

99 Speed Mart Retail Holdings Berhad (5326)

Resilient Demand Amid Softer Consumer Sentiment

Bloomberg Ticker: 99SMART MK | Investment Horizon: 12 Months

Recommendation

We upgrade to HOLD (from SELL) with a TP of RM3.41 (from RM3.05), based on FY26F PE of 41x (from 40x), equivalent to +1.5 standard deviations above its 2-year mean PE of 33x. While valuation remains rich versus history and regional peers, the re-rating is more defensible after the share price pullback from the recent peak (~21%) and potential investor rotation into defensive consumer staples amid geopolitical uncertainty. 99SMART still offers (i) scale leadership, (ii) relatively stronger pricing power and (iii) a resilient “Near ‘n Save” value proposition, but the upside from here is more limited.

Results Review

99SMART's 1QFY26 results came within expectations, accounting for 28.0% of our and 25.7% of consensus full-year forecasts. The group also declared a first interim dividend of 2.25 sen/share.

YoY, revenue increased 17.5% to RM3.1bn, driven by (i) continued outlet expansion (+253 outlets YoY to 3,086 outlets), (ii) higher transaction volume (+18.0% YoY to 141.1mn), (iii) contribution from Bulksales (+115.7% YoY), as well as (iv) extended operating hours nationwide. PAT rose a stronger 30.1% YoY to RM188.6mn, supported by better product mix, operating leverage and lower utility expenses from ongoing green initiatives.

QoQ, revenue was broadly stable (-0.2%) at RM3.07bn despite softer consumer sentiment and more cautious spending behaviour amid ongoing geopolitical concerns. However, PBT and PAT rose strongly by 22.9% QoQ and 22.0% QoQ respectively, mainly driven by GP margin expansion to 20.4% (+1.1ppt QoQ), attribute to (i) a better product mix as the broader SARA programme enabled consumers to purchase more higher-margin non-essential household products, (ii) lower utilities expenses, and (iii) operating leverage.

Outlook

We remain positive on 99SMART's growth outlook, supported by management's reiterated target of approximately 250 annual outlet additions in Malaysia. Incremental growth drivers include (i) continued Bulksales expansion, (ii) broader SARA participation supporting higher-margin product mix, (iii) the Midea collaboration for selected small electrical appliances, which could gradually lift basket size particularly in suburban and rural catchment areas, and (iv) ongoing utility-efficiency initiatives to support margin sustainability.

At the same time, management reiterated its intention to preserve margin through disciplined pricing pass-through on newly replenished inventory while continuing to maintain its low-price positioning strategy. We are not overly concerned about softer consumer demand at this stage, as 99SMART remains predominantly exposed to essential household consumer staples, which are relatively defensive in nature. Coupled with its strong scale advantage, dense outlet network and competitive pricing, we believe 99SMART remains structurally well-positioned against smaller retailers.

Forecast

We raise FY26F-FY28F earnings by 3-4%, mainly reflecting housekeeping adjustments following the reclassification of supplier rebates and incentives from other income (equivalent to ~8% of revenue) to a deduction against COGS, alongside continued healthy operational execution in 1QFY26. The strong 11.1% YoY SSSG recorded during the quarter also reinforced our confidence in the sustainability of its operational momentum, supported by better product mix, operating efficiency improvements and longer operating hours.

Investment Risk to our Call

(i) Weaker than expected consumer sentiment, (ii) competitive retail environment, (iii) cost inflation and operating expenses, and (iv) lower SSSG

HOLD ↑

Target Price: RM3.41 (+4%) ↑

Current Share Price: RM3.28

**Main Market
Consumer Products & Services**

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Company Overview

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.

Stock Information

Market Cap (RM'mn)	27,552
Issued Shares (mn)	8,400
52W High (RM)	4.15
52W Low (RM)	2.02
Estimated Free Float (%)	17.0
Beta vs FBM KLCI	0.9
3-month Average Vol. (mn)	7.8
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	7.3	8.8	9.7
TP (RM)	High	Mean	Low
	4.41	3.78	2.55
Ratings	Buy	Hold	Sell
	6	6	2

Category	Score	Materiality	Weighted Score
Environmental	33	30%	1.9
Social	32	35%	2.3
Governance	35	35%	2.4
Total	100	100%	6.6

Results Summary

FYE 30 Dec (RM'mn)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	2,611.6	3,076.1	3,068.4	(0.3)	17.5
Gross profit	314.5	330.9	625.5	89.0	98.9
EBITDA	266.7	294.5	334.7	13.7	25.5
Depreciation	(65.0)	(73.4)	(72.9)	0.8	(12.2)
EBIT	201.7	221.1	261.9	18.4	29.8
Pretax Profit	190.2	208.8	249.4	19.4	31.1
Taxation	(47.1)	(51.6)	(60.8)	(17.8)	(29.2)
Net Profit	143.2	157.2	188.6	20.0	31.7
Core Net Profit	143.2	157.2	188.6	20.0	31.7
Margin (%)					
GP	12.0	10.8	20.4		
EBITDA	10.2	9.6	10.9		
Pretax	7.3	6.8	8.1		
Net Profit	5.5	5.1	6.1		
Number of stores	2,833.0	3,037.0	3,086.0		
Transaction volume	119.6	141.7	141.1		
Basket size	21.8	21.7	21.7		

Key Assumption

Revenue Growth	Actual		Before				After	
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
No of stores	2778	3037	3276	3528	3787	3287	3537	3787
Avg basket size (RM)	21.4	21.5	21.0	21.0	21.0	21.0	21.0	21.0

Key Financial Metrics

FYE 30 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	9,981.6	11,433.2	13,261.2	14,561.5	15,592.4
EBITDA (RM'mn)	918.7	1,082.2	1,202.2	1,300.8	1,301.8
Pretax profit (RM'mn)	633.7	803.4	924.1	981.9	1,051.7
Net profit (RM'mn)	465.4	607.3	698.5	742.2	795.0
EPS (sen)	5.5	7.2	8.3	8.8	9.5
PER (x)	58.7	45.0	39.1	36.8	34.3
Core net profit (RM'mn)	491.9	607.3	698.5	742.2	795.0
Core EPS (sen)	5.9	7.2	8.3	8.8	9.5
Core EPS growth (%)	22.6	23.5	15.0	6.3	7.1
Core PER (x)	55.5	45.0	39.1	36.8	34.3
Net DPS (sen)	2.4	4.5	4.5	4.5	4.5
Dividend Yield (%)	1.4	2.7	2.7	2.7	2.7
ROE (%)	29.5	36.1	34.4	30.9	28.4
P/BV (x)	17.3	16.2	13.4	11.4	9.8

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	9,981.6	11,433.2	13,261.2	14,561.5	15,592.4
Operating expenses	(9,062.9)	(10,334.5)	(11,928.2)	(13,132.3)	(14,061.9)
EBITDA	918.7	1,098.8	1,333.0	1,429.3	1,530.5
Depreciation	246.0	277.1	358.2	393.3	421.2
EBIT	678.7	851.3	981.3	1,043.1	1,117.0
Net int income/(expense)	(45.0)	(47.9)	(57.2)	(61.3)	(65.3)
Exceptional gains / (losse	-	-	-	-	-
Associates' contribution	-	-	-	-	-
Pretax profit	633.7	803.4	924.1	981.9	1,051.7
Tax	(168.3)	(196.1)	(225.5)	(239.6)	(256.7)
Minority interest	-	-	-	-	-
Net profit	465.4	607.3	698.5	742.2	795.0
Core net profit	491.9	607.3	698.5	742.2	795.0

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	1,441.9	1,615.2	1,630.9	1,648.0	1,666.4
Other long term assets	12.7	8.2	8.2	8.2	8.2
Total non-current asset	1,454.7	1,623.4	1,639.0	1,656.2	1,674.5
Cash and equivalents	698.1	141.9	618.3	940.4	1,469.6
Inventories	1,339.0	1,312.5	1,729.2	1,610.8	1,965.7
Receivables	15.3	253.4	(180.7)	260.5	(175.1)
Other current assets	54.0	816.1	821.6	828.0	833.1
Total current assets	2,106.5	2,523.8	2,988.5	3,639.7	4,093.3
Payables	936.3	1,238.4	1,276.8	1,485.1	1,472.4
Short term borrowings	3.4	90.7	90.7	90.7	90.7
Other current liabilities	99.3	99.8	112.2	121.0	128.0
Total current liabilities	1,039.0	1,428.9	1,479.7	1,696.8	1,691.0
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	943.2	1,037.5	1,117.7	1,197.9	1,278.0
Total long term liab.	943.2	1,037.5	1,117.7	1,197.9	1,278.0
Shareholders' Funds	1,579.0	1,680.8	2,030.1	2,401.2	2,798.7
Minority Interest	0.0	0.0	0.0	1.0	2.0

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	633.7	803.4	924.1	981.9	1,051.7
Depreciation & amortisati	246.0	277.1	358.2	393.3	421.2
Working capital changes	(257.4)	41.1	55.7	(114.5)	67.9
Cash tax paid	(167.5)	(198.3)	(225.5)	(239.6)	(256.7)
Others	8.8	(19.9)	0.4	(4.8)	(5.8)
C/F from operation	463.7	903.3	1,112.8	1,016.3	1,278.3
Capex	(170.7)	(173.3)	(230.7)	(253.4)	(271.3)
Others	(194.9)	(245.9)	(136.5)	(149.9)	(160.5)
C/F from investing	(365.6)	(419.2)	(367.3)	(403.3)	(431.8)
Debt raised/(repaid)	(209.1)	(183.3)	80.2	80.2	80.2
Dividends paid	(200.0)	(378.0)	(349.3)	(371.1)	(397.5)
Others	646.7	0.0	0.0	0.0	0.0
C/F from financing	237.6	(561.3)	(269.1)	(290.9)	(317.3)
Net change in cash flow	335.7	(77.2)	476.5	322.1	529.2
Free Cash Flow	292.9	730.0	882.1	762.9	1,007.0



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

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