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CIMB Research retains Add for 7-Eleven

Monday, 2 March 2015

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KUALA LUMPUR: CIMB Equities Research is maintaining its Add recommendation for 7-Eleven Malaysia Holdings Bhd but at a lower target price of RM1.70, down from RM1.78.

"FY14 core net profit came in below our forecast (91% of FY14 forecast) and consensus (90%) due to lower-than-expected top line and interest expense," it said on Monday.

CIMB Research said revenue increased due to a wider network and stronger same store sales (SSS) growth, while net profit increased largely due to the higher other operating income.

It cut its FY15-16 earnings forecasts and target price, based on an unchanged price-to-earnings (P/E) of 23.6 times CY16 (20% premium over its peers' average).

Despite the cut in its earnings, growth remains above the sector's average.

"We maintain our Add call. It declared an interim DPS of 2.5 sen and a special DPS of 2.6 sen, representing a 100% dividend payout, and beat our forecast of 1.44 sen.

"Strong earnings growth and potentially high dividend payout going forward could be rerating catalysts," it said.