99 Speed Mart Retail (99SMART MK)

2Q26: Within Expectations As SSSG Starts To Moderate

Highlights

- Results fell within expectations. SSSG decelerated but remained robust. 2H26 SSSG should moderate alongside a high base effect.
- Margins were unchanged as earnings grew at a moderate pace as a result.
- Maintain BUY with an unchanged target price of RM4.10. 99SM is a standout election beneficiary.

2Q26 Results

Year to 31 Dec	2Q26	qoq	yoy	1H26	yoy	Comments
(RMm)		% chg	% chg		% chg	
Revenue	3075.9	0.2	13.6	6144.3	15.5	2Q26 yoy growth was driven by enlarged store count of 8.9% and SSSG of 7.2%.
GP	605.3	-3.2	11.8	1230.8	15.8	
EBITDA	305.6	-8.7	11.4	640.3	18.0	
PBT	217.4	-12.8	11.8	466.8	20.8	
Profit	163.9	-13.1	13.4	352.5	21.8	
Core Profit	163.9	-13.1	13.4	352.5	21.8	Within expectations at 50% and 48% of ours and consensus estimates respectively.
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg	
Gross Profit	19.7	-0.7	-0.3	20.0	0.1	Improved product mix.
EBITDA	9.9	-1.0	-0.2	10.4	0.2	
Eff. tax rate	-24.6	-0.2	1.0	-24.5	0.6	
Core Profit	5.3	-0.8	0.0	5.7	0.3	

Source: 99SM, UOB Kay Hian

Analysis

- **Within expectations.** 99 Speed Mart Retail (99SM) posted a 1Q26 core profit of RM163.9m (-13.1% qoq, 7.0% yoy), bringing 1H26 core profit to RM352.5m (+18.2% yoy). The core profit is within expectations at 50% and 48% of our and consensus full-year earnings forecasts respectively. SSSG remained robust, underpinned by Sumbangan Asas Rahmah (SARA) subsidy spending, extended operating hours amid stable margins.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	9,981.6	11,433.3	12,705.5	14,023.6	15,359.1
EBITDA	104.4	145.2	145.9	196.4	224.6
Operating profit	(141.6)	(131.9)	(127.3)	(106.3)	(125.6)
Net profit (rep./act.)	490.3	614.2	700.1	800.4	868.5
Net profit (adj.)	498.6	614.2	700.1	800.4	868.5
EPS	5.9	7.3	8.3	9.5	10.3
PE (x)	62.3	50.6	44.4	38.8	35.8
P/B (x)	19.7	17.1	15.1	13.4	12.0
EV/EBITDA (x)	291.0	207.9	207.7	153.9	133.7
Dividend yield (%)	0.9	1.2	1.4	1.7	2.0
Net margin (%)	4.9	5.4	5.5	5.7	5.6
Net debt/(cash) to equity(%)	(44.0)	(49.5)	(37.4)	(37.2)	(41.1)
Interest cover (x)	2.3	3.0	2.8	3.5	3.4
ROE (%)	28.9	31.7	36.1	36.5	39.5
Consensus net profit	n.a	n.a	734.0	813.7	879.1
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: 99 Speed Mart Retail, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM3.59
Target Price	RM4.10
Upside	17.8%

Stock Data

Sector	Consumer Staples
Bloomberg ticker	99SMART MK
Shares issued (m)	8,400.0
Market cap (RMm)	29,232.0
Market cap (US$m)	7,377.2
3-mth avg daily t'over (US$m)	8.3

Price Performance (%)

52-week high/low: RM4.2/RM2.1

1mth	3mth	6mth	1yr	YTD
7.4	(12.3)	14.2	56.9	(8.7)

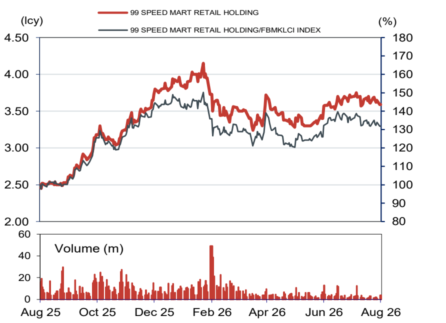
Major Shareholders (%)

Lee Thiam Wah & family	83.0

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.2
FY26 Net Debt/Share (RM)	(0.1)

Price Chart



Source: Bloomberg

Company Description

Homegrown 99 Speedmart is the largest mini-market player and the leading grocery retailer in Malaysia. Apart from groceries, the chain is involved in the retailing of daily necessities.

- **The party continues.** 2Q26 revenue grew 13.6% yoy (0.2% qoq). On a yoy basis, growth was driven by an enlarged store count of 8.9% or 257 new stores to bring its latest store count to 3,151 stores (+65 new stores qoq). 2Q26 SSSG came in at 7.2% yoy. The moderation from 1Q26: 11.1% yoy is due to tapering of the one-off SARA cash assistance programme that kicked off in Feb 26. However, the robust yoy SSSG is attributable to the combination of extended operating hours nationwide, starting from 9am (10am previously), the SARA cash assistance programme, and improved product assortment.
- **SSSG will moderate in 2H26** off a high base effect, especially anchored by 2025's SARA cash assistance and 99SM's extended operating hours, that was implemented in Jul 25. In terms of sentiment, management indicated that prospects appear to have toned down towards a more cautionary outlook as well.
- **Margins hold steady.** 2Q26 gross margin softened marginally by 0.3ppts yoy to 20.7%, likely owing to MySara purchases leading to a less favourable product mix. Coupled with higher economies of scale and a marginally more favourable tax rate, core margins were unchanged yoy at 5.3%.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM4.10.** Since our downgrade in January, 99SM's share price has corrected to an attractive entry point, supported by a three-year earnings CAGR of 11.3%, underpinned by sustained store rollouts and resilient SSSG. Its low-cost leadership and staple-focused offerings should continue to anchor defensive demand, despite emerging consumer headwinds. Our PE peg is based on 42.0x 2027, or Nestlé's seven-year historical mean PE.

Earnings Revision/Risk

- No changes to earnings.
- Risks include a sharp hike in minimum wage in the supply chain, foreign labour policy and unfavourable publicity or fails in internal controls.

Share Price Catalyst

- **Election beneficiary.** Historically, retailers outperformed the FBMKLCI by 8.8% on average in the three months before past elections and 4.5% in the three months after. Furthermore, 99SM is especially well positioned to capture election-related cash handouts. Its broad essential goods offering and comprehensive store network allowed it to capture an estimated 15% of one-off SARA allocations.

Assumption Drivers

	2026F	2027F	2028F
Revenue growth (%)	14.5	11.1	10.4
Store count avg	2908	3167	3427
Net addition	259	260	260
Growth yoy (%)	9.6	8.9	8.2
Revenue per store (%)	4.5	2.0	2.0
Core profit (RMm)	614.2	700.1	780.3
Core proft growth (%)	23.2	14.0	11.5
Core proft margin (%)	5.4	5.5	5.6

Source: UOB Kay Hian

Store Penetration Remains Low In Certain Regions

Region	Outlets/ Million Population
Peninsular Malaysia	89.3
Central	109.5
East Coast	25.2
Northern	87.1
Southern	109.3
East Malaysia	40.2

Source: 99SM

Environmental Social Governance (ESG)

Environmental
- Energy efficiency. Enhancing energy efficiency in outlets and properties helps achieve significant savings and emissions reductions; for example, installing solar panels at 15 out of its 17 distribution centres.
- Waste management. Since May 23, the company's "Say No to Plastic Bags" campaign in Peninsular Malaysia has been promoting a zero plastic bag policy, with plans to expand it to East Malaysia. Some 21,500 tonnes of packaging waste were recycled in 2023, generating RM42m in proceeds.

Social
- Community contribution. 99SM's presence spans across the country, extending to small towns and rural areas, where employment opportunities may be limited. As such, 99SM aims to prioritise employment of the locals. 99SM employs over 21,000 Malaysians, who make up more than 95% of its workforce.
- Diversity and inclusion. Approximately 49.7% of 99SM's workforce are female and the remaining 50.3% are male.

Governance
- Transparency and accountability. 99SM has put in place practices in accordance with the principles provided in the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission.
- Board independence. 99SM meets MCCG's recommendations to have at least 30% female directors and a majority of independent directors.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,433	12,706	14,024	15,359
EBITDA	145	146	196	225
Deprec. & amort.	277	273	303	350
EBIT	(132)	(127)	(106)	(126)
Total other non-operating income	993	1,107	1,223	1,342
Associate contributions	0	0	0	0
Net interest income/(expense)	(48)	(52)	(57)	(66)
Pre-tax profit	814	927	1,060	1,150
Tax	(199)	(227)	(260)	(282)
Minorities	0	0	0	0
Net profit	614	700	800	869
Net profit (adj.)	614	700	800	869

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	1,615	1,355	1,396	1,306
Other LT assets	8	100	192	319
Cash/ST investment	898	776	867	1,063
Other current assets	1,555	1,929	2,123	2,320
Total assets	4,076	4,161	4,577	5,008
ST debt	0	3	3	3
Other current liabilities	1,419	1,662	1,904	2,189
LT debt	0	0	0	0
Other LT liabilities	842	432	346	236
Shareholders' equity	1,815	2,063	2,323	2,579
Minority interest	0	0	0	0
Total liabilities & equity	4,076	4,161	4,577	5,008

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	900	682	1,019	1,132
Pre-tax profit	814	927	1,060	1,150
Tax	(198)	(227)	(260)	(282)
Deprec. & amort.	260	273	303	350
Associates	0	0	0	0
Working capital changes	28	(279)	(70)	(69)
Other operating cashflows	(2)	(12)	(14)	(18)
Investing	(142)	(178)	(196)	(100)
Capex (growth)	(173)	(190)	(210)	(118)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	31	12	14	18
Financing	(559)	(626)	(733)	(836)
Dividend payments	(378)	(452)	(541)	(613)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(181)	(174)	(192)	(223)
Net cash inflow (outflow)	200	(122)	90	196
Beginning cash & cash equivalent	698	898	776	867
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	898	776	867	1,063

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	1.3	1.2	1.4	1.5
Pre-tax margin	7.1	7.3	7.6	7.5
Net margin	5.4	5.5	5.7	5.6
ROA	14.9	17.0	18.3	19.1
ROE	31.7	36.1	36.5	39.5
Growth				
Turnover	(10.0)	11.1	10.4	34.3
EBITDA	(0.5)	0.5	34.6	54.7
Pre-tax profit	(12.3)	14.0	14.3	41.4
Net profit	(12.3)	14.0	14.3	41.4
Net profit (adj.)	23.2	14.0	14.3	8.5
EPS	(12.3)	14.0	14.3	41.4
Leverage				
Debt to total capital	0.0	0.2	0.2	0.1
Debt to equity	0.0	0.2	0.2	0.1
Net debt/(cash) to equity	(49.5)	(37.4)	(37.2)	(41.1)
Interest cover	3.0	2.8	3.5	3.4