


NEWS CLIPPING

EVENT:	7-ELEVEN EXPANDS STORES AMID WEAK CONSUMER DEMAND, INCREASED OPEX
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Maximise your exports while minimising risks




▶ 7-ELEVEN MALAYSIA HOLDINGS BHD				
FYE DEC	FY14A	FY15E	FY16E	FY17E
REVENUE (RM mil)	1,893.1	2,147.1	2,472.9	2,807.3
CORE NET PROFIT (RM mil)	58.1	59.3	72.1	89.9
CORE EPS (sen)	4.7	4.8	5.9	7.3
CORE PE (x)	31.9	31.2	25.5	20.6

7-Eleven expands stores amid weak consumer demand, increased opex

► Recommendation:
Hold
TARGET Price: RM1.50
 by Maybank Investment Bank Bhd (Sept 4)

Highlights

- 7-ELEVEN Malaysia Holdings Bhd's 1H15 same-store-sales growth (SSSG) into negative territory, -2.5% YoY.
- Expansion plans still intact, 109 new stores, 102 refurbished stores in 1H15.
- Maintain 'Hold' with an unchanged target price (TP) of RM1.50.

What's New

At last Friday's analyst briefing, management shared with us that 2Q15's slower sales growth (+2.3% YoY, -4.5% QoQ) was mainly due to i) softer post Goods and Services Tax (GST) demand, ii) early timing of Ramadhan in June, iii) lower

sales value from reduced cost post GST implementation (eg cigarettes had 6% lower sales value), SSSG for the quarter and 1H15 was -7.3%/-2.5% YoY. These, together with higher selling and distribution/operation expenditure (opex) resulted in much weaker core net profit (-35% YoY, -25% QoQ).

As of end-Jun 2015, 7-Eleven had 1,854 stores, after an addition of 109 stores as compared to end-2014. It has also refurbished 102 stores.

We understand that the strategy for the remaining of 2015 (we forecast 96 new stores in 2H15) would still be to open about 30%-35% of the new stores in the Klang Valley, the balance in the rest of Malaysia. Stock keeping units per median stores are largely unchanged, at 1,800.

On in-store services: 7-Eleven has signed up Syari-

kat Bekalan Air Selangor Sdn Bhd (water) on bill payment. Also, it has signed an agreement with BOXIT Sdn Bhd for courier service using parcel lockers at stores. This will be tested in 20 selected stores in 4Q15 and could be expanded to up to 500 stores. We view this positively as it might turn out to be a great traffic driver.

Our View

7-Eleven's near-term earnings outlook remains challenging, on possibly slower than expected recovery in consumption demand and overall increase in opex. Positively, 7-Eleven did not pull back on expansion plans and should be well positioned to take advantage of the rebound in consumption demand. We maintain our earnings forecasts, 'Hold' call and target price of RM1.50 (24x FY16 PER).