

Huiyi Ren  
AISCT  
Grade 11, Age 16

# Selection Process



[Image source](#)

## Websites & Data Sources:

Sources used for this are all based around the company. In this case, there are data analysis of other websites such as Google Finances, Macrotrends, etc. as well as annual reports from the business and information on Singapore as well.

**Ticker symbol:** SGX:OV8 (Sheng Siong Group Ltd)

**Stock Exchange:** Singapore Exchange (SGX)

**Share price chart:**



[Image Source](#)

# Introduction Page

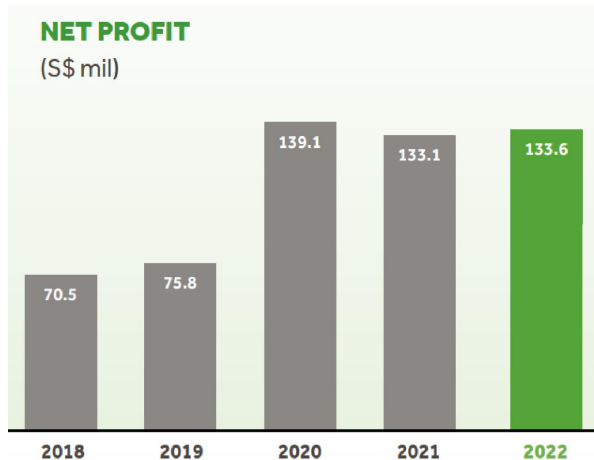
Sheng Siong supermarket was founded in 1985 by the Lim brothers of Singapore starting initially as a pig farm before making its way to retail business.

The retail stores of Sheng Siong are designed to provide customers both “wet and dry” shopping options as well as household products. Sheng Siong makes sure that all the products produced are of **safe quality, health and nutrition, and value sustainably**. (Sheng Siong)

After gaining recognition and satisfaction amongst Singaporeans, the business worked further by establishing an online shopping platform in 2014 before entering the Chinese markets in Kunming in 2017. The business makes the money by being **open to** themselves of the rapidly changing society. (Sheng Siong)



Image by GCF Global Sheng Siong Group CEO Lim Hock Chee (right) with his brothers, managing director Hock Leng (left) and chairman Hock Eng, in 2006



Sheng Siong operates as part of the **retail industry** selling goods and services such as grocery and household products to its consumers. Sheng Siong’s current industry is steadily growing throughout the years. (Sheng Siong)

With the use of online shopping platforms as well as adapting to trends in society, Sheng Siong is able to earn profits and positive consumer demands throughout the years.

Despite a slight dip in net profit, Sheng Siong still remains as a profitable business throughout the years thus suggesting that Sheng Siong maintained a growing industry. (Sheng Siong)


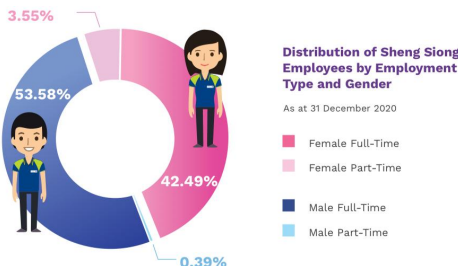
[Image Source](#)

## How does the company have a positive ESG impact?

**Environmentally**, Sheng Siong is in line with the **Sustainable Singaporean Goals** to conserve resources and reduce ecological footprints. By doing so, Sheng Siong adopted solar panels for renewable energy in 2013 as well as adopting the “Reduce, Reuse, Recycle” principals in the management of their resources. (Sheng Siong)

**Socially**, Sheng Siong serves the consumers by three pillars: **Quality, Services, and Prices**. The business makes sure that the products sold are safe and of good quality, furthermore, the business strives to improve consumer’s satisfaction as well as to be able to afford goods at a fair price. (Sheng Siong)

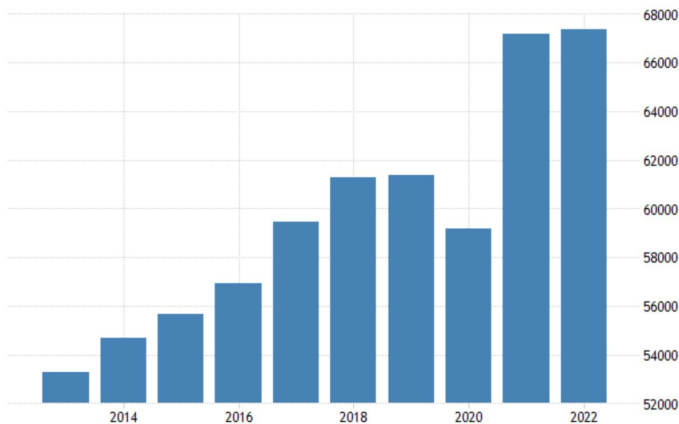
**Governmentally**, Sheng Siong has a board of directors with the Lim brothers with higher positions, furthermore, the business also makes sure to send a message out to the shareholders every time which suggests the rights and influences shareholders play. (Sustainability Report 2022)

SDG Goals	2018	2020	2022										
<div>SDG 7: Affordable and Clean Energy</div> <div>SDG 13: Climate Action</div>	<p>Slight decrease (14% lower as to 2017) of solar panel usage due to removal of panels during warehouse extension works. (Sustainability Report 2018)</p>	<p>Greenhouse Gas Emissions Intensity (kg CO2e per \$ revenue). (Sustainability Report 2020)</p> <p><a href="#">Image</a></p>  <table><tr><th>Year</th><th>Intensity (kg CO2e per \$ revenue)</th></tr><tr><td>2020</td><td>0.05</td></tr><tr><td>2019</td><td>0.06</td></tr><tr><td>2018</td><td>0.06</td></tr><tr><td>2017</td><td>0.05</td></tr></table>	Year	Intensity (kg CO2e per \$ revenue)	2020	0.05	2019	0.06	2018	0.06	2017	0.05	<p>According to the Sustainability report 2022. <b>photovoltaic (PV) systems were installed</b> on the rooftop of Mandai Link Distribution Centre supplying about <b>9.6%</b> of our total energy usage at the DC thus resulting in <b>avoidance of 557.1 tonnes of CO2 e</b>.</p>
Year	Intensity (kg CO2e per \$ revenue)												
2020	0.05												
2019	0.06												
2018	0.06												
2017	0.05												
<div>SDG 8: Decent Work and Economic Growth</div>	<p><b>Equal treatment:</b> no disparity in <b>regards to gender, religion, race</b> in employee category. Employed about 2850 employees at the end of 2018, healthy gender distribution of 50:50. (Sustainability Report 2018)</p>	<p>Distribution of Sheng Siong Employees by Employment Type and Gender. Employed 3608 employees at the end of 2020. (Sustainability Report 2020)</p> <p><a href="#">Image source</a></p>  <p><b>Distribution of Sheng Siong Employees by Employment Type and Gender</b> As at 31 December 2020</p> <ul style="list-style-type: none"><li>Female Full-Time</li><li>Female Part-Time</li><li>Male Full-Time</li><li>Male Part-Time</li></ul> <table><tr><th>Category</th><th>Percentage</th></tr><tr><td>Male Full-Time</td><td>53.58%</td></tr><tr><td>Female Full-Time</td><td>42.49%</td></tr><tr><td>Male Part-Time</td><td>0.39%</td></tr><tr><td>Female Part-Time</td><td>3.55%</td></tr></table>	Category	Percentage	Male Full-Time	53.58%	Female Full-Time	42.49%	Male Part-Time	0.39%	Female Part-Time	3.55%	<p>Sheng Siong upholds the care of its employees for employee rights including collective agreements, rewarding their work efforts as well as workers paid wages that commensurate their skills and productivity. (Sustainability Report 2022)</p>
Category	Percentage												
Male Full-Time	53.58%												
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# Why is the company a good financial investment?

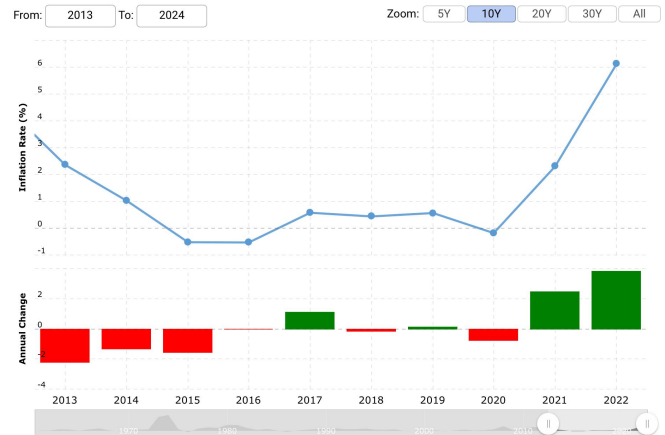
The following **economic factors of Singapore** not only indicate a steady economic growth in the next several years, but businesses like Sheng Siong that can earn profits and further contribute to the economic prosperity of Singapore. (Investopedia)

## GDP per capita of Singapore



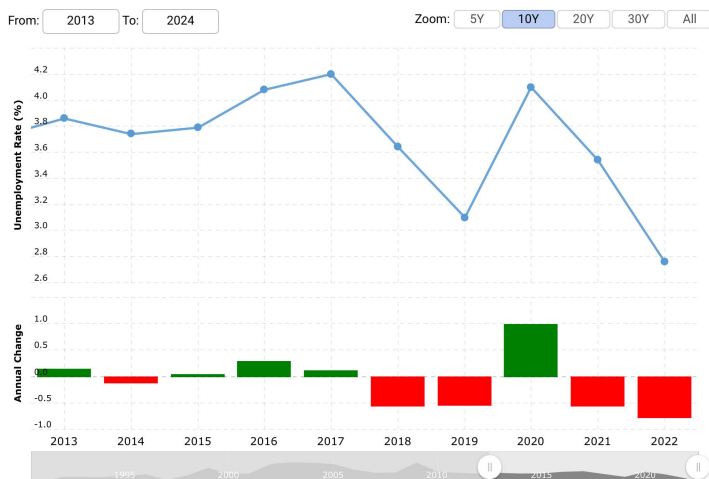
[Image source](#)

## Inflation Rate of Singapore



[Image Source](#)

## Unemployment Rate of Singapore



[Image source](#)

## Transparency Rate of Singapore

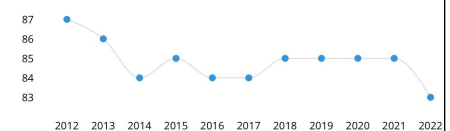
### SINGAPORE

Score  
**83/100** [What does the CPI score mean?](#)

Rank  
**5/180**

Score change  
**↓ -2** since 2021

### Score changes 2012 - 2022



[Image Source](#)

An investment in Singapore is a good decision for medium term investments because as a developed country, Singapore offers stability in many aspects such as good governance, low unemployment rates, steady growths in GDP, and although the inflation rates of Singapore are increasing suggesting an overheated economy. (PIMCO) Singapore has many factors that prove their stability for medium term investments. Furthermore, being a country that is open and an economy heavily dependent on trade, Singapore supports robust free investments whilst maintaining its own economic development. (US Department of State)

## What is attractive about the market/industry?

**Competition in the Industry:** There is fierce competition amongst the supermarket industry between Sheng Siong and other retail businesses such as Fair Price, Giant, Prime Supermarket, etc. (Similar Web) selling items all at low prices.

However, despite fierce competition, what is attractive about Sheng Siong is the company's ability to follow and update itself to societal changes. For instance in 2007, the business was able to open the Sheng Siong Show that would boost their brand image and increase consumer participation. Recently, Sheng Siong was able to open its 6th store in China on 22nd of September 2023. (The Business Times) This shows the attractiveness of the market to be able to expand more internationally and adapt to changes within the country.

## What is attractive about the financial profile of the Company?

**Revenue & Expenses:** 2022 Revenue approx: 1.34B SGD (Statista)

**Balance Sheet:** 396,220,000 December 2022 (Investing.com)

**Income Statement:** Total Revenue 1,339,464 end of 2022 (Yahoo Finance)

Based on the data above, the financial profile of the company is attractive because it has a strong revenue, a steady balance sheet, as well as a consistent income statement.

## What is attractive about Management?

The management is attractive because every year, Sheng Siong would provide an annual report in terms of what the business has done as well as in which areas the business hopes to achieve for the following year. The business would also compare from previous years to learn where they can strengthen their business. (Annual Reports Sheng Siong)

## What is attractive about the valuation of the Company

**Market Cap:** 2.29 B (Yahoo Finance)

**EBITDA:** 10.57 (Market Watch)

**Earnings Per Share (EPS):** 0.0900 (Yahoo Finance)

**Debt-to-Equity Ratio:** 21.15 (Market Watch)

**Current Ratio / Liquidity Ratio:** 1.49 (Market Watch)

**Price-to-Earnings (P/E) Ratio:** 17.26 (Market Watch)

## What are some potential risks in this investment?

<b>Strengths</b> <ul style="list-style-type: none"><li>- successful consumer driven innovation records</li><li>- high margins than other competitors</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>- absence of resources required but doesn't have</li><li>- Customer network promoted less &amp; less effective</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>- Local Collaboration</li><li>- Technological innovations improve industrial productivity</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>- High turnover of employees<ul style="list-style-type: none"><li>↳ shortage on human resources</li></ul></li><li>- Trade War between US &amp; China<ul style="list-style-type: none"><li>↳ affect expansion in China</li></ul></li></ul>

### SWOT on Sheng Siong (EMBA Pro)

Potential risks as listed in SWOT for Sheng Siong, is the high turnover of employees working in the business as well as the ongoing trade wars between China and the US that could potentially affect Sheng Siong's expansion further in China.

### What aspects of the Company are not attractive?

According to Market Watch, the relatively high debt to equity ratio may serve to be rather unattractive of the business. The higher the number is the more the business would have to depend on debt financing, this is the similar case for Sheng Siong.

Sheng Siong should also become wary of the high turnovers of their employees as well as the available resources needed for their products. Without these, the situation for Sheng Siong could potentially worsen.

### What can go wrong in the future?

Competition is nonetheless an important factor that can go wrong for Sheng Siong as more supermarket industries join in. Sheng Siong therefore would have to make sure that they are making a profit while also serving the consumers' wants.

### What are some ESG risks in the Company?

Although Sheng Siong has a low 18.0 ESG Risk Rating, it is important that Sheng Siong continues to support the environment more. (Sustainalytics) Based on the Annual Reports from 2018 to 2022, Sheng Siong never took environmental aspects as seriously when compared to societal aspects such as consumers. In this case, Sheng Siong should further support the environment in case of an environmental risk within the company.



# Return expectations

## Historical Data Analysis:

### Income statement

All numbers in thousands

Breakdown	TTM	30/12/2022	30/12/2021	30/12/2020	30/12/2019
Total revenue	1,353,192	1,339,464	1,369,760	1,393,998	991,284

[Image source](#)

### Top-Down Approach:

$$\begin{aligned} \text{CAGR} &= \left( \frac{\text{ending value}}{\text{beginning value}} \right)^{\frac{1}{n}} - 1 \\ &= \left( \frac{1,339,464}{991,284} \right)^{\frac{1}{3}} - 1 \\ &= 0.0784 \\ &= 7.84\% \end{aligned}$$

### Bottom-Up Approach:

$$\begin{aligned} \text{EPS Growth \%} &= \frac{\text{Ending EPS} - \text{Beginning EPS}}{\text{Beginning EPS}} \\ &= \frac{133.6}{75.8} - 1 \\ &= -0.82058 \\ &= -82.05800\% \end{aligned}$$

(Data based on Net profit report on Sheng Siong Website)

The current share price or P/E ratio is 17.26, the projected share price in 5 years would be around an estimate of 80.



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