings alone are unlikely to justify the cost of Sungei Kadut. Much of its value comes from enabling Sheng Siong to open additional supermarkets once Mandai's capacity constraint is removed. If store openings slow, the company could find itself carrying the costs of a much larger distribution centre without enough additional sales to earn an attractive return.

Treating Sungei Kadut as a separate investment, we estimate an internal rate of return of 9.6% and incremental net present value of approximately S$97 million, using a 6.98% discount rate. The analysis considers projected cash flows through the remaining land-lease period to 2058, including store expansion, operating efficiencies, capital expenditure and the alternative of maintaining existing infrastructure.

The investment has a clear strategic purpose, but its expected financial return leaves limited room for disappointment. Much of the estimated value arises after FY2040, when a larger supermarket network should be making better use of the facility. Slower expansion, weaker automation benefits or higher equipment replacement costs could materially reduce those returns. The outcome will also depend on how much further Sheng Siong could have expanded without building Sungei Kadut.

06 Profitability and Operating Margins

Strong gross margins, but rising operating costs

Sheng Siong has maintained attractive profitability despite competing in a market where customers are sensitive to grocery prices. EBIT margin was approximately 11.2% in FY2024 and FY2025, increasing to 11.7% during the first nine months of FY2026. This performance reflects an ability to improve purchasing economics and merchandise mix while managing the costs of an expanding supermarket network.

Gross margin increased from 30.5% in FY2024 to 31.3% in FY2025 and reached 32.0% in the first nine months of FY2026. Management attributes much of the improvement to a more favourable product mix, supported by direct sourcing and house brands. Greater control over fresh-food procurement and processing also creates opportunities to improve yield and reduce wastage.

These gains have allowed Sheng Siong to retain more revenue as gross profit without relying primarily on higher selling prices. However, FairPrice and Giant compete aggressively on everyday grocery prices, and some purchasing savings must be passed on to customers to remain competitive. Further improvement will therefore depend on sourcing, merchandise mix and inventory management rather than greater pricing power.

Store expansion is absorbing much of the improvement

The stronger gross margin has not translated into comparable operating-profit growth. During the first nine months of FY2026, selling and distribution expenses increased by S$28.3 million and administrative expenses by S$6.0 million. Store and operating staff accounted for S$21.8 million of the increase, with administrative staffing adding S$3.6 million.

New supermarkets require employees, while variable bonuses and wage adjustments under Singapore's Progressive Wage Model have increased costs across the existing business. New leases add depreciation, and digital-payment and platform charges have continued to rise.

These expenses affect profitability before new stores mature. Employees must be hired, premises prepared and inventory stocked from opening, while customer traffic generally builds over time. Wage increases across established stores take effect immediately. Revenue from openings can therefore grow without a corresponding improvement in operating margins.

Self-checkout technology may reduce labour requirements, but fresh-food preparation, replenishment and customer service still require staffing. The pace at which new stores reach normal sales levels is important to earnings growth, alongside the company's ability to control wages and other recurring expenses.

The September 2026 quarter illustrates the pressure. Gross margin improved from 31.5% to 32.2%, but attributable profit increased only 1.9% despite revenue growth of 6.2%. Comparable-store sales declined 0.5%, partly reflecting the unusually strong year-earlier period supported by SG60 vouchers. New supermarkets added revenue, but expansion costs absorbed much of the benefit.

We would not treat one weak comparable-sales quarter as evidence of sustained demand deterioration. Nevertheless, the results show that gross-margin gains alone are unlikely to deliver stronger earnings growth if operating costs continue rising at a similar pace. Better sales productivity will be just as important as further purchasing improvements.

Separating underlying earnings from one-off income

Sheng Siong recognised higher miscellaneous income during the first nine months of FY2026, including a one-off recognition of supplier rebates. These amounts were recorded in other income rather than as an improvement in gross margin. The company has not disclosed a recurring benefit of equivalent size, and we do not expect the unusually strong contribution to repeat. Government grants and other non-operating income can also flatter reported profits without improving the underlying supermarket business.

Higher gross profit from better purchasing terms or product mix may persist if those advantages are maintained. A one-off rebate or grant can lift reported profit without changing the economics of the supermarket business. We therefore place greater weight on the relationship between gross profit, recurring expenses and sales productivity than on isolated movements in net profit.

Operating margins face pressure before recovering

We forecast EBIT margin declining from 11.2% in FY2026 to approximately 10.9% in FY2027 as recently opened supermarkets mature and labour costs rise. Margins are expected to remain near that level through FY2029, with purchasing improvements and additional revenue largely offset by higher operating expenses.

Mature-store sales and the contribution from new locations should explain most of the near-term change in profitability. Stronger comparable-store sales would spread staffing and occupancy costs over more revenue, while weaker demand or faster wage increases would make it harder to translate gross profit into higher earnings.

When Sungei Kadut opens, higher depreciation and transition costs should push EBIT margin down to 9.8% in FY2031. We expect it to recover to 12.2% by FY2036 as the supermarket network grows to 116 stores and the facility handles greater volumes.

Better purchasing terms, less labour-intensive warehousing and greater use of the distribution centre should gradually offset the costs of the new facility.

Some of the projected recovery also reflects shorter-lived equipment becoming fully depreciated. That will lift reported EBIT, but the equipment will still need maintaining and eventually replacing, so not all of the improvement in reported margins will translate into additional cash.

Evidence of sustainable margin improvement

Comparable-store sales, revenue per square foot and employee costs relative to revenue will indicate whether Sheng Siong is improving store productivity. For earnings to improve, Sheng Siong needs to retain more of its gross-margin gains rather than having them absorbed by rising operating expenses. Once Sungei Kadut opens, distribution costs relative to sales, utilisation and equipment maintenance will provide further evidence of its operating performance.

The distinction between higher reported profits and genuine operating improvements will become increasingly important as the new distribution centre matures. Stronger sales productivity and lower distribution costs would give us greater confidence in the earnings recovery than a margin improvement driven mainly by declining depreciation.

Exhibit 6.1 | Evermore forecast operating-margin transition



Source: Sheng Siong filings; Evermore Research estimates. FY2026–FY2036 values are forecasts.

07 International Operations and Johor RTS Exposure

China remains a small part of the business

Sheng Siong's international operations remain limited to six supermarkets in Kunming, Yunnan province. The company entered China in 2017 but has pursued a measured expansion strategy, focusing on existing stores rather than developing a nationwide presence. China contributed 2.4% of group revenue in FY2025 and 2.0% during the first nine months of FY2026.

Building a profitable operation has proved challenging. The sixth store, opened in 2024, increased operating expenses and contributed to a loss in FY2025. Competition from established retailers and smaller neighbourhood operators has constrained pricing and sales growth. Performance improved in 2026, with the six stores collectively reaching breakeven over the first nine months. It remains too early to know whether that improvement can be sustained.

The financial exposure is relatively modest. At its April 2026 shareholder meeting, management reported approximately US$3 million invested in China against a committed contribution of US$6 million, describing the operations as self-sustaining. This gives Sheng Siong room to develop the business without committing substantial additional capital.

China could eventually become another source of growth, but we see little reason to expect it to influence group earnings significantly over the next few years. Singapore will remain the driving force behind the company's financial performance.

Malaysia presents a competitive risk rather than an expansion opportunity

Sheng Siong has no supermarkets in Malaysia and has not announced plans to establish a network there. Expanding across the border would introduce a different competitive environment and supply-chain requirements, with little certainty that the company's purchasing advantages could be replicated.

Malaysia is more relevant through its influence on consumer spending in Singapore. Residents already travel to Johor Bahru for shopping and dining, attracted by lower prices and favourable exchange rates. The Johor Bahru–Singapore Rapid Transit System (RTS) Link could make those trips more convenient and increase competitive pressure on selected Singapore supermarkets.

Passenger services are targeted to begin in February 2027, subject to safety and regulatory approvals. The railway will connect Woodlands North in Singapore with Bukit Chagar in Johor Bahru, with approximately five minutes of travel between stations and immigration clearance at the point of departure.

The train journey is only part of the shopping trip. Travellers must still reach the station, clear immigration, travel to Malaysian shops and return with their purchases. Fares, connecting transport and the time involved will determine whether the savings justify the effort.

Cross-border shopping is likely to make more sense for occasional purchases of household essentials than for frequent fresh-food shopping. Sheng Siong's neighbourhood supermarkets offer the convenience of buying groceries close to home, often without the cost of public transport or a lengthy journey. Lower Malaysian prices must be sufficiently attractive to overcome that convenience.

Singapore's personal food-import restrictions and GST-relief limits also impose practical constraints. Eligible travellers returning after less than 48 hours can claim GST relief on goods worth up to S$100, subject to separate food-import requirements. These restrictions may discourage some grocery purchases across the border, although they will not eliminate the price advantage available on other products.

The impact is likely to be concentrated in northern Singapore

Any loss of supermarket spending is unlikely to be spread evenly across Sheng Siong's network. Stores in Woodlands, Marsiling and nearby northern residential areas face greater exposure because their customers have easier access to Johor Bahru. Supermarkets elsewhere in Singapore are less likely to lose meaningful sales to cross-border shopping.

We mapped Sheng Siong's 92 Singapore supermarkets to assess this exposure, taking account of store locations and estimated travel accessibility rather than simply measuring distance from the RTS station.

Our illustrative downside scenario puts approximately S$5.1 million of FY2027 revenue at risk, with a potential EBIT reduction of S$1.3 million. That represents around 0.7% of forecast group EBIT.

Exhibit 7.1 | Evermore Research indicative RTS downside scenario

Measure	FY2027 sensitivity
Revenue at risk	S$5.1m
EBIT at risk	S$1.3m
EBIT impact relative to FY2027 group forecast	Approximately 0.7%

Source: Evermore Research geographical analysis and financial forecasts. This is an illustrative downside scenario, not a forecast of reported losses or an adjustment to our central earnings estimates.

The actual effect could be smaller or larger, depending on how frequently residents use the RTS, the cost of connecting transport and the savings available in Johor Bahru. We do not expect the railway to cause a material decline in group earnings, although the impact could be more noticeable at individual northern supermarkets.

Sheng Siong could respond with targeted promotions, price adjustments and changes to its product ranges. These measures may help retain customers, but could also put pressure on store margins. Malaysian visitors shopping in Singapore might offset some of the spending lost across the border, although we expect that benefit to be modest.

A sustained deterioration in sales at northern supermarkets relative to the rest of Sheng Siong's network would be a clearer indication that cross-border shopping is affecting the business. For now, we see the RTS as a manageable competitive risk concentrated in a limited part of the supermarket network, rather than a serious threat to group profitability.

08 Financial Forecasts

A larger business, but only modest earnings growth

By FY2031, we expect Sheng Siong to operate 14 more supermarkets than at the end of FY2026 and generate almost S$450 million in additional annual revenue. Yet attributable profit is forecast to increase by less than S$15 million. The company should become considerably larger over the next five years without becoming much more profitable.

This reflects two challenges. New supermarkets are adding sales, but higher staffing and operating costs are absorbing much of the additional gross profit. Towards the end of the forecast period, Sungei Kadut will add another layer of expenses before the new distribution centre has enough volume to deliver its full benefits.

Our FY2026 forecast includes nine months of reported results, with revenue of S$1.30 billion and attributable profit of S$125.4 million. We expect the December quarter to contribute a further S$414.1 million in revenue and S$34.2 million in profit, representing growth of approximately 6% and 2%–3%, respectively, from a year earlier. Christmas generally provides less of a boost to grocery spending than Lunar New Year, although expiring consumer vouchers could support some purchases towards year-end.

Exhibit 8.1 | Evermore Research financial forecasts, FY2026–FY2031

S$m, except where stated	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	1,711	1,795	1,883	1,974	2,069	2,160
Gross margin	31.96%	32.06%	32.16%	32.26%	32.40%	32.57%
EBIT	192.2	194.7	204.6	216.3	210.2	212.1
EBIT margin	11.24%	10.85%	10.87%	10.96%	10.16%	9.82%
Attributable profit	159.6	162.5	170.1	179.0	171.9	174.4
EPS (SG cents)	10.61	10.80	11.32	11.91	11.43	11.60
Singapore stores	92	95	98	101	104	106

Source: Evermore Research estimates. FY2026 includes nine months of actual results and a forecast fourth quarter. Figures rounded.

New supermarkets will drive most of the growth

We expect Sheng Siong's Singapore network to expand from 92 supermarkets at the end of FY2026 to 106 by FY2031. This generally involves four openings and one closure annually through FY2030, followed by three openings and one closure in FY2031.

That pace is consistent with management's ambition to open three to five supermarkets each year.

New supermarkets initially contribute only part-year revenue, and sales tend to build as they establish themselves within their neighbourhoods. We also expect some improvement at existing locations, with average Singapore sales productivity rising from approximately S$2,150 per square foot in FY2026 to S$2,345 by FY2031.

The additional selling space will nevertheless account for most of the growth. Singapore revenue is forecast to rise from S$1.67 billion to approximately S$2.12 billion over the five years, while China should contribute around S$40 million by FY2031. We do not expect international expansion or a substantial recovery in comparable-store sales to play a significant role.

Higher costs will absorb much of the additional profit

Sheng Siong should continue improving its gross margin through better sourcing, private-label products and a more profitable sales mix. We forecast an increase from approximately 32.0% in FY2026 to 32.6% by FY2031.

The difficulty is retaining those gains. Additional supermarkets need employees, while wages, rents and other operating expenses are rising across the existing network. These costs can increase well before a new store reaches its normal sales levels, leaving relatively little of the additional gross profit flowing through to earnings.

The FY2027 forecast illustrates the problem. We expect revenue to increase by approximately S$84 million, but EBIT to rise by just S$2.5 million. That represents an operating margin of only around 3% on the additional sales, compared with the group's overall margin of nearly 11%.

We do not expect such weak profit conversion to persist indefinitely. As new supermarkets mature, their sales should grow faster than many of their operating costs. However, the benefits will take time to emerge, and continued wage pressure will limit the improvement.

Sungei Kadut will delay the earnings recovery

We expect EBIT to reach S$216.3 million in FY2029 before falling in FY2030 and recovering only slightly in FY2031, despite continued revenue growth.

Sungei Kadut is the main reason. The distribution centre should begin operating during FY2030, bringing higher depreciation, commissioning expenses and some duplication of costs during the transition from Mandai. By FY2031, Sheng Siong will be carrying the full cost of a facility designed to serve more than 120 supermarkets, while operating a network of just 106.

We forecast EBIT margin falling from approximately 11.0% in FY2029 to 9.8% in FY2031. Attributable profit is expected to remain below its FY2029 level, even though group revenue will be almost S$190 million higher.

Profitability should improve as the supermarket network expands and more goods move through Sungei Kadut. Greater volumes will allow the company to spread distribution costs across more sales, while automation and better inventory management offer opportunities for further savings. We forecast EBIT margin recovering to approximately 12.2% by FY2036.

Some of that recovery will also come from equipment becoming fully depreciated rather than from lower operating costs. The equipment will still need maintaining and eventually replacing, so improvements in cash generation may be more gradual than the recovery in reported margins suggests.

The next five years should therefore be a period of substantial revenue growth but relatively limited earnings progress. Sheng Siong has the opportunity to become more profitable once its new infrastructure is better utilised, although investors will need to be patient while that capacity is developed.

09 Cash Flow, Balance Sheet and Capital Allocation

Strong cash generation, with a more demanding investment period ahead

Sheng Siong's supermarket business has historically generated substantial cash relative to earnings. Customers generally pay at the point of sale, inventory turns relatively quickly and supplier credit helps fund working capital. In FY2025, operating cash flow was S$236.6 million against group net profit of S$149.2 million. After S$20.9 million of property and equipment purchases and S$45.9 million of lease payments, approximately S$170 million remained before dividends. The company paid S$96.2 million in cash dividends while increasing year-end cash to S$435.5 million.

Cash conversion weakened during the first nine months of FY2026. Operating cash flow declined to S$120.8 million from S$175.4 million a year earlier, with a S$56.4 million reduction in trade and other payables accounting for much of the movement. Suppliers were settled earlier, reducing the working-capital funding available. After S$19.5 million of property and equipment expenditure and S$39.3 million of lease payments, approximately S$62 million remained before dividends. Cash dividends of S$113.5 million contributed to the decline in cash to S$388.9 million at September 2026.

The weaker cash conversion does not necessarily indicate a deterioration in the supermarket business. Payment timing can create substantial differences between reporting periods, especially where supplier balances are large. We expect the recent working-capital pressure to ease, although persistently less favourable supplier terms would leave Sheng Siong with less cash to fund its expansion.

Construction expenditure will absorb much of the available cash

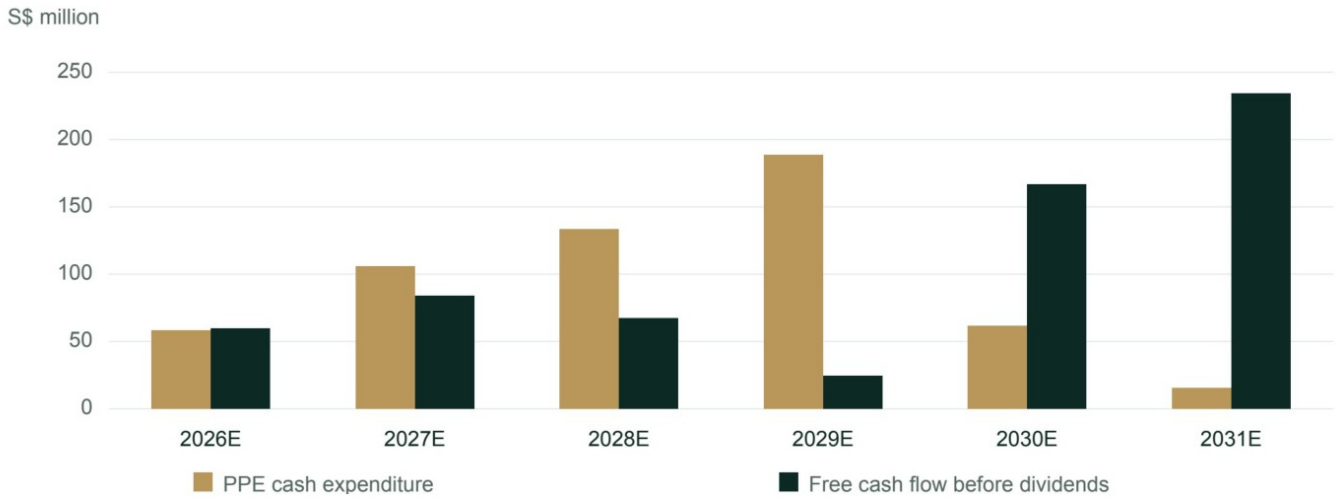
The S$520 million Sungei Kadut commitment includes land rent over the 33-year lease alongside the cost of developing and equipping the facility. We estimate that approximately S$474 million relates to construction and equipment, with the remaining S$46 million attributable to land rent. Sheng Siong has not disclosed a detailed breakdown of the project budget.

We expect property and equipment expenditure to increase from S$58 million in FY2026 to S$106 million in FY2027 and S$134 million in FY2028, peaking at approximately S$189 million in FY2029. These forecasts also include new supermarket fit-outs and maintenance of existing assets.

Operating cash flow should continue growing as the supermarket network expands and working-capital movements settle. However, construction spending will absorb much of that additional cash. We forecast free cash flow after capital expenditure and lease payments, but before dividends, falling from S$59.6 million in FY2026 to just S$24.6 million in FY2029.

The existing supermarkets should remain strongly cash generative. The challenge is that much of the cash they produce will be needed to fund infrastructure rather than dividends or further investment.

Exhibit 9.1 | Construction expenditure and free cash flow



Source: Evermore Research estimates. Free cash flow includes interest received and is calculated after property and equipment expenditure and lease payments, but before dividends.

Exhibit 9.2 | Evermore Research cash-flow and balance-sheet forecasts

S$m, except where stated	2026E	2027E	2028E	2029E	2030E	2031E
Operating cash flow	164.5	240.4	254.6	270.6	289.5	313.4
PPE cash expenditure	(58.1)	(105.7)	(133.6)	(188.7)	(61.6)	(15.3)
Cash lease payments	(52.9)	(56.2)	(59.0)	(61.8)	(64.7)	(67.5)
Free cash flow before dividends[1]	59.6	84.2	67.4	24.6	166.7	234.4
Cash dividends paid	(113.5)	(112.6)	(116.0)	(121.8)	(123.2)	(121.1)
Year-end cash	381.8	353.5	304.8	240.0	251.2	364.5
Year-end bank borrowings	0.0	0.0	0.0	32.3	0.0	0.0

[1] Free cash flow includes separately recorded cash interest receipts, after property and equipment expenditure and cash lease payments, including interest, and before dividends. Source: Evermore Research estimates. Figures rounded.

The balance sheet provides considerable flexibility

Sheng Siong entered the investment period with substantial cash and no conventional bank borrowings at September 2026. It did carry approximately S$161 million of lease liabilities, representing commitments that must be funded alongside operating expenses and capital expenditure.

We expect cash reserves to decline to approximately S$240 million by FY2029, before recovering after construction spending peaks. We also expect Sheng Siong to borrow S$32.3 million temporarily during FY2029 rather than draw down its cash reserves further, with the debt repaid the following year. This is our financing forecast, not a borrowing plan announced by management.

The remaining cash balance should provide considerable protection against construction cost overruns or weaker trading. However, that flexibility depends on the supermarkets continuing to generate healthy operating cash flow. Persistently weaker working-capital conversion or higher project costs could increase the need for borrowing.

Cash generation should improve substantially once construction expenditure subsides. We forecast free cash flow before dividends reaching S$234 million in FY2031, helped by unusually low capital expenditure that year. It would be a mistake to regard that figure as the amount Sheng Siong can generate every year thereafter.

Sungei Kadut will require ongoing maintenance and periodic replacement of its equipment. These expenses will reduce the cash available to shareholders over time. We have also excluded any proceeds from a future disposal of Mandai Link, given the uncertainty over the amount and timing.

Dividends compete with investment for cash

Sheng Siong paid total dividends of 7.00 Singapore cents per share for FY2025, representing approximately 70% of attributable earnings. Its FY2026 interim dividend increased to 3.75 cents from 3.20 cents a year earlier.

The company has no fixed dividend policy, although management aims to distribute up to 70% of earnings, subject to investment requirements and financial conditions. That flexibility will become more important as construction spending increases.

We expect dividends to remain broadly consistent with a 70% earnings payout, resulting in annual cash payments of approximately S$112 million to S$123 million through FY2031. The timing of interim and final dividends means cash payments in any given year will not necessarily equal that year's declared payout.

The pressure is greatest in FY2029. We forecast just S$24.6 million in free cash flow before dividends against expected cash dividend payments of S$121.8 million. Sheng Siong should have sufficient reserves to manage the difference, alongside the temporary borrowing we anticipate, but maintaining dividends will reduce the cash available for other purposes.

Management could also choose to moderate the dividend if construction costs exceed expectations or cash generation proves weaker. Preserving the balance sheet may become more important than maintaining the historical payout rate during the most demanding stage of the investment.

Sheng Siong has enough financial flexibility to manage the construction years without placing its supermarket operations under immediate strain. The harder test comes afterwards, when a larger network must generate enough additional cash to justify the investment and support future dividends.

10 Valuation

Valuing Sheng Siong through its investment cycle

We value Sheng Siong at S$2.97 per share using discounted cash flow (DCF). This approach captures the cash generated by its existing supermarkets, the substantial investment in Sungei Kadut and the additional earnings we expect from a larger network over time.

The timing of those cash flows is important. Sheng Siong will spend heavily on construction over the next several years, while depreciation and operating costs will weigh on reported profits after the new facility opens. A valuation based on a single year's earnings would struggle to distinguish these temporary pressures from the longer-term earning potential of the business.

We forecast cash flows through FY2040, covering the expansion of the supermarket network, Sungei Kadut's commissioning and the subsequent recovery in operating margins. Beyond that period, the valuation reflects the cash we expect Sheng Siong to generate from a more mature network supported by its expanded distribution infrastructure.

The assumptions behind our valuation

Our valuation uses a weighted average cost of capital (WACC) of 6.98% and perpetual growth of 2.0%. The discount rate incorporates a 2.5% Singapore-dollar risk-free rate, a beta of 0.85 and an equity risk premium of 5.5%, producing a cost of equity of approximately 7.18%. We also assume a 5% debt weighting, a 4.0% pretax borrowing cost and a 17% tax rate.

We consider this discount rate appropriate for a business with Sheng Siong's established profitability, resilient grocery demand and strong financial position. The company faces relatively predictable consumer demand, although the scale of its investment in Sungei Kadut introduces risks that will take several years to resolve. Our 2.0% terminal growth assumption reflects a more mature supermarket network expanding at a slower pace.

The DCF produces an enterprise value of approximately S$4.08 billion. Adding forecast FY2026 year-end cash of S$381.8 million and deducting S$3.4 million for non-controlling interests gives attributable equity value of approximately S$4.46 billion. Divided by 1.5035 billion shares, this produces our S$2.97 fair value.

Exhibit 10.1 | Evermore Research DCF valuation

DCF component	Base case
WACC	6.98%
Terminal growth	2.00%
Enterprise value	S$4,083.6m
FY2026E closing cash	S$381.8m
Non-controlling interests	(S$3.4m)
Attributable equity value	S$4,462.0m
Shares outstanding	1,503.5m
Fair value per share	**S$2.97**

Source: Evermore Research estimates. The valuation assumes no conventional bank borrowings at FY2026 year-end. Figures rounded.

Lease payments are already deducted when calculating free cash flow, so deducting lease liabilities again from the resulting valuation would count the same obligations twice. We have also excluded proceeds from a future disposal of Mandai Link because neither the amount nor the timing is known.

Much of the value lies beyond FY2040

Approximately 58% of our estimated enterprise value comes from cash generated beyond FY2040. That is a substantial proportion, reflecting the long operating life of Sungei Kadut and the expectation that Sheng Siong will continue benefiting from its additional capacity long after construction is complete.

It also introduces uncertainty. The valuation depends on Sheng Siong maintaining attractive supermarket profitability, continuing to open successful stores and achieving lasting improvements in distribution efficiency. Those benefits must be sufficient to cover the ongoing costs of operating the larger facility, including equipment maintenance and replacement.

We do not expect the unusually strong free cash flow immediately following construction to continue indefinitely. Capital expenditure will eventually return to more normal levels, while the new distribution centre will require further investment over its operating life.

The greatest opportunity comes from opening additional supermarkets without needing another major expansion of distribution capacity. Each successful store should contribute additional cash earnings while making greater use of infrastructure that is already in place. Conversely, slower expansion would leave more capacity unused and reduce the return on Sheng Siong's investment.

Earnings multiples provide a secondary check

At S$2.41, Sheng Siong trades at approximately 22.7 times our FY2026 earnings estimate and 22.3 times FY2027 earnings. Our S$2.97 fair value represents approximately 27.5 times forecast FY2027 earnings per share of 10.80 Singapore cents.

Applying an illustrative multiple of 26 times FY2027 earnings produces a valuation of S$2.81 per share, while 28 times gives S$3.02. These figures provide a reasonable cross-check against our DCF valuation.

Sheng Siong's strong operating margins, resilient demand and substantial cash reserves support a premium valuation. However, investors are being asked to look beyond several years of modest earnings growth and a major infrastructure investment before its full benefits become apparent.

We place greater weight on discounted cash flow because it captures the timing of that investment and the returns expected from it. An earnings multiple based on FY2027 or FY2031 alone would provide an incomplete picture of the company's longer-term potential.

Sensitivity to the discount rate and operating performance

Our valuation is sensitive to the discount rate, reflecting the substantial contribution from cash flows generated many years into the future.

Holding terminal growth at 2.0%, increasing WACC from 6.98% to 7.5% reduces fair value to approximately S$2.68 per share. At 8.0%, fair value falls to S$2.46, only slightly above the current share price.

Exhibit 10.2 | Evermore Research DCF discount-rate sensitivity

WACC	Fair value per share
6.98%	S$2.97
7.50%	S$2.68
8.00%	S$2.46

Source: Evermore Research estimates. Terminal growth is held at 2.0%, with operating forecasts unchanged.

The sensitivity reinforces the importance of Sungei Kadut delivering the returns we expect. The investment will add substantial capacity, but its value depends on Sheng Siong opening enough profitable supermarkets to make good use of it. Higher sales productivity and lasting distribution savings would improve cash generation, while slower expansion or greater equipment replacement costs would reduce it.

We believe the prospective return at S$2.41 provides sufficient compensation for those risks. Our S$2.97 fair value represents 23.2% capital upside and approximately 26.3% expected total return, including a forecast dividend yield of 3.1%.

Sheng Siong has an established, profitable supermarket business and the financial strength to manage its investment programme. Although the returns from Sungei Kadut will take time to emerge, we see an attractive opportunity to invest in the company's longer-term growth at the current share price. We initiate coverage with a BUY recommendation.

11 Investment Risks and Catalysts

Expansion must deliver attractive returns

Sheng Siong's biggest investment risk is not a sudden collapse in grocery demand. It is that the company spends heavily on a larger supermarket network and distribution infrastructure without generating enough additional cash to justify the investment.

The existing business has demonstrated its ability to operate profitably in a competitive market. Maintaining those returns as the network grows will be more demanding. New supermarkets must attract sufficient customers, while Sungei Kadut needs greater distribution volumes to justify its substantial cost. If either falls short, Sheng Siong could become a larger business without delivering much improvement in earnings or cash flow.

New supermarkets must justify their costs

We expect Sheng Siong to operate 106 Singapore supermarkets by FY2031, compared with 92 at September 2026. Achieving that growth will depend on securing attractive premises in a competitive property market.

New residential estates offer opportunities, but their populations take time to build. Competition for established locations can also drive up rents. Sheng Siong may find itself paying substantial occupancy and staffing costs before a new supermarket attracts enough customers to become profitable.

There is also a risk of new outlets drawing sales from existing Sheng Siong supermarkets, especially as the network becomes denser. Adding stores is of little benefit if the company simply spreads the same customer spending across more locations while taking on higher operating costs.

A slower opening programme would reduce revenue growth and delay the benefits of Sungei Kadut. Conversely, stronger sales at new and existing supermarkets could lift earnings without requiring the company to accelerate expansion.

Sungei Kadut carries construction and operating risks

The new distribution centre is expected to be completed in 2029, with operations beginning around FY2030. Construction delays, equipment cost overruns or a longer transition from Mandai would increase cash requirements and extend the period of pressure on earnings.

The greater uncertainty comes after the facility opens. Automation should improve the handling and movement of merchandise, but those benefits will depend on Sheng Siong processing enough goods to make good use of the investment.

If supermarket expansion falls short of expectations, the company could be left operating an expensive distribution centre with considerable unused capacity. Higher fixed costs would weigh on margins, while the expected purchasing and warehousing efficiencies could take longer to emerge.

The automated equipment will also need maintaining and eventually replacing. If those costs prove higher than expected, Sheng Siong could report improving operating margins without achieving the same improvement in cash generation.

Our analysis indicates an internal rate of return of 9.6% for Sungei Kadut. That supports the investment, but leaves limited room for a prolonged period of weak utilisation, higher costs or disappointing supermarket growth.

Competition and rising costs could hold back earnings

Sheng Siong's purchasing advantages and efficient operations have helped it compete successfully on everyday grocery prices. However, FairPrice remains a formidable competitor, while Giant and Cold Storage could become more effective rivals under Macrovalue's ownership.

More aggressive promotions would make it harder for Sheng Siong to retain the benefits of better purchasing terms. Higher wages, electricity, transport and occupancy costs could also absorb further improvements in gross margin.

The September 2026 quarter demonstrated the challenge. Gross margin improved to 32.2%, but attributable profit increased only 1.9%. Continued growth in supermarket numbers will offer limited earnings benefits if operating expenses keep rising at a similar pace.

Fresh-food supply disruptions and extreme weather present additional risks, potentially raising procurement costs or affecting product availability.

The Johor RTS Link could also encourage some northern Singapore households to purchase more groceries in Malaysia. We expect any effect to be concentrated around Woodlands and nearby areas rather than across Sheng Siong's entire network. Trading performance at those supermarkets after the railway opens should provide a clearer indication of the actual impact.

Cash generation will influence financial flexibility

Sheng Siong's substantial cash reserves provide protection during construction, but the investment will place greater demands on operating cash flow.

We forecast free cash flow before dividends falling to S$24.6 million in FY2029, compared with expected dividend payments of S$121.8 million. The company should be able to manage the difference using its cash reserves, alongside the temporary borrowing of S$32.3 million we anticipate.

The risk is that construction spending proves higher or operating cash flow weaker than expected. Supplier payments have already affected cash conversion during FY2026. If that pressure persists, Sheng Siong may need to draw further on its reserves, increase borrowing or moderate dividends.

None of these outcomes would necessarily threaten the underlying supermarket business. However, they could reduce financial flexibility and leave shareholders waiting longer for the investment to generate additional cash.

Developments that could change our assessment

Stronger sales at new supermarkets, sustained improvements in purchasing and better control over operating expenses would support higher earnings than we currently forecast.

Sungei Kadut will become increasingly important once it begins operating. Evidence of lower distribution costs, improved inventory management and stronger cash generation would give us greater confidence in the returns from the investment.

Conversely, slower store expansion, persistent weakness in comparable-store sales or a more expensive transition could reduce the long-term cash flows supporting our valuation.

Exhibit 11.1 | Key investment milestones and developments to monitor

Period or milestone	What to watch	Why it is important
FY2026 full-year results	Fourth-quarter profit against our S$34.2m forecast; comparable-store sales; working capital	Provides evidence of near-term earnings performance and whether cash conversion is recovering
2027–2029 supermarket expansion	Net openings, tender outcomes, sales productivity and closures	Tests whether Sheng Siong is on course to reach 106 Singapore stores by FY2031
RTS Link commencement, targeted February 2027	Sales performance at northern Singapore supermarkets	Shows whether cross-border shopping is having a noticeable effect on local demand
2029–2031 Sungei Kadut transition	Construction costs, commissioning, equipment spending and operating efficiencies	Provides evidence of the cost and timing of bringing the new distribution centre into operation

Source: Sheng Siong disclosures, Land Transport Authority and Evermore Research estimates. Milestone dates include company objectives, external targets and analytical monitoring periods, rather than confirmed results dates.

12 Financial Appendix and Disclosures

The following tables present Sheng Siong's historical financial performance, our forecasts and the assumptions supporting our valuation. Figures are in Singapore dollars unless otherwise stated.

Historical financial performance

S$m, except where stated	2023A	2024A	2025A	9M25A	9M26A
Revenue	1,367.7	1,428.7	1,570.0	1,180.2	1,296.8
Gross profit	410.5	435.5	491.6	366.6	414.7
Gross margin	30.0%	30.5%	31.3%	31.1%	32.0%
Selling and distribution expenses	(221.4)	(236.5)	(270.4)	(198.6)	(226.9)
Administrative expenses	(49.6)	(58.5)	(61.5)	(45.4)	(51.4)
EBIT	155.4	159.7	175.8	136.4	151.4
EBIT margin	11.4%	11.2%	11.2%	11.6%	11.7%
Profit attributable to shareholders	133.7	137.5	149.5	116.1	125.4
EPS (SG cents)	8.89	9.15	9.94	7.72	8.34
Operating cash flow	177.1	219.0	236.6	175.4	120.8
Property and equipment purchases	10.2	18.2	20.9	13.0	19.5
Cash and cash equivalents	324.4	353.4	435.5	393.7	388.9
Singapore supermarkets	69	75	87	84	92

Source: Sheng Siong FY2023–FY2025 financial statements, 9M FY2026 business update and Evermore Research. Nine-month figures are not annualised. Purchases are shown as positive cash outflows; cash balances and store numbers are period-end figures.

Earnings forecasts

S$m, except where stated	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	1,710.9	1,794.9	1,882.6	1,974.4	2,069.0	2,159.6
Cost of sales	(1,164.0)	(1,219.4)	(1,277.1)	(1,337.4)	(1,398.7)	(1,456.1)
Gross profit	546.9	575.5	605.5	637.0	670.4	703.5
Gross margin	32.0%	32.1%	32.2%	32.3%	32.4%	32.6%
EBITDA, excluding property gain	262.8	270.1	285.7	303.3	322.0	345.4
EBIT	192.2	194.7	204.6	216.3	210.2	212.1
EBIT margin	11.2%	10.8%	10.9%	11.0%	10.2%	9.8%
Profit before tax	192.9	196.0	205.2	215.9	207.3	210.4
Tax expense	33.1	33.3	34.9	36.7	35.2	35.8
Profit attributable to shareholders	159.6	162.5	170.1	179.0	171.9	174.4
EPS (SG cents)	10.61	10.80	11.32	11.91	11.43	11.60

Source: Evermore Research estimates. FY2026 includes nine months of reported results and a forecast December quarter. EBIT and EBITDA exclude any gains from a future Mandai Link disposal. Figures rounded.

Cash flow and balance-sheet forecasts

S$m, except where stated	2026E	2027E	2028E	2029E	2030E	2031E
Operating cash flow	164.5	240.4	254.6	270.6	289.5	313.4
Property and equipment expenditure	58.1	105.7	133.6	188.7	61.6	15.3
Cash lease payments, including interest	52.9	56.2	59.0	61.8	64.7	67.5
Free cash flow before dividends[1]	59.6	84.2	67.4	24.6	166.7	234.4
Cash dividends paid	113.5	112.6	116.0	121.8	123.2	121.1
Closing cash	381.8	353.5	304.8	240.0	251.2	364.5
Bank borrowings	0.0	0.0	0.0	32.3	0.0	0.0
Lease liabilities	161.8	171.6	181.7	192.3	203.2	212.7
PPE, including construction in progress	347.9	433.9	544.8	707.7	721.8	670.7

Source: Evermore Research estimates. Expenditure and dividends are shown as positive cash outflows. [1] Free cash flow includes separately recorded cash interest receipts and is calculated after property and equipment expenditure and cash lease payments, but before dividends and financing. FY2029 borrowing is an Evermore Research forecast, not an announced company funding plan.

Valuation methodology and assumptions

Our valuation is based on discounted cash flows through FY2040, followed by a terminal value reflecting the cash we expect Sheng Siong to generate from a mature supermarket network. The forecasts include Sungei Kadut's construction and transition costs, further store expansion, lease payments and future equipment replacement.

Lease obligations are reflected through cash payments in the valuation. We add back non-cash right-of-use depreciation and deduct lease payments when calculating free cash flow, so lease liabilities are not deducted again from equity value. We also allow for ongoing maintenance and equipment replacement rather than assuming the unusually low capital expenditure following construction can continue indefinitely.

DCF input or output	Base case
Risk-free rate	2.50%
Equity beta	0.85
Equity risk premium	5.50%
Cost of equity	7.175%
Debt weighting	5.0%
Pretax cost of debt	4.0%
Tax rate	17.0%
Weighted average cost of capital	**6.98%**
Terminal growth	2.00%
DCF enterprise value	S$4,083.6m
FY2026E closing cash	S$381.8m
FY2026E bank borrowings	S$0.0m
Non-controlling interest allowance	S$3.4m
Attributable equity value	S$4,462.0m
Shares outstanding	1,503.5m
Fair value per share	**S$2.97**

Source: Evermore Research estimates. Non-controlling interests are valued using a book-value approximation. Figures rounded.

Our fair value falls to approximately S$2.68 per share if WACC increases to 7.5%, and S$2.46 at 8.0%, with terminal growth held at 2.0%.

Our separate assessment of Sungei Kadut indicates an internal rate of return of 9.6% and incremental net present value of approximately S$97 million. Much of the project's estimated value comes from cash generated after FY2040. These figures measure the potential return on Sungei Kadut rather than the value of Sheng Siong as a whole.

Research disclosures

Research independence

This report has been prepared by Evermore Research and represents the author's independent assessment of Sheng Siong Group Ltd (SGX: OV8). Evermore Research is solely responsible for the investment recommendation, financial forecasts, valuation and conclusions.

Holdings and conflicts

Neither Evermore Research nor the author holds shares in Sheng Siong Group.

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Evermore Research assigns recommendations according to the expected total shareholder return over the following 12 months:

• Buy: Expected total return of 15% or more.

• Hold: Expected total return greater than -10% but below 15%.

• Sell: Expected total return of -10% or less.

Expected total return includes potential share price appreciation or depreciation and forecast dividends.

Valuation and forward-looking information

Our 12-month target for Sheng Siong is S$2.97 per share. At the S$2.41 share price on 5 November 2026, this represents 23.2% potential capital appreciation and approximately 26.3% expected total return, including a forecast dividend yield of 3.1%.

Financial forecasts, dividend expectations and valuations reflect Evermore Research's independent analysis. They depend on assumptions about supermarket expansion, operating performance, capital expenditure, financing and other business conditions. Actual results may differ materially from these estimates.

Forecast dividends are subject to future company declarations, and the share price target is not a guarantee of future market performance.

Sources and general information

Historical financial information, operating data and management objectives are drawn from company disclosures and other sources identified throughout this report. Financial forecasts, valuation assumptions and investment scenarios represent Evermore Research estimates.

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