Eco-Shop Marketing (ECOSHOP MK)

4QFY26: SSSG Hits An Inflection Point

- Earnings are within expectations as SSSG appears to have reached an inflection point.
- Gross margins improved amid Middle East spillover cost filtered through but opex increased due to seasonal staff-related expenses.
- Maintain BUY as Eco-Shop offers attractive growth, underpinned by its store expansion rollout. Target price remains unchanged at RM1.70.

BUY (Maintained)	
Share Price	RM1.49
Target Price	RM1.70
Upside	14.1%

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4QFY26 Results

Year to 31 May (RMm)	4QFY26	qoq % chg	yoy % chg	FY26	yoy % chg	Comments
Revenue	772.9	3.9	12.2	2915.8	4.6	4QFY26 SSSG came in at -2.3% (improvement from 3QFY26's -12.9%).
GP	266.9	6.3	21.3	969.7	23.3	
EBITDA	136.3	-4.0	25.8	526.4	22.1	
PBT	89.2	-9.0	30.9	352.5	25.4	
Profit	72.6	1.9	47.0	264.6	29.4	
Core PATAMI	64.7	-9.2	15.7	256.7	22.6	Within expectations.
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg	
Gross Profit	34.5	0.8	2.6	33.3	5.0	Gross margins improved despite Middle East conflict impact filtering through.
EBITDA	17.6	-1.4	1.9	18.1	2.6	Higher opex relating to staff incentive, bonus and ESOS.
Eff. tax rate	-18.6	8.7	8.9	-24.9	2.3	
Core Profit	8.4	-1.2	0.3	8.8	1.3	

Source: Eco-Shop Marketing, UOB Kay Hian

Analysis

- **Within expectations.** Eco-Shop Marketing (Eco-Shop) registered a 4QFY26 core profit of RM64.7m (15.7% yoy, -9.2% qoq), bringing FY26 core profit to RM256.7m (+22.6% yoy). This falls within expectations with earnings accounting for 100% of both our and consensus estimates. Core profit has excluded a one-off deferred tax liability that amounted to RM7.9m. Highlights for the quarter include SSSG shrinking to -2.3% from -12.9% in the preceding quarter while gross margins improved despite a full quarter's impact from the Middle East conflict spillover cost filtering through.

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	377	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	40.3	33.4	27.1	23.6	20.7
P/B	8.7	7.5	6.6	5.8	5.1
EV/EBITDA	21.6	16.5	14.4	12.5	11.1
Dividend yield	1.8	1.4	1.8	2.1	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	24.5	24.8	24.8
Consensus net profit	n.a	n.a	316	366	415
UOBKH/Consensus (x)	n.a	n.a	1.00	0.99	1.00

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

Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	ECOSHOP MK
Shares issued (m)	5,749.0
Market cap (RMm)	8,578.2
Market cap (US$m)	2,092
3-mth avg daily t'over (US$m)	3.1

Price Performance (%)

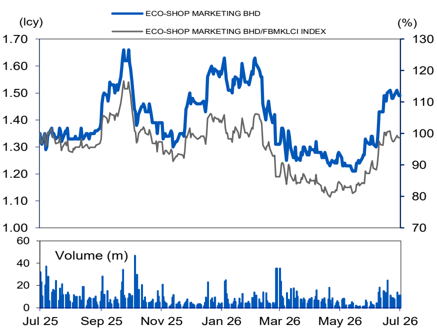
52-week high/low: RM1.66/RM1.13

1mth	3mth	6mth	1yr	YTD
13.7	17.3	(5.7)	13.7	2.1

Balance Sheet Metrics

FY27 NAV/Share	0.2
FY27 Net Debt/Share	0.0

Price Chart



Source: Bloomberg

Company Description

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

- **SSSG inflection?** 4QFY26 revenue grew 12.2% yoy (3.9% qoq) as higher store count (24.5% or 91 net new stores to 462 stores) more than offset SSSG contracting 2.3% yoy. While the latter contracted, it was a marked improvement from the preceding quarter's contraction of 12.9%. Management indicated that SSSG has been trending positive since May, which bodes well for 1QFY27. The recovery in SSSG is attributed to foot traffic recovering (particularly in the East Coast and Central Malaysia regions), marketing initiatives and store refurbishment efforts.
- **Gross margins expanded despite Middle East conflict impact…** 4QFY26 gross margin expanded 0.8ppt qoq (+2.6ppt yoy) to 34.5% despite the Middle East conflict spillover costs filtering through. It was more than offset by the strengthening of the ringgit vs the renminbi, improved product mix from increased house-brand contributions and reclassification of supplier rebate. Close to 700 SKUs have been affected by supplier cost increases, which is an increase from 250SKUs early on when the conflict first broke out. It remains highly manageable as Eco-Shop has close to 13,000SKUs altogether.
- **…but tempered by seasonally induced opex.** In terms of operating margins, the improvement was tempered to -1.4ppt qoq (1.9ppt yoy) due to higher overhead expenses arising from seasonal expenses such as staff target incentive, employee share option scheme (ESOS) and bonus payouts. Core PAT margins were tempered further to -1.2ppt qoq (+0.3ppt yoy) following higher interest expense and depreciation as earnings contracted 9.2% qoq (+15.7% yoy).

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

- **No changes to earnings.** Key risks include the strengthening of the renminbi against the ringgit and a sharp deterioration in consumer sentiment.

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)	3714	4484	5160
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

Environmental, Social, Governance (ESG)

Environmental

- Energy & emission efficiency. Eco-Shop achieved a 2.5% reduction in emission intensity in FY24, lowering it from 24.63 to 24.02 tCO2e 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 meets 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 (PwC) as part of its reasonable assurance report on the pro forma financials submitted to the Securities Commission Malaysia.

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
Net profit (adj.)	256.7	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 Metrics

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