Eco-Shop Marketing Berhad (Eco-Shop)

Ultra-Affordable Essentials

- **Eco-Shop Marketing Berhad operates 358 retail outlets across Peninsular Malaysia, offering 5,000–13,000 affordable FMCG and household items; targeting B40 and M40 groups, and it sources the SKUs from various key distributors and brand owners.**
- **We forecast a 3-year earnings CAGR of 14.0%, with core PAT reaching RM196.4–241.8m, driven by store expansion (70 p.a.) and expected rising transactions per store per day, Eco-Shop loyalty programme which set to drive robust customer retention rate and margin gains from its robust economies of scale.**
- **We ascribe a fair value of RM1.40 for Eco-Shop. Our fair value is derived by pegging a forward P/E of 35.0x to the FY26f EPS of 3.99 sen, implying a 15.7% upside from its IPO price of RM1.21. We believe the assigned P/E of 35.0x is justified, as the average P/E and forward P/E of its closest peers range between 25.5-39.4x. The valuation also reflects Eco-Shop's strong business moat, evidenced by its SSSG performance.**

Investment Highlights

Leading dollar store retailer. With 358 outlets throughout Malaysia, Eco-Shop is the largest player in the dollar-store retail industry (67.8% market share), leading in (i) average sales per sq ft (Eco-Shop: USD216.1, industry mean: USD133.5) and (ii) sales CAGR (Eco-Shop: 20.1%, industry mean: 13.5%) based on 2023 revenue. Despite already having a substantial revenue base, the company still achieved an impressive 2-year revenue CAGR of 23.57% from FY22–24, outpacing its competitors; largely driven by (i) aggressive store expansion into new regions; and (ii) a positive trend in SSSG, reflecting a shift in consumer preference towards budget-friendly convenience stores.

Rapid outlet expansion. Across FY22-24, Eco-Shop opened an average of 37 new outlets annually, focusing suburban areas nationwide, with mostly on shop-lot (86%) followed by malls (12%) and standalone units (2%) predominantly within 4,000-6,999 sq ft size range. Management is committed that it could expand ~350 outlets nationwide over the next five years, translating ample room for growth before hitting saturation, averagely targeting store expansion of roughly 70 new outlets annually. The company will also build 3 new Distribution Centres (DCs) to achieve a target of 5 by 2027 (from 2 DCs currently) to support its outlet expansion.

Positive SSSG, driven by a shift to budget-friendly convenience stores. From the post-pandemic period of FY22 to FY24, Eco-Shop achieved a SSSG of 11.0%, up from −14.5% in FY22 (calculated based on 202 outlets); reflecting a persistent shift in consumer preference towards budget-friendly convenience stores in Malaysia. This is evident in the increase in Eco-Shop's average number of sales transactions per outlet per day to 988 in FY24, representing a ~28% rise from the post-COVID rate of 772 transactions in 2022. Do note that its closest retail peers, 99Speedmart's SSSG also trended positively at 4-year CAGR of 5.1% (FY19-FY23).

Self-reinforcing moat. We believe Eco-Shop has built a strong moat through a combination of convenience and competitive pricing. By offering low prices while sustaining high sales volumes, the company is able to secure advantageous terms and incentives from suppliers. These include advertising support and end-display fees, which help the company preserve its pricing advantage, improve margins, and finance continued store expansion. As outlet numbers grow, sales scale accordingly—creating a reinforcing cycle that further entrenches Eco-Shop's position as the leading dollar-store retailer in Malaysia.

IPO Note – Non-rated

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Non-Rated

Share price	**RM1.21**
Target price	**RM1.40**
Previous TP	-
Capital upside	15.7%
Dividend return	1.3%
Total return	17.0%

Company profile

Eco-Shop offers 5,000–13,000 affordable SKUs targeting B40–M40 groups, supported by a flexible pricing model, strong member-driven sales, and efficient outlet expansion with a rapid 1.5-year payback period.

Stock information	
Bursa Code	5337
Bloomberg ticker	ECOSHOP MK
Listing market	MAIN
Share issued (m)	5,747.0
Market Cap (m)	6,953.9
Shariah compliant	YES
MITI	YES

Major shareholders	**%**
DSLKW	82.4

Earnings snapshot

FYE (May)	FY24	FY25f	FY26f
PATMI (m)	177.3	195.1	229.4
EPS (sen)	3.08	3.40	3.99
P/E (x)	39.2	35.6	30.3

Timetable of IPO

Opening of application	29 April
Closing of retail application	7 May
Balloting of application	9 May
Allotment of the IPO shares	22 May
Listing on the MAIN market	23 May

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Company Background

A prominent value-focused FMCG retailer. Eco-Shop Marketing Berhad operates the "Eco-Shop" chain as fixed-price and "Eco-Plus" stores as tiered fixed price retail stores, offering a wide range of fast-moving consumer goods (FMCG) and household essentials at affordable prices. As of the latest practicable date, the group operates 358 outlets across Peninsular Malaysia, strategically located in urban and suburban areas to serve the mass market, particularly the B40 and M40 income groups.

Eco-Shop carries ~5,000-13,000 SKUs depending on the store size spanning food and beverages, household products, personal care, kitchenware, and stationery. Its merchandising strategy combines affordability with essential product offerings, with prices starting mostly from RM2.60. The group sources its products from numbers of suppliers, including leading distributors and brand owners, and supplements its offerings with private label goods and exclusive imports.

Key management team

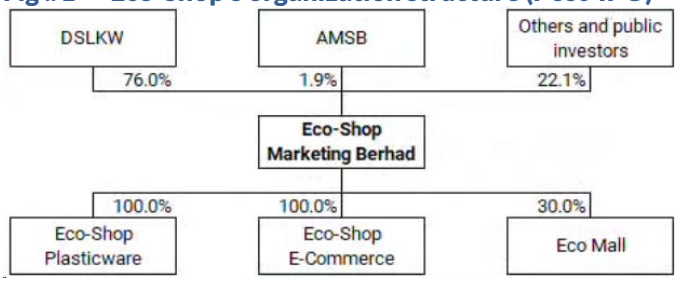
Dato' Sri Lee Kar Whatt (Founder) - Co-founded Eco-Shop with Pang Kueh Khim. Leads business strategy, expansion, supplier relations, and merchandising sourcing.

Jessica Ng Kim Teng (Chief Executive Officer) – More than 29 years in retail. Oversees day-to-day operations since appointment to the Board on 7 Jan 2025.

Chong Yew Kai – (Chief Finance Officer) – More than 27 years in retail/FMCG, specializing in finance, business development, and strategy. Manages financial, legal, and administrative operations.

Ng Siew Yen (Chief Human Resources Officer) – More than 24 years in HR. Holds a Diploma in Commerce (Business Management) from Tunku Abdul Rahman College (1994). Oversees all HR functions.

Fig #1 Eco-Shop's organization structure (Post-IPO)



Source: Eco-Shop Marketing Berhad

Affordable FMCG product offerings. Eco-Shop's core retail proposition spanning on offering essential daily products at affordable price points, targeting the B40 and M40 segments. It spans over ~5,000-13,000 SKUs across food, beverages, personal care, household items, and general merchandise, while adopting a flexible pricing structure—starting from RM2.60—through a curated product mix and high-volume purchasing strategy.

Customer retention through membership programme. Aiming to enhance customer loyalty, Eco-Shop introduced the Eco-Shop Loyalty Programme in 2022, allowing members to earn reward points from purchases at physical outlets and redeem them for products. Its Eco-Shop loyalty programme, launched in July 2022, recorded total

members amounting to c.1.8 million as of the LPD, with an average basket size of RM37.37—almost double that of non-members, which stood at RM20.72.

Strategic site selection for outlet rollout. Eco-Shop has a dedicated team focused on efficiently managing new outlet openings. The end-to-end process—from site identification to outlet launch—achieves an attractive payback period of just 1.5 years. Eco-Shop outlets are generally located in high visibility areas like shoplots and malls for customers' access convenience—taking into account population density, customer traffic, competition, street visibility, and accessibility.

Fig #2 Examples of Eco-Shop locations



Eco-Plus @ IOI City Mall
Selangor



Eco-Shop @ Setia Eco Hill Mall
Selangor



Eco-Shop @ AEON Dato' Onn
Johor



Eco-Plus @ Berjaya Times Square
Kuala Lumpur

Source: Eco-Shop Marketing Berhad

Future Plans and Business Strategies

Expanding stores footprint. Eco-Shop will allocate RM56.3m from its Public Issue proceeds to part finance the opening of 70 new stores annually nationwide, targeting high-traffic and accessible locations in commercial hubs with store sizes ranging from ~2,200-20,000 sq. ft. The average CAPEX per store (excluding inventory) ranges from RM0.8–1.5m, while inventory cost is estimated at RM0.7m per store.

Automated distribution centre to support the expansion plan. Eco-Shop intends use RM200.0m from its Public Issue proceeds to part finance the acquisition of a 307,560 sq. m. freehold industrial land in Klang for the development of a semi-automated distribution centre—aim to support its target to open 70 new stores annually over the next five years—expected to begin in 1Q 2026 and complete by FYE 31 May 2027.

Strengthening internal capabilities and digital transformation. RM10.9m from IPO proceeds will upgrade IT hardware and software to boost efficiency and support growth. Key initiatives: ERP, HR, warehouse, and retail system upgrades (RM3.0m); new property management, CRM, loyalty, and transport systems (RM3.9m); and enhanced cybersecurity infrastructure, including threat monitoring, email security, firewall protection, and server upgrades (RM4.0m).

Fig #3 SWOT Analysis

Strength	Weakness
• A well-recognized retailer in Malaysia, offering mostly fixed price-point products (RM2.60). • Rapid expansion with an average of 37 new outlets annually. • Offering a substantial amount of SKUs ranging from ~5,000-13,000.	• Heavy reliance on China imports, which expose the Company to forex and logistics risks. • As a fixed-price retailer, Eco-Shop operated on thin margins as it is highly sensitive to inflation and ringgit fluctuations.
Opportunity	**Threat**
• Expasion potential to East Malaysia and underserved urban/semi-urban areas. • Strong demand from B40/M40 income groups.	• Changes in import policies, such as tariffs, forex, or minimum wage adjustements could impact margins. • Rising competition from discount retailers & e-commerce.

Source: M+ Research

Fig #4 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Opening of new stores	56.3	13.4%	Within 12 months
Distribution centre expansion plan	200.0	47.6%	Within 12 months
Investment in IT hardware and software	10.9	2.6%	Within 12 months
Working capital	24.7	5.9%	Within 12 months
Repayment of bank borrowings	100.0	23.8%	Within 3 months
Defray fees and listing expenses	28.0	6.7%	Within 3 months
Total	419.9	100.0%	

Source: Eco-Shop Marketing Berhad

Financials

Revenue highlights. Eco-Shop reported revenue of RM2,404.0m for FYE 2024, marking a 20.8% YoY increase from RM1,990.7m in FYE 2023—mainly driven by aggressive store expansion, with 358 outlets nationwide and an average of 37 new stores opened annually, as well as positive same-store sales growth (SSSG), reflecting rising consumer preference for budget-friendly convenience formats. Core earnings rose 69.1% to RM177.3m, up from RM104.8m in FYE 2023, with net margins continuing to improve, reflecting its bulk purchasing strategy from suppliers, which has supported better pricing negotiations.

Earnings forecasts. Moving forward, we project 3-year earnings CAGR of 14.0%, with core PAT expected to reach RM195.1-262.5m over the next three years. We anticipate a dilution in the average basket value per transaction; however, this will be offset by growth in average daily sales per store (ADSS) and the average number of transactions per store per day in tandem with: (i) the increasing number of store openings, averaging 70 new stores annually over the next five years; and (ii) the expanding membership base through its Eco-Shop loyalty programme, which we believe will enhance customer retention.

We also expect a slight improvement in margins, supported by higher purchasing volumes from suppliers, which should translate into lower average purchasing costs.

Fig #5 Financial Highlights

FYE May (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	1,990.7	2,404.0	2,722.0	2,979.8	3,238.2
EBITDA	255.0	367.5	402.9	444.2	489.8
EBIT	160.0	264.1	282.8	311.5	346.8
PBT	143.7	241.7	256.7	301.9	345.4
PAT	105.0	177.3	195.1	229.4	262.5
PATMI – Core	104.8	177.3	195.1	229.4	262.5
PATMI – Reported	104.8	177.3	195.1	229.4	262.5
% change YoY – Core PATMI	291%	69%	10%	18%	14%
Core EPS (sen)	1.82	3.08	3.40	3.99	4.57
P/E (x)	66.3	39.2	35.6	30.3	26.5
EV/EBITDA (x)	26.7	18.5	16.9	15.3	13.9
DPS (sen)	2.7	1.7	1.4	1.6	1.8
Yield (%)	2%	1%	1%	1%	2%
BVPS (RM/share)	0.1	0.1	0.2	0.2	0.2
P/B (x)	13.3	12.6	6.8	6.0	5.3
ROE (%)	22%	33%	25%	21%	21%
Net Gearing (x)	0.4	0.7	0.0	0.0	CASH

M+ Research

Valuations

We ascribe a fair value of RM1.40 for Eco-Shop. Our fair value is derived by pegging a forward P/E of 35.0x to the FY26f EPS of 3.99 sen, implying a 15.7% upside from its IPO price of RM1.21. We believe the assigned P/E of 35.0x is justified, as the average P/E and forward P/E of its closest peers range between 25.5-39.4x. The valuation also reflects Eco-Shop's strong business moat, evidenced by its SSSG performance.

Fig #6 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
ECO-Shop Marketing Bhd	**Main**	**May**	**1.21**	**6,953.9**	**39.2**	**31.2**	**7.4**
MR DIY Group M Bhd	MAIN	Dec	1.68	15,909.1	27.9	24.3	12.2
99 Speed Mart Retail Holdings	MAIN	Dec	2.27	19,068.0	38.9	NM	4.9
7-Eleven Malaysia Holdings Bhd	MAIN	Dec	2.00	2,218.1	53.2	32.3	1.4
Mynews Holdings Bhd	MAIN	Dec	0.60	450.2	37.5	20.0	1.2
Avg ex-ECO-Shop Marketing Bhd				**9,411.4**	**39.4**	**25.5**	**4.9**

*Source: M+ Research (*FY24, **FY26f)*

Investment risks

Brand and reputation risk. Eco-Shop's business is closely tied to its value-focused retail branding. Any adverse events—such as negative publicity, product quality concerns, or

safety incidents—could harm consumer perception and diminish brand equity, potentially affecting store traffic and revenue performance.

Product compliance and quality risk. Some products sold are subject to regulatory registration, certification, and inspection. Non-compliance or quality lapses could lead to enforcement actions, reputational damage, or removal of products from shelves, which may negatively impact customer trust and financial performance.

Property compliance risk. Eco-Shop's properties, including stores, distribution centres, and worker hostels, are subject to land use, licensing, and regulatory compliance. Breaches may result in fines, operational disruptions, or forced relocation, leading to additional costs and business interruptions.

Tenancy dependency risk. The Company's operations rely heavily on leased premises, including its Klang Distribution Centre and various store locations. Termination or non-renewal of key tenancy agreements may disrupt supply chain continuity and store presence, adversely impacting operations and financial stability.

Eco-Shop's ESG initiatives

Environmental Initiatives

Energy Efficiency: Implemented LED lighting and passive building design (e.g., transparent roofs) to reduce energy consumption.

Sustainable Logistics: Optimized delivery routes and upgraded logistics fleet with ADBlue-equipped vehicles to lower nitrogen oxide emissions.

Waste Reduction: Eliminated plastic bags across stores; fully compliant with environmental regulations (no recorded violations).

Social Initiatives

Workforce Welfare: Ensures fair treatment of local and foreign workers, including proper accommodation and oversight. Provides continuous learning opportunities through internal and external programs.

Governance Initiatives

Eithical policies: Implements anti-bribery, data protection, whistleblowing, and ethical conduct policies aligned with MCGG recommendations.

Technology, and supply chain responsibility: Uses integrated ERP and WMS systems for inventory accuracy and efficiency. Promotes responsible sourcing and plans to enhance supplier social risk monitoring.

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Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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