

**NEWS CLIPPING**

<b>EVENT:</b>	7-ELEVEN SEES BITTERSWEET 2H15 BUT FULL MARGIN RECOVERY REMAINS UNLIKELY
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# 7-Eleven sees bittersweet 2H15 but full margin recovery remains unlikely

**KUCHING:** Analysts peg 7-Eleven Malaysia Holdings Bhd's (7-Eleven) second half of 2015 (2H15) as bittersweet as they remain cautious of the group's outlook.

According to RHB Research Instituton SinBhd (RHB Research), 7-Eleven revealed in a recent briefing that the group booked a goods and services tax (GST)-adjusted same-store sales growth (SSSG) of -1.5 per cent year on year (y-o-y) in the second quarter of 2015 (2Q15).

While SSSG remains respectable amidst post GST implementation, the research house was cautious of the group's outlook due to a limited margin recovery.

"This is due to the GST-driven amendments to the Price Control Anti-Profitsteering Act 2011 that prohibits prices from being raised until June 2016 if they result in higher margins and macroeconomic headwinds," it said.

That said, RHB Research noted that 7-Eleven's store expansion and refurbishment are on track.

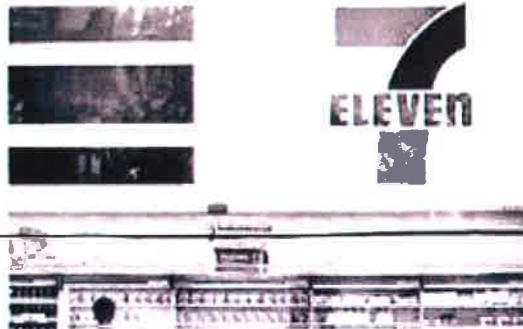
The research house noted that 7-Eleven has launched 125 new stores and closed 16 stores, bringing the group's net store openings to 109 stores. It deemed this on track, as the company aims a net addition of 200 stores in financial year 2015 (FY15).

"The new stores opened were mainly located in the Klang Valley," it said.

RHB Research further noted that additionally, 7-Eleven's store refurbishment is also progressing well, with 102 stores being refurbished as at year to date (YTD) 2Q15.

The research house said that 26 stores were refurbished to become the "next generation" stores, while 67 were transformed to become quick win food service (QWFS) stores.

"The former type of stores complete



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food service infrastructure while the latter is slightly moderate in terms of the same services.

"Management is optimistic in reaching its target of refurbishing 200 stores in FY15," it added.

On 7-Eleven's new initiatives and promotions, RHB Research underlined that the convenience store has signed an agreement with BOKIT, which would see last mile delivery players use the parcel lockers available at 7-Eleven stores as their delivery points.

"Customers may find this appealing as it allows them to order items online and have them picked up at their preferred 7-Eleven store.

"The proposal is due to kick off in 4Q15 with 7-Eleven benefitting as a tenant and fee collector for each co-assignment," it said.

While earnings are accretive, it remains minimal at this juncture and the research house, therefore, left earnings unchanged until further clarification is obtained from management.

RHB Research noted that secondly, 231 new stock-keeping

units (SKUs) were launched YTD 2Q15 in the company's continued effort to improve merchandise mix.

"The new SKUs launched are aimed at expanding the fresh food and beverage segment.

"This follows the introduction of 7-Eleven's 'own-brand' SKUs during the previous quarter," it said.

RHB Research further noted that the group's third update involved 7-Eleven having signed up with Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) over its water bill payment facility that is due to commence in 3Q15.

The research house said this will complement the company's existing bill payments services, which include Touch N' Go top ups, which, according to management is "growing strongly".

"We believe that these new initiatives would not only channel higher commissions revenue to the company via its expanding in-store services, but also drive more traffic into its stores," the research house added.