99 Speed Mart Retail Holdings Berhad (5326)

Steady Momentum

By Tan Jia Hui / jiahui@tradeviewcapital.my

HOLD ⇔

TP: RM 3.18 (-2%) ⇧

Current Share Price: RM 3.25

Growth

Investment Horizon
12 months

Valuation

Our target price is based on:

FY26F PE of 38x, 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 Report

Results Review

99SMART's 9MFY25 results came in above expectations, accounting for 81% of our but at 76% of consensus full-year forecasts. The positive variance was driven by longer operating hours and benefits from government social assistance initiatives. QoQ, 3QFY25 core earnings rose 4.9% to RM160m, underpinned by (i) contributions from 72 new outlets, (ii) higher transaction volume from extended operating hours (from 10am to 9am), and (iii) continued support from the SARA government assistance programme. The 3QFY25 average basket size remained flattish QoQ at RM21, in line with our assumptions. Consequently, we raise our FY25F-FY27F forecasts by 4%-11% to reflect improved margins from economies of scale and revenue growth driven by ongoing government social assistance initiatives (Sumbangan Asas Rahmah (SARA), everyday value zone) and stronger bulk sales. We believe these factors will help the group gain further market share within the B40 segment. The group declared a second interim dividend of 2sen and a special dividend of 0.25sen, bringing the total 9MFY25 dividend to 4.5sen, which is above our expectation of 3.4sen.

Outlook

We remain optimistic on 99SMART's growth, supported by continued store expansion, particularly in the East Coast and East Malaysia, alongside the implementation of longer operating hours. The group has entered Kelantan and plans to continue expanding. It has also ventured overseas into Fuzhou, China, with two stores and a small distribution centre, and is planning to open several more within the next six months. The strategy is to test the new market with a mini-market chain concept, based on management's market surveys indicating that such a concept is currently absent in China. Management guided that capex per store is approximately RMB300k including inventories, which about half the size of its Malaysian store layout. We remain cautiously optimistic on this expansion given competitive pressures and the lack of economies of scale at the initial stage. The value packs (4 items for RM10) and in-store Everyday Value Zones continue to gain traction and capture greater market share within the B40 segment. Ongoing government social assistance programme (Phrase 2 in Feb 2026) will also continue to benefit 99SMART, with more than 2,000 participating stores, supporting sales uplift and stronger financial performance. We reiterate our HOLD call with a new TP of RM3.18 (from RM2.62), based on FY26F PE of 38x (from 35x), which remains at +1.5 standard deviations above its peer 3-year mean of 27x. This valuation reflects the group's robust earnings growth, benefits from ongoing government initiatives, and its increasing market share in the B40 segment.

Key Assumptions

Revenue growth	Before			After		
	FY2025F	FY2026F	FY2027F	FY2025F	FY2026F	FY2027F
No of stores	3026	3276	3528	3026	3276	3528
Same store sales (RMmn)	10,125	10,359	10,568	10,426	10,667	10,881
Avg basket size (RM)	21	21	21	21	21	21

Results Summary

FYE 31 Dec (RM'mn)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	2,551.2	2,707.8	3,037.8	*12.2*	*19.1*	7,397.0	8,357.2	*13.0*
Gross profit	269.8	325.0	328.3	*1.0*	*21.7*	743.1	967.8	*30.2*
EBITDA	195.8	282.9	294.5	*4.1*	*50.4*	634.9	844.1	*32.9*
Depreciation	-62.5	-68.0	-70.8	*-4.2*	*-13.3*	-180.9	-203.8	*-12.7*
EBIT	133.3	215.0	223.7	*4.1*	*67.9*	454.1	640.4	*41.0*
Pretax Profit	145.1	203.0	211.6	*4.2*	*45.8*	420.7	604.8	*43.7*
Taxation	-38.0	-49.8	-50.9	*-2.4*	*-34.2*	-127.2	-147.7	*-16.1*
Net Profit	107.2	153.2	160.7	*4.9*	*49.9*	293.5	457.0	*55.7*
Core Net Profit	126.0	153.2	160.7	*4.9*	*27.5*	386.0	457.0	*18.4*
Margin (%)								
GP	10.6	12.0	10.8			10.0	11.6	
EBITDA	7.7	10.4	9.7			8.6	10.1	
Pretax	5.7	7.5	7.0			5.7	7.2	
Net Profit	4.9	5.7	5.3			5.2	5.5	
Number of stores	2,697	2,894	2,966			2,697	2,966	
Transaction volume	119.9	128.9	141.8			344.8	390.3	
Basket size	21.4	21.0	21.4			21.6	21.4	

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMmn)	9,210.5	9,981.6	11,601.5	12,857.0	14,120.6
EBITDA (RMmn)	803.1	966.3	1,082.2	1,202.2	1,300.8
Pretax profit (RMmn)	538.2	658.6	822.7	925.8	956.3
Net profit (RMmn)	400.2	490.3	625.3	703.6	726.8
EPS (sen)	4.8	5.8	7.4	8.4	8.7
PER (x)	68.2	55.7	43.7	38.8	37.6
Core net profit (RMmn)	401.1	393.5	625.3	703.6	726.8
Core EPS (sen)	4.8	4.7	7.4	8.4	8.7
Core EPS growth (%)	22.8	-1.9	58.9	12.5	3.3
Core PER (x)	68.1	69.4	43.7	38.8	37.6
Net DPS (sen)	4.6	2.9	4.5	4.5	4.5
Dividend Yield (%)	2.8	1.8	2.7	2.7	2.7
ROE (%)	73.9	31.0	35.8	33.5	29.5
P/BV	50.4	17.3	15.6	13.0	11.1

DISCLOSURE AND DISCLAIMER

This report is prepared and issued by Tradeview Capital Sdn Bhd ("Tradeview") for general circulation only and shall not be construed or considered as an offer, recommendation, invitation and/or solicitation to purchase, subscribe or sell any securities, related investments or financial instruments.

The information contained herein are based on data and sources believed to be reliable at the time of issuance and are subject to change without further notice. Any recommendation and/or opinion contained herein does not have regards to any specific investment objectives, financial condition, risk profile and particular needs of its readers. Readers are encouraged to evaluate any specific investment or strategy based on individual circumstances, risk profile, investment objectives and/or to seek legal, tax, financial and/or other advice prior to executing any investment transaction.

Tradeview does not make any representations and/or guarantee to the accuracy and completeness of the information and opinion contained herein and accepts no liability for any direct or consequential loss arising from the reliance of this report. Tradeview and its affiliates, directors, shareholders, employees and/or agents may have positions in the securities of the company(ies) covered in this report and may from time to time buy or sell any such securities.

Tradeview Research Investment Rating System

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