

## NEWS CLIPPING

EVENT:	7-ELEVEN ON TRACK TO HIT 200 NET NEW STORE OPENINGS IN FY15
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# 7-Eleven on track to hit 200 net new store openings in FY15

7-Eleven Malaysia Holdings Bhd (Sept 7, RM11.49)

Maintain neutral with an unchanged target price (TP) of RM11.36; 7-Eleven Malaysia Holdings Bhd (7-Eleven) has booked a goods and services tax (GST)-adjusted same-store sales growth (SSSG) of a decline of 1.5% year-on-year (y-o-y) in the second quarter of 2015 (2Q15). While SSSG remains respectable amid the post-GST implementation, we are cautious on its outlook due to a limited margin recovery. This is due to the GST-driven amendments to the Price Control Anti-Profitteering Act 2011 that prohibits prices from being raised until June 2016 if they result in higher margins and macroeconomic headwinds.

7-Eleven has added 52 new stores in 2QFY15, bringing its total number of outlets to 1,854. On the refurbishment of its outlets, a total of 102 stores have undergone the renovation process year-to-date. Hence, we believe that the company is on track to deliver its target of 200 net new store openings and 200 store refurbishments for FY15.

The company has completed an agreement with BONGT Sdn Bhd, which allows customers to pick up online orders at their preferred 7-Eleven stores. This commences in 4QFY15. While it is expected to be minimally accretive to earnings, we make no changes to earnings pending further clarification from management.

An agreement was signed with Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) that would provide water bill payment services in stores from late 3QFY15 onwards. 7-Eleven has also introduced 231 new stock-keeping units (SKUs) year-to-date in an effort to improve its merchandise mix.

We make no further changes to



A total of 52 new 7-Eleven stores were opened in 2QFY15. The Edge file photo

### 7-Eleven Malaysia Holdings Bhd

FY/DEC (RM MIL)	2013	2014	2015F	2016F	2017F
Total turnover	1,672	1,893	2,081	2,322	2,511
Reported net profit	51.8	63.1	58.7	71.5	81.1
Recurring net profit	51.8	63.0	58.2	71.5	81.1
Recurring net profit growth (%)	27.9	21.7	(6.8)	21.9	13.4
Recurring EPS (RM)	0.04	0.05	0.05	0.06	0.07
DPS (RM)	0.00	0.05	0.03	0.03	0.04
Recurring PER (x)	35.5	29.2	31.3	25.7	22.7
P/BV (x)	24.9	7.8	7.6	6.8	6.1
P/CF (x)	9.8	19.3	9.3	8.2	7.6
Dividend yield (%)	0.0	3.4	1.9	2.3	2.6
EV/Ebitda (x)	16.9	12.2	10.7	8.9	7.7
ROAE (%)	48.5	40.7	24.6	28.0	28.4
Net debt to equity (%)	105.2	net cash	net cash	net cash	net cash
Our vs consensus					
EPS (revised) (%)	-	-	(13.5)	(14.7)	(15.7)

Source: Company data, RHB

our forecast. We maintain "neutral" with our TP unchanged based on 23 times FY16 (forecast) price-earnings ratio (PER). Our target PER is in line with its regional listed peers' 23 times average. While the expansion bodes well, limited mar-

gins expansion may cap earnings growth. Risks include expenses outpacing revenue driven by new expansions and a further slowdown in consumer spending amid macroeconomic headwinds. — RHB Research Institute, Sept 7