

# SDS Group (0212)

## Baking Growth with Wholesale



### Stock Highlights

**Baking fresh bread for the mass market.** SDS's wholesale segment has shown impressive growth, with the segment revenue doubling in three years to reach approximately RM202m in FY24, contributing 62% of total revenue. The company mainly focuses on affordable mass-market bakery products targeted at lower-income demographics. It currently operates a fleet of 320 delivery trucks that support an extensive distribution network across Peninsular Malaysia with multiple distribution centres (in Klang Valley, Johor, Negeri Sembilan, Kedah, etc.), enabling effective outreach to smaller towns and rural areas with its Top Baker and Daily's wholesale brands. To further increase distribution frequency and drop points, SDS plans to expand its fleet by adding 20 more trucks in FY25 to more strategic regions like Klang Valley and the Northern area.

**Growing its retail outlets.** Largely based in Johor, SDS's bakery and café retail footprint has expanded from 34 outlets in FY22 to 40 outlets in FY24, with management targeting 3 to 5 new store openings annually. We expect its retail segment growth in FY25 to benefit from resilient consumer spending, driven by: 1) Recent civil servant pay hikes; 2) Planned increase in the minimum wage to RM1,700; and 3) Potential spillover benefits from the Johor-Singapore Economic Zone (JS-SEZ) which is set to boost tourism and foster stronger cross-border business activities in Johor.

**Ready for a valuation re-rating.** SDS has shown solid earnings growth over the years and maintained a healthy balance sheet with a net cash position. We believe there's room for valuation to play catch-up, as SDS currently trades at just 12.4x PE on FY25 consensus earnings, still below other listed F&B peers which are trading between 16-30x forward PE.

**Momentum builds as the triangle narrows.** The stock enjoyed a strong uptrend over the years and is now moving sideways within a triangle pattern. Currently trading above all three key EMAs, with an RSI at 55. An ideal entry lies between RM1.16 and RM1.19, targeting RM1.23 first, followed by RM1.29—52-week high. If buying momentum holds, a breakout to RM1.34 could be on the cards. However, a slip below RM1.11 would break the triangle pattern and signalling a shift to a downtrend.

### Technical

Resistance 1 (RM)	1.23
Resistance 2 (RM)	1.29
Support 1 (RM)	1.13
Support 2 (RM)	1.08
MACD	Neutral
RSI	Positive

### Stock Information

Last Close (RM)	1.18
Market cap (RM m)	487.5
52-week Range (RM)	0.69 - 1.29

### Financial Highlights

FYE Mar	FY22	FY23	FY24	1HFY25
Revenue (RM m)	198.3	283.7	324.1	174.0
Core PAT (RM m)	10.6	24.5	32.5	19.0
Core EPS (sen)	3.0	6.0	8.0	4.6
DPS (sen)	0.8	1.3	1.7	1.7
BV/share (RM)	0.2	0.3	0.3	0.4
P/E (x)	11.8	13.0	10.0	13.2
P/B (x)	1.5	3.1	2.6	3.4

Source: Bloomberg, Mercury Securities

### Company Profile

SDS Group Berhad is a Johor-based bakery and food retailer specialising in the production, distribution, and sale of breads, pastries, and confectionery products through retail outlets and wholesale channels across Malaysia and Singapore.

## Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none"> <li>- current high less the current low;</li> <li>- the absolute value of the current high less the previous close;</li> <li>- the absolute value of the current low less the previous close;</li> </ul>
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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Registration No. 198401000672 (113193-W)  
L-7-2, No 2, Jalan Solaris, Solaris Mont’ Kiara,  
50480 Kuala Lumpur  
Telephone: (603) - 6203 7227  
Website: [www.mercurysecurities.com.my](http://www.mercurysecurities.com.my)  
Email: [mercurykl@mersec.com.my](mailto:mercurykl@mersec.com.my)