

99 Speed Mart Retail Holding Berhad (5326)

 **Prospect intact**

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HOLD ↓

TP: RM 2.35 (+3%) ↑

Current Share Price: RM 2.32

Result Report

Growth

Investment Horizon


12 months

Valuation

Our target price is based on:


FY25F PE of 35x, which is +1.5SD of its peer 3-year mean of 27x, as we are projecting stronger earnings growth by affordable essential goods

Results Review

 99SMART's 9MFY24 core net profit of RM386mil, which exceeded expectations at 81% of our and 77% of consensus. The positive variance was due to higher other operating income and an upward adjustment in the DC fee rate charged to suppliers for product handling. As a result, we are raising our FY24F-FY26F earnings by 3-8% to reflect our more substantial bargaining power for higher product display fees as store count increases.

On a QoQ basis, 3QFY24 core net profit remains flat despite revenue increased by 5%. Lower gross profit on high inventory loss adjustments dragged down the result, as the gross profit margin dropped 110bps to 8.4%.

Outlook

 We remain optimistic about 99SMART's outlook as the group accelerates store launches and expands its bulk sales online platform, driving substantial revenue growth. The group is also enhancing operational efficiency through better sourcing capabilities from new markets and introducing its own house brand products, which improve margins and broaden the product range. We believe 99SMART will benefit from the recent national minimum wage increase, as consumers will likely spend more on affordable goods. We raise our TP to **RM2.35** (from RM1.99) based on FY25F PER of 35x (from 31x). This adjustment reflects our confidence in the company's robust earnings growth and its potential for further expansion.

Peer Comparison

Name	Last price (RM)	Market Cap (RM'm)	FYE	Earnings Growth			PE		Div. Yield 1-yr Fwd	ROE Hist.
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd		
MR DIY GROUP M BHD	2.24	20427.9	12/2024	14.3	16.7	35.1	31.8	27.0	1.1	33.6
99 SPEED MART RETAIL HOLDING	2.38	19488.0	12/2024	26.1	16.1	50.0	38.7	33.1	1.3	68.2

As 8 November 2024

Results Summary

FYE 31 Dec (RMm)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	2343.2	2418.9	2550.2	5.4	8.8	6803.1	7394.0	8.7
Gross profit	216.3	234.0	219.7	-6.1	1.6	629.7	693.0	10.0
EBITDA	217.7	240.8	242.2	0.6	11.3	593.1	731.7	23.4
Depreciation	-58.3	-60.2	-62.5	-3.8	-7.2	-166.6	-180.9	-8.6
EBIT	159.3	180.6	179.7	-0.5	12.8	426.5	550.9	29.2
Pretax Profit	148.2	169.5	168.3	-0.7	13.6	394.7	517.6	31.1
Taxation	-37.7	-43.9	-42.3	3.6	-12.2	-101.1	-131.6	-30.2
Net Profit	110.5	125.5	126.0	0.4	14.1	293.7	386.0	31.4
Core Net Profit	110.5	125.5	126.0	0.4	14.1	293.7	386.0	31.4
Margin (%)								
GP	9.2	9.7	8.6			9.3	9.4	
EBITDA	9.3	10.0	9.5			8.7	9.9	
Pretax	6.3	7.0	6.6			5.8	7.0	
Net Profit	4.7	5.2	4.9			4.3	5.2	

Financial Exhibits

FYE 31 Dec	FY2022A	FY2023A	FY2024E	FY2025E	FY2026E
Revenue (RMm)	8,075.3	9,210.5	10,143.0	11,219.9	12,429.2
EBITDA (RMm)	732.0	803.1	992.0	1,083.6	1,198.4
Pretax profit (RMm)	484.1	538.2	681.0	743.1	824.7
Net profit (RMm)	326.7	400.2	517.6	564.8	626.8
EPS (sen)	3.9	4.8	6.2	6.7	7.5
PER (x)	59.7	48.7	37.7	34.5	31.1
Core net profit (RMm)	326.7	400.2	517.6	564.8	626.8
Core EPS (sen)	3.9	4.8	6.2	6.7	7.5
Core EPS growth (%)	-22.1	22.5	29.3	9.1	11.0
Core PER (x)	59.7	48.7	37.7	34.5	31.1
Net DPS (sen)	5.1	4.6	3.1	3.4	3.7
Dividend Yield (%)	3.1	2.8	1.9	2.0	2.3
ROE (%)	51.7	73.9	35.4	32.4	30.5
P/BV	30.8	36.0	13.3	11.2	9.5

Key Assumptions

Revenue growth	Before			After		
	FY2024E	FY2025E	FY2026E	FY2024E	FY2025E	FY2026E
No of stores	2776	3026	3276	2776	3026	3276
Same store sales (RMm)	10,597	10,752	11,000	10,597	10,752	11,000
Avg basket size	21	21	20	21	21	20



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