UOBKayHian

Company – Update | Malaysia

Tuesday, 29 September 2026

# Eco-Shop Marketing (ECOSHOP MK)

Prospects Intact; Macro Perspective Mixed

## Highlights

- Upcoming 1QFY27 results appear to be improving as SSSG has begun recovering.
- Operationally, Eco-Shop appears sound as impact from cost increases and competition from Pinduoduo appear manageable.
- However, Budget 2027 impact is expected to be mixed. Positive measures such as increased cash handouts will likely be offset by the expected minimum wage hike, though implementation is likely only in 2028.
- Maintain BUY as Eco-Shop offers attractive growth, underpinned by its store expansion rollout. Target price remains unchanged at RM1.70.

## Analysis

- **Store rollout intact, SSSG on the mend.** Eco-Shop Marketing's (Eco-Shop) SSSG may have hit an inflection point with its upcoming quarter no longer seeing major contractions in growth. We expect 1QFY27 results to be robust, underpinned by the improving SSSG as well as its pipeline of new store openings. Following an additional 17 new store openings, total store count has now surpassed 400 with its FY27 target of 100 new store openings remaining intact. Overall, while we view the improving SSSG as a positive sign, we estimate that earnings growth will still largely be driven by new store openings, forecasting mild SSSG improvements of 1-2% over FY27-28.
- **Budget 2027 in focus…** The upcoming Budget 2027 announcement remains the next key catalyst for Eco-Shop as impact from the anticipated measures could be mixed. Positively, increased cash handouts via the MySara/MyKasih programmes should benefit consumer sentiment as spending is stimulated via subsidies. Going forward, Eco-Shop is prioritising MyKasih implementation in its new stores and have recently secured an additional 97 terminals, bringing the total to 256 or roughly 55% of existing stores. However, we remain conservative on this front given historically, Eco-Shop was actually negatively impacted by MyKasih handouts as spending was channelled to competitors. Otherwise, indirect measures such as increased tax reliefs and a civil servant wage increase could help stimulate consumer sentiment by boosting discretionary income.

## Key Financials

| Year to 31 May (RMm) | 2025 | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|---|
| Net turnover | 2,788 | 2,916 | 3,714 | 4,484 | 5,160 |
| EBITDA | 378 | 486 | 555 | 635 | 710 |
| Operating profit | 254 | 341 | 385 | 444 | 499 |
| Net profit (rep./act.) | 212 | 257 | 316 | 363 | 413 |
| Net profit (adj.) | 212 | 257 | 316 | 363 | 413 |
| EPS | 3.7 | 4.5 | 5.5 | 6.3 | 7.2 |
| PE | 39.8 | 32.9 | 26.7 | 23.2 | 20.4 |
| P/B | 8.5 | 7.4 | 6.5 | 5.7 | 5.0 |
| EV/EBITDA | 21.3 | 16.3 | 14.2 | 12.4 | 10.9 |
| Dividend yield | 1.8 | 1.5 | 1.9 | 2.2 | 2.4 |
| Net margin | 7.6 | 8.8 | 8.5 | 8.1 | 8.0 |
| Net debt/(cash) to equity | -24.5 | -27.8 | -24.1 | -25.0 | -27.7 |
| Interest cover | 15.3 | 16.7 | 19.3 | 20.3 | 22.4 |
| ROE | 23.3 | 23.6 | 24.4 | 24.8 | 24.8 |
| Consensus net profit | | | 312 | 375 | 435 |
| UOBKH/Consensus (x) | | | 1.01 | 0.97 | 0.95 |

*Source: Eco-Shop, Bloomberg, UOB Kay Hian*


**Analyst(s)**

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## BUY (Maintained)

| | |
|---|---|
| Share Price | RM1.47 |
| Target Price | RM1.70 |
| Upside | 16.1% |

## Stock Data

| | |
|---|---|
| GICS sector | Consumer Discretionary |
| Bloomberg ticker: | ECOSHOP MK |
| Shares issued (m): | 5,757.8 |
| Market cap (RMm): | 8,463.6 |
| Market cap (US$m): | 2,073.2 |
| 3-mth avg daily t'over (US$m): | 3.6 |

## Price Performance (%)

52-week high/low RM1.66/RM1.21

| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| 1.4 | 12.2 | 8.1 | (2.0) | 0.7 |

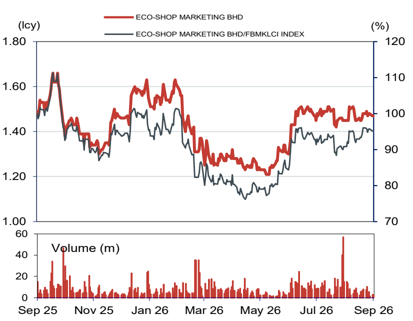
## Major Shareholders (%)

| | |
|---|---|
| Lee Kar Whatt | 73.8 |
| Employees Provident Fund Sdn Bhd | 5.62 |
| Kim Pang Kueh | 4.4 |

## Balance Sheet Metrics

| | |
|---|---|
| FY27 NAV/Share (RM) | 0.2 |
| FY27 Net Debt/Share (RM) | 0.0 |

## Price Chart




*Source: Bloomberg*

## Company Description

Eco-Shop Marketing is Malaysia's leading fixed-price retailer, offering affordable everyday essentials through a fast-growing nationwide store network.

- **…but headwinds emerge from minimum wage hike.** Conversely, the anticipated minimum wage review will likely negatively impact Eco-Shop given its high proportion of minimum wage employees, although implementation will likely only be in 2028. We understand that roughly 60% of Eco-Shop's headcount falls under the minimum wage category. While Eco-Shop may take some time to determine the full impact of the wage increase, historically the previous RM200 hike in 2025 translated to a RM0.20 increase in ASP. The group is likely to delay the ASP hike as it determines the full spillover to costs, similar to the previous minimum wage review where it took around three months to fully review the impact. We also note that while Eco-Shop has historically been able to pass through cost increases, current consumer sentiment may not stomach a price hike as easily. Recall that the previous ASP increase in 2025 saw recovery extend markedly beyond the previous timeline of around eight weeks and broad sentiment has not recovered meaningfully since then.
- **Bright spots amid cloudy sentiment.** While broad consumer sentiment remains muted, we see some bright spots for Eco-Shop. We understand consumers have begun shifting spending back towards staples (ie food) as soft consumer confidence has impacted discretionary spending. Increased competition from Chinese online retailer Pinduoduo has also hit some retailers as the new player has been pushing to capture market share via its aggressive pricing and free delivery promotions. However, we note that Eco-Shop's lower ASPs and basket size have provided a degree of defensiveness against the aforementioned headwinds. We understand that while ticket size has been marginally impacted, it has been largely offset by improving transaction counts. Competition from Pinduoduo has also been marginal given that the competition is largely on bigger ticket purchases vs Eco-Shop's offerings.

## Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.70.** We like Eco-Shop for its attractive three-year profit CAGR of 17.2% driven by its store expansion-led growth. Its SSSG appears to have hit an inflection point as well, potentially indicating limited downside risk to SSSG.
- We value Eco-Shop at 31.0x 2027F PE (from 34.5x), at a discount to our valuation for 99SM (38.9x) but more closely aligned with Mr. DIY (30.0x) given Eco-Shop's more moderated earnings growth since its IPO listing. 99SM deserves a valuation premium given its index-linked status, resilient underlying demand reflected by its SSSG and superior capital efficiency.

## Earnings Revision/Risk

- **Earnings revision:** None.

## Environmental, Social, Governance (ESG) Updates

### Environmental

- **Energy & emission efficiency.** Eco-Shop achieved a 2.5% reduction in emission intensity in FY24, lowering it from 24.63 to 24.02 $tCO_2e$ per million revenue in ringgit, even as store count grew from 240 to 297. LED lighting and passive architectural designs at key distribution centres drive energy conservation.

### Social

- **Workplace safety & inclusion.** Eco-Shop has established a Health and Safety Committee and an OSHA committee that meet quarterly. These bodies oversee safety training, risk audits, and workplace wellness for its over 6,000 employees across operations.

### Governance

- **ESG oversight and independent validation.** While Eco-Shop has not yet received external ESG certification, its sustainability disclosures are incorporated in the IPO prospectus. Financial data, including ESG-linked reporting elements, has been reviewed and assured by PricewaterhouseCoopers as part of its reasonable assurance report on the pro forma financials submitted to the Securities Commission Malaysia.

## Margin Assumptions

| | FY27F | FY28F | FY29F |
|---|---|---|---|
| Avg. base ASP (RM) | 2.63 | 2.70 | 2.70 |
| Gross margin (%) | 32.2 | 32.8 | 32.8 |
| Operating margin (%) | 16.9 | 16.1 | 15.7 |

*Source: Eco-Shop, UOB Kay Hian*

## Growth And Margin Outlook

| | FY27F | FY28F | FY29F |
|---|---|---|---|
| Revenue (RMm) | 3,714 | 4,484 | 5,160 |
| Growth yoy (%) | 27.4 | 20.7 | 15.1 |
| PAT (RMm) | 316 | 363 | 413 |
| Growth yoy (%) | 23.3 | 14.9 | 13.7 |
| 3-year CAGR (%) | 15.6 | 17.2 | 21.0 |
| Gross Margin (%) | 32.2 | 32.8 | 32.8 |
| EBIT Margin (%) | 12.3 | 11.8 | 11.6 |
| PAT Margin (%) | 8.5 | 8.1 | 8.0 |

*Source: Eco-Shop, UOB Kay Hian*

## Profit & Loss

| Year to 31 May (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Net turnover | 2,915.8 | 3,713.9 | 4,483.9 | 5,159.8 |
| EBITDA | 485.9 | 555.3 | 634.7 | 710.2 |
| Deprec. & amort. | 145.2 | 170.0 | 191.2 | 211.0 |
| EBIT | 340.7 | 385.3 | 443.6 | 499.2 |
| Total other non-operating income | 40.5 | 70.6 | 85.2 | 98.0 |
| Associate contributions | 0.4 | 0.4 | 0.4 | 0.4 |
| Net interest income/(expense) | (29.1) | (28.8) | (31.2) | (31.6) |
| Pre-tax profit | 352.5 | 427.5 | 497.9 | 566.0 |
| Tax | (87.9) | (111.1) | (134.4) | (152.8) |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 264.6 | 316.3 | 363.5 | 413.2 |

## Balance Sheet

| Year to 31 May (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Fixed assets | 931.1 | 1,038.3 | 1,115.1 | 1,172.2 |
| Other LT assets | 218.6 | 241.1 | 272.3 | 307.8 |
| Cash/ST investment | 30.7 | 26.2 | 83.0 | 180.7 |
| Other current assets | 764.6 | 912.3 | 1,036.9 | 1,150.3 |
| Total assets | 1,945.0 | 2,218.0 | 2,507.3 | 2,810.9 |
| ST debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other current liabilities | 403.3 | 480.7 | 560.4 | 634.7 |
| LT debt | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT liabilities | 407.3 | 444.7 | 472.6 | 495.3 |
| Shareholders' equity | 1,134.4 | 1,292.5 | 1,474.3 | 1,680.9 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 |
| Total liabilities & equity | 1,945.0 | 2,218.0 | 2,507.3 | 2,810.9 |

## Cash Flow

| Year to 31 May (RMm) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Operating | 486.9 | 409.5 | 504.4 | 576.8 |
| Pre-tax profit | 344.6 | 427.5 | 497.9 | 566.0 |
| Tax | (97.1) | (111.1) | (134.4) | (152.8) |
| Deprec. & amort. | 145.2 | 170.0 | 191.2 | 211.0 |
| Associates | 0.0 | 0.0 | 0.0 | 0.0 |
| Working capital changes | 76.5 | (75.0) | (48.2) | (43.6) |
| Other operating cashflows | 17.7 | (1.8) | (2.0) | (3.8) |
| Investing | (148.6) | (140.6) | (140.4) | (138.6) |
| Capex (growth) | (141.7) | (142.0) | (142.0) | (142.0) |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from sale of assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | (7.0) | 1.4 | 1.6 | 3.4 |
| Financing | (328.4) | (273.4) | (307.2) | (340.5) |
| Dividend payments | (146.7) | (158.2) | (181.7) | (206.6) |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| Loan repayment | 0.0 | 0.0 | 0.0 | 0.0 |
| Others/interest paid | (181.7) | (115.2) | (125.5) | (133.9) |
| Net cash inflow (outflow) | 9.9 | (4.5) | 56.8 | 97.7 |
| Beginning cash & cash equivalent | 20.9 | 30.7 | 26.2 | 83.0 |
| Changes due to forex impact | 0.0 | 0.0 | 0.0 | 0.0 |
| Ending cash & cash equivalent | 30.7 | 26.2 | 83.0 | 180.7 |

## Key Metric

| Year to 31 May (%) | 2026 | 2027F | 2028F | 2029F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 16.7 | 15.0 | 14.2 | 13.8 |
| Pre-tax margin | 12.1 | 11.5 | 11.1 | 11.0 |
| Net margin | 8.8 | 8.5 | 8.1 | 8.0 |
| ROA | 13.2 | 15.2 | 16.3 | 17.4 |
| ROE | 23.6 | 24.5 | 24.8 | 24.8 |
| Growth | | | | |
| Turnover | 4.6 | 27.4 | 20.7 | 15.1 |
| EBITDA | 22.9 | 18.9 | 15.0 | 12.3 |
| Pre-tax profit | 19.2 | 24.1 | 16.5 | 13.7 |
| Net profit | 20.8 | 23.3 | 14.9 | 13.7 |
| Net profit (adj.) | 20.8 | 23.3 | 14.9 | 13.7 |
| EPS | 20.8 | 23.3 | 14.9 | 13.7 |
| Leverage | | | | |
| Debt to total capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt to equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt/(cash) to equity | (27.8) | (24.1) | (25.0) | (27.7) |
| Interest cover | 16.7 | 19.3 | 20.3 | 22.4 |