

99 Speed Mart Retail Holding Berhad (5326)

Grow, Scale, Dominate

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HOLD ↔

TP: RM 2.35 (+10%) ↔

Current Share Price: RM 2.14

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 and net cash company.

Results Review

 99SMART's FY24 core net profit of RM512mil came within expectation at 99% of our and 98% of market consensus.

On a QoQ basis, the 4QFY24 core net profit remains flat in tandem with a revenue increase of 1.4%. The revenue increase was driven by (i) 81 new stores opening in 4QFY24 and (ii) a 26% QoQ increase in the e-commerce bulk sales platform. Meanwhile, the EBITDA margin improved by 80bps due to higher other operating income and other income from the upwards adjustment on DC fees and higher product display fees which aligns with the outlet expansion despite depreciation increased.

Outlook

 We remain optimistic about 99SMART's outlook as the group plans to launch 250 new stores each year, focusing on the East Coast and East Malaysia. In FY24, it added 252 stores, bringing the total to 2,778 outlets. The group also strengthens its bulk sales platform with increased marketing and expansion into the northern and southern regions. 99SMART maintains a competitive edge as consumers downtrading amid weak sentiment and rising minimum wages, driving demand for affordable goods. We keep our FY25F-FY26F forecasts and introduce FY27F projections. We have adjusted the FY25F-FY26F SSSG estimates following the lower-than-expected 1.4% SSSG in FY24, though we still expect positive growth. Despite no dividend announcement, management reaffirmed its 50% payout policy, which we factored into our forecasts. We maintain our HOLD call with an unchanged TP of RM2.35, based on an FY25F PER of 35x, reflecting strong earnings growth and a solid net cash position.

Key Assumptions

Revenue growth	Before			After		
	FY2025E	FY2026E	FY2027E	FY2025E	FY2026E	FY2027E
No of stores	3026	3276	NEW	3026	3276	3528
Same store sales (RMm)	10,752	11,000	NEW	10,125	10,359	10,568
Avg basket size	21	20	NEW	21	21	21

Results Summary

FYE 31 Dec (RM'mil)	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	2408.3	2550.2	2584.7	1.4	7.3	9214.1	9978.6	8.3
Gross profit	267.2	219.7	264.5	20.4	-1.0	1029.6	957.4	-7.0
EBITDA	211.4	219.0	242.4	10.7	14.7	804.4	974.1	21.1
Depreciation	-55.6	-62.5	-65.1	-4.1	-17.0	-222.2	-246.0	-10.7
EBIT	155.7	156.5	177.2	13.3	13.8	582.2	728.1	25.1
Pretax Profit	144.4	168.3	167.5	-0.5	16.0	538.2	658.6	22.4
Taxation	-36.9	-42.3	-41.1	2.8	-11.3	-138.0	-168.3	-22.0
Net Profit	107.4	126.0	126.4	0.3	17.7	400.2	490.3	22.5
Core Net Profit	107.4	126.0	126.4	0.3	17.7	401.1	512.4	27.7
Margin (%)								
GP	11.1	8.6	10.2			11.2	9.6	
EBITDA	8.8	8.6	9.4			8.7	9.8	
Pretax	6.0	6.6	6.5			5.8	6.6	
Net Profit	4.5	4.9	4.9			4.4	5.1	

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Revenue (RMm)	9,210.5	9,981.6	11,219.5	12,429.2	13,647.9
EBITDA (RMm)	803.1	966.3	1,082.2	1,202.2	1,300.8
Pretax profit (RMm)	538.2	658.6	743.1	827.2	895.8
Net profit (RMm)	400.2	490.3	564.8	628.7	680.8
EPS (sen)	4.8	5.8	6.7	7.5	8.1
PER (x)	44.9	36.7	31.8	28.6	26.4
Core net profit (RMm)	401.1	512.4	564.8	628.7	680.8
Core EPS (sen)	4.8	6.1	6.7	7.5	8.1
Core EPS growth (%)	22.8	27.7	10.2	11.3	8.3
Core PER (x)	44.8	35.1	31.8	28.6	26.4
Net DPS (sen)	4.6	2.9	3.4	3.7	4.1
Dividend Yield (%)	2.8	1.8	2.0	2.3	2.5
ROE (%)	73.9	31.0	32.9	31.0	28.7
P/BV	33.2	11.4	10.5	8.9	7.6



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Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period