

# 99 Speed Mart Retail Holding Berhad (5326)

## A Retail Fairytale

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**BUY** (Initiation)

**TP: RM 1.99 (+21%)**

**Current Share Price: RM 1.65**

**Growth**

**Investment Horizon**  
**12 months**

### Valuation

**Our target price is based on:**

FY25F PE of 31x, which is +1SD of its peer 3-year mean of 27x, as we are projecting stronger earnings growth by focusing on affordable essential goods.

### Aggressive expansion plan boosting its revenue



99SM's bold strategies have consistently delivered impressive results, achieving a 4-year CAGR of 12.8% from 2019 to 2023. 99SM plans to maintain its aggressive expansion to drive revenue growth over the next three years. We project an annual revenue increase of 10%-11% coupled with a positive SSSG of 1.5%-2.3% from FY24F-FY26F driven by (i) new outlets opening with average of 250 stores annually (2,646 stores in 2Q24), (ii) adding 2 new distribution centers (one in Sarawak by 2024, and one in Selangor by 2025), (iii) upgrading and expanding its logistic fleet, and (iv) growth from bulk sales segment, with an anticipate a 25% revenue increase in FY25F.

### Improving profitability by display fees and sourcing channels



Despite FY22's profitability dip due to global disruptions and 'revenge travel,' we anticipate strong earnings growth of 13-19% from FY24F to FY26F. This growth is driven by (i) enhanced bargaining power for higher product listing fees as store count increases, and (ii) expanding sourcing capabilities in new markets like China, which help to boost product range, reduce costs, and improve margins. Notably, product listing fees have grown from 4.9% of total group revenue in FY21 to 5.5% in FY23.

### Steady growth amid value-conscious consumer trends



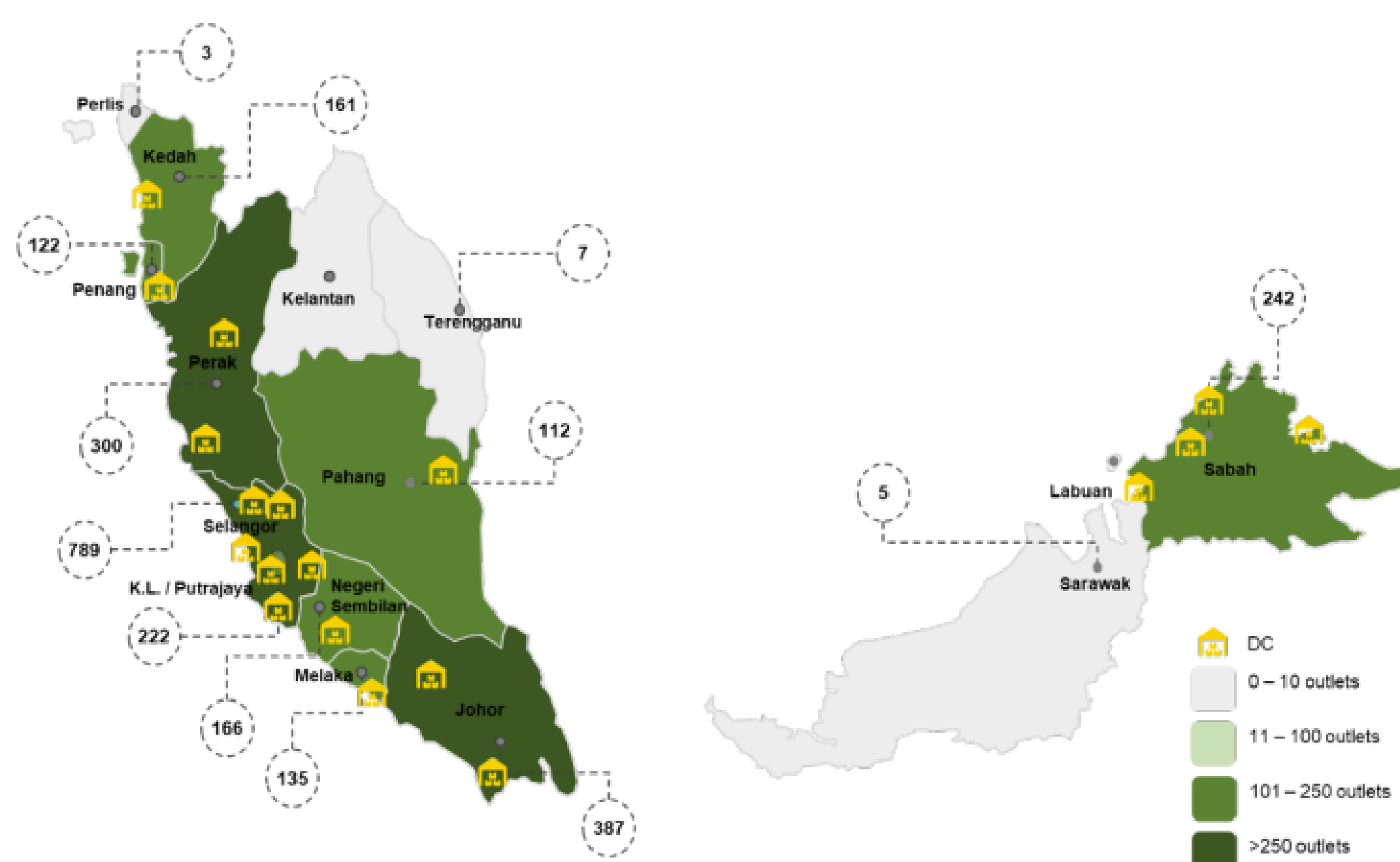
Despite economic uncertainties, consumer spending shows careful consideration, with more shoppers choosing value-driven options like competitive pricing, unbranded goods, and value pack F&B products. In this environment, 99SM is ideally positioned to serve M40 and B40 customers by providing essential goods at great value. We anticipate a healthy transaction size growth of 4%-5% from FY24F to FY26F with a basket size of RM21, reassured by 99SM's ability to capture a broader market through prime locations with excellent visibility and accessibility, demonstrating their growth potential.



## Company Background

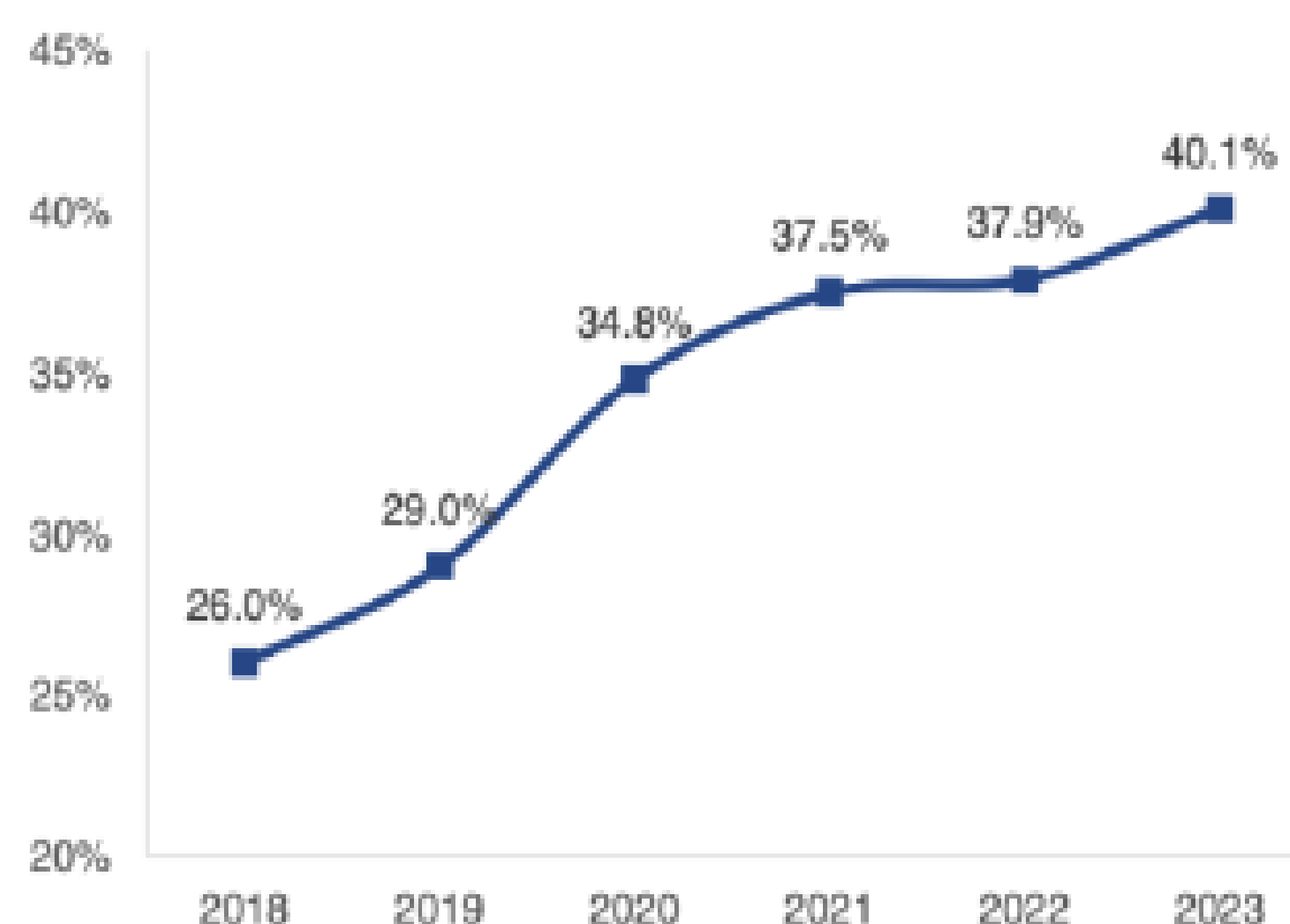
99 Speed Mart Retail Holding Berhad is a leading retail chain for fast-moving consumer goods (FMCG) across Malaysia. With over 2,600 outlets nationwide, 99 Holdings has established itself as a dominant player in Malaysia's retail sector. 99SM is dedicated to providing convenient and easy access to essential products for customers throughout Malaysia. Guided by the tagline "Near n' Save," each outlet offers a wide range of daily necessities, all competitively priced to ensure maximum value for customers. By focusing on convenience and affordability, 99SM consistently delivers a shopping experience that is both time-efficient and cost-effective.

### Geographical breakdown of outlets and DCs



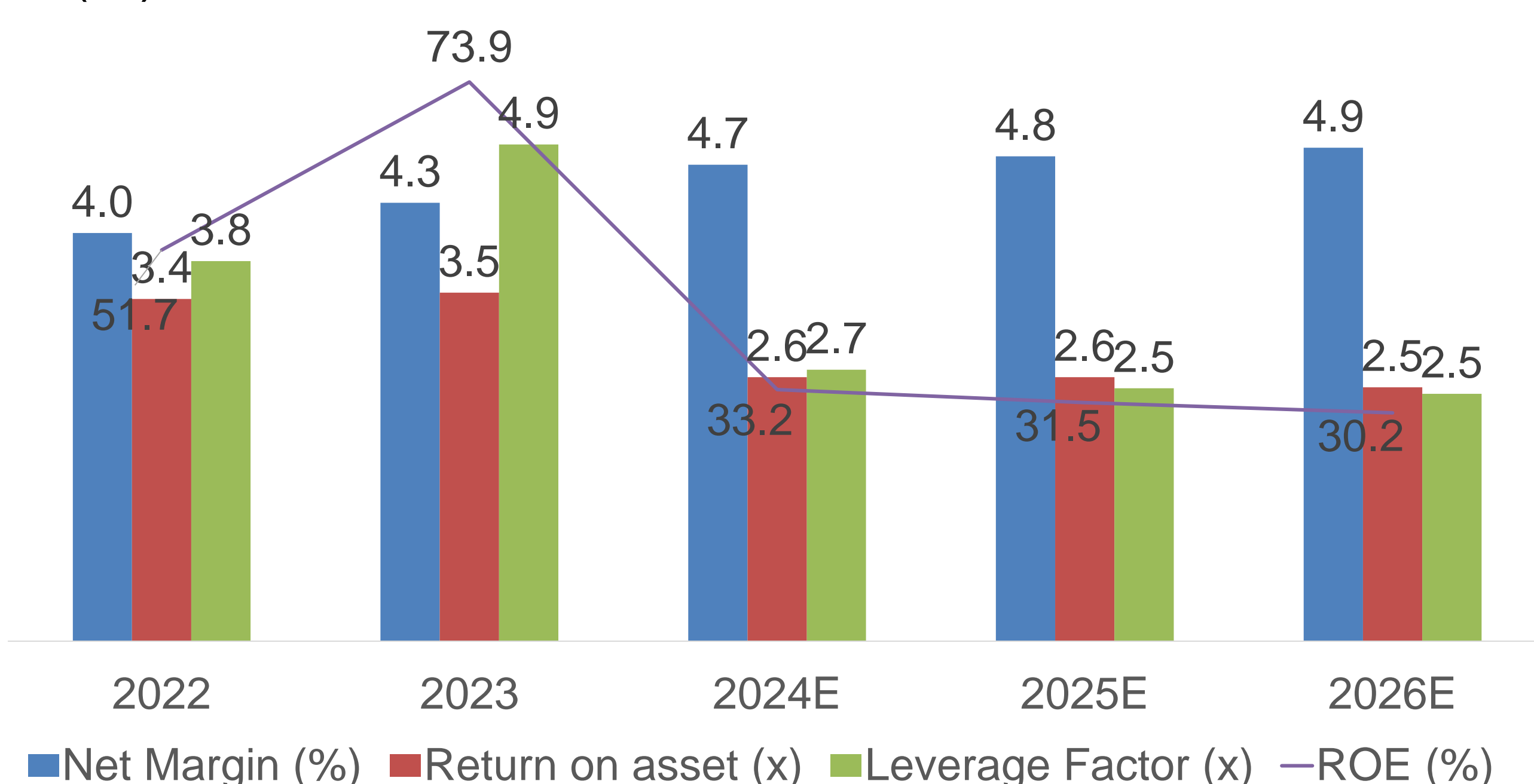
Source: IPO Prospectus

### 99SM's market share in mini market industry



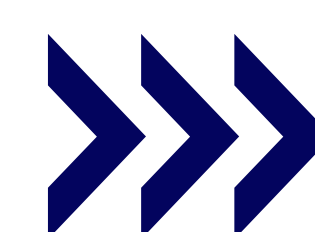
## Financial Exhibits

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	8,075.3	9,210.5	10,143.0	11,219.9	12,429.2
EBITDA (RMm)	732.0	803.1	941.5	1,050.3	1,173.9
Pretax profit (RMm)	484.1	538.2	630.3	709.4	799.9
Net profit (RMm)	326.7	400.2	479.0	539.2	607.9
EPS (sen)	3.9	4.8	5.7	6.4	7.2
PER (x)	42.4	34.6	28.9	25.7	22.8
Core net profit (RMm)	326.7	400.2	479.0	539.2	607.9
Core EPS (sen)	3.9	4.8	5.7	6.4	7.2
Core EPS growth (%)	(22.1)	22.5	19.7	12.6	12.7
Core PER (x)	42.4	34.6	28.9	25.7	22.8
Net DPS (sen)	5.1	4.6	2.9	3.2	3.6
Dividend Yield (%)	3.1	2.8	1.7	1.9	2.2
ROE (%)	51.7	73.9	33.2	31.5	30.2



The return on equity(ROE) increase in the past indicated strong profitability and effective utilization of shareholder equity.

Moving forward, predicted ROE expected to be around 30%-33% in FY24F-FY26F with a healthy level profitability and higher share capital after listing.



## SWOT Analysis

### Strengths

- Malaysia's Largest Home-Grown Mini-Market Chain
- Competitive pricing with a focus on daily essentials for the value-conscious market
- Higher income from display fees and DC incentives
- Scalable, flexible business platform for future growth
- Net cash company

### Weakness

- Limited Product Diversity
- Insufficient staff
- Frequent stock shortages of essential products
- Poor labelling and shelf arrangement

### Opportunities

- Expanding outlet network in Malaysia
- Strengthening its logistical capabilities
- New sourcing from international market
- Growing its bulk sales business

### Threat

- Supply chain disruption
- Ability to maintain competitive pricing
- Brand and reputation risks
- Shifts in consumer behaviour and market competition
- Challenges in executing business strategies and plans

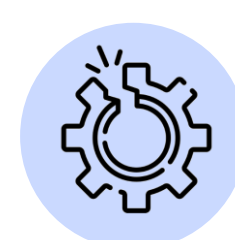
## Investment Risk

The following represent the greatest risks to our investment thesis:



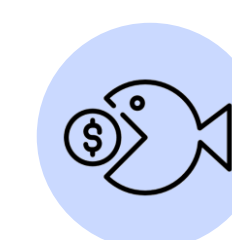
### Potential regulatory non-compliance

Failure to maintain or renew such licenses, approvals or permits for the business operations may result in operational constraints



### Supply chain disruption

Geopolitical tensions or macroeconomic challenges could potentially disrupt their supply chain.



### Store cannibalization

Store cannibalization may lead to a lower SSSG and adversely affect to the financial performance



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