

8. INDUSTRY OVERVIEWF R O S T  S U L L I V A N

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Date: 22 February 2024

The Board of Directors

99 Speed Mart Retail Holdings Berhad

Lot PT 2811, Jalan Angsa,
 Taman Berkeley,
 41150 Klang,
 Selangor Darul Ehsan, Malaysia

Dear Sirs / Madams,

Independent Market Research on the Mini-Markets industry in Malaysia for 99 Speed Mart Retail Holdings Berhad ("99 Speedmart" or "the Company")

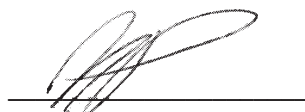
We, Frost & Sullivan GIC Malaysia Sdn Bhd ("**Frost & Sullivan**"), have prepared this Independent Market Report on the Mini-Markets industry in Malaysia ("**IMR Report**") for inclusion in 99 Speedmart's prospectus in conjunction with the listing of and quotation for the entire enlarged issued shares in 99 Speedmart on the Main Market of Bursa Malaysia Securities Berhad ("**Prospectus**").

We are aware that this IMR Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this IMR Report between the date hereof and the issue date of the Prospectus, we have an ongoing obligation to either cause this IMR Report to be updated for the changes and, where applicable, cause 99 Speedmart to issue a supplementary prospectus, or withdraw our consent to the inclusion of this IMR Report in the Prospectus.

Frost & Sullivan has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:



Narciso Podda
Director
Business & Financial Services

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Methodology

For the purpose of preparing this report, Frost & Sullivan has conducted primary research encompassing interviews with industry experts and industry players, and secondary research, which included reviews of company reports, official websites/social media pages, independent research reports, information from industry associations/authorities/international organisations, and information from Frost & Sullivan research database. Unless being made available in the publicly available sources, projected data was derived by Frost & Sullivan using historical data analysis with the consideration of the social, economic, and political environments for the forecasted period.

Comparable key industry players identified in this report have been selected from a long list of companies developed by screening directories in Malaysia as well as discussing with industry players. Subsequently, the list was presented and discussed with industry players and experts¹ that agreed to be interviewed for the purpose of the analysis. Information were further validated via public information through secondary research (which covers reviews of company reports, official websites/social media channels, independent research reports, information from industry associations/authorities/internal organisations, as well as information from Frost & Sullivan research database) and fine-tuned by contacting identified companies (e.g., telephonic method, official social media platforms, among others).

Profile of Frost & Sullivan GIC Malaysia Sdn Bhd

Frost & Sullivan is a global independent industry research and consulting organisation headquartered in the United States of America with over 60 years of establishment. In Malaysia, Frost & Sullivan's subsidiary, Frost & Sullivan GIC Malaysia Sdn Bhd, operates two offices (Selangor and Iskandar Malaysia) with more than 200 employees offering market research, marketing and branding strategies and business advisory services across 12 industries. Frost & Sullivan is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other related fund-raising and corporate exercises.

Profile of the IMR signee, Narciso Podda

Narciso Podda is the Director, Business & Financial Services division, for Frost & Sullivan GIC Malaysia Sdn Bhd. Narciso Podda possesses over 15 years of experience in market research and consulting, including over 8 years in independent market research and due diligence exercise for capital markets across the Asia Pacific region. Narciso Podda holds a Bachelor in Business Administration from Bocconi University, Italy, and a Master in International Economics and Finance from Chulalongkorn University, Thailand.

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¹ Industry players are individuals currently or previously working in the mini-markets industry. Industry experts are individuals with in-depth knowledge on the industry (e.g., industry analysts).

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1 INTRODUCTION TO THE MINI-MARKETS INDUSTRY IN MALAYSIA

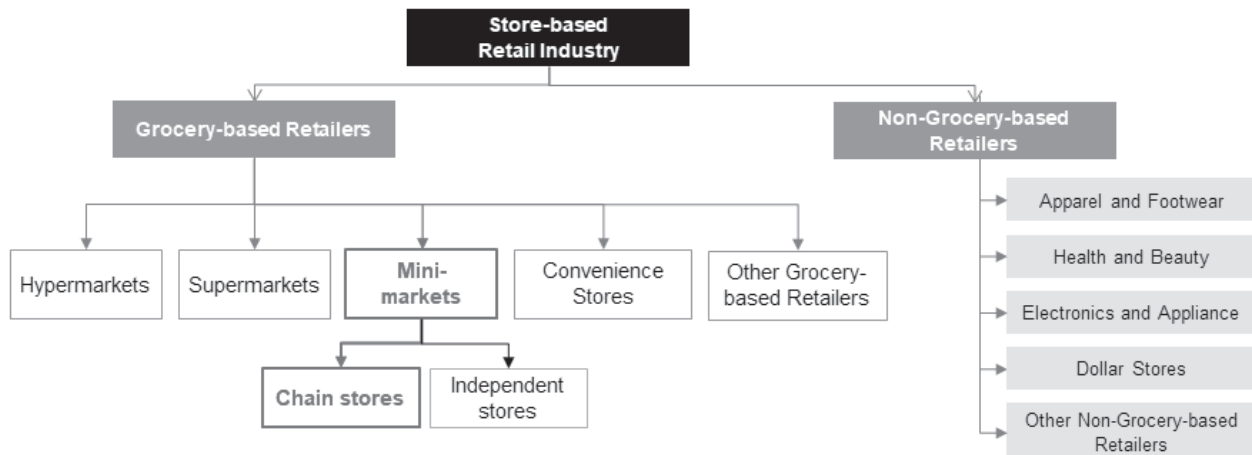
The groceries retail industry in Malaysia is growing and is projected to continue to grow, driven by factors such as population growth, resilient economic outlook, and resilient spending on food and non-alcoholic beverages, among other factors. Within this industry, chain mini-markets are forecasted to be the second-fastest growing segment, behind convenience stores. This is due to the growing popularity of convenient shopping. Within the mini-markets segment, the chain outlets are growing faster than independent outlets, due to the modernisation of retail channels driven by the consumers' preference for a modern shopping experience, among other factors.

99 Speedmart is the largest mini-market player and a leading groceries retailer in Malaysia, by revenue in 2022. In 2023, 99 Speedmart has also the largest number of outlets among the Malaysian mini-market players. By leveraging on its high number of outlets and the large sales volume, 99 Speedmart is able to achieve economies of scale and negotiate better supply terms, reducing its costs per item allowing it to sell its products at a competitive price. These factors help to solidify 99 Speedmart's leading position in the market and make it challenging for other players to compete on pricing. Accordingly, 99 Speedmart is well-positioned also to capture the future growth potential of the groceries retail industry in Malaysia.

2 DEFINITION AND MARKET SEGMENTATION

Malaysia's retail industry can be segmented into store-based retailing and non-store-based retailing (e.g. e-commerce, direct selling, vending machines). Store-based retailing comprises two main categories: grocery and non-grocery-based retailers. **Grocery-based retailers** predominantly focus on the sale of food and beverages ("F&B") with some selling household supplies and other housing goods (e.g., detergents), lifestyle items (e.g., clothing, luggage) as well as consumer products (e.g., stationery, toys). Non-grocery-based retailers, on the other hand, focus mainly on non-F&B products. Retailers within this segment are typically categorised by their product of focus or operating model. Retailers can also be segmented according to the business model, namely chain and independent outlets. **Chain outlets** have large-scale operations of more than one outlet located at different locations in the country, while independent outlets only operate at one location.

Figure 2-1: Retail Industry Segmentation in Malaysia



Note: 1) Other grocery-based retailers include other food or drinks specialists and small local grocers. 2) Other non-grocery-based retailers include specialty retailers of leisure and personal goods and non-specialty retailers such as department stores; 3) The red boxes indicate the industry subsegments where 99 Speedmart operates.

Source: Frost & Sullivan

The grocery segment encompasses various types of retail outlets, such as hypermarkets, supermarkets, **mini-markets**, and convenience stores, among others. Each of these retailers compete on the basis of product selection, price, quality, customer service, shopping experience, location, or any combination of these factors. The table below summarises their key differences.

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Table 2-1: General Key Differences Between Hypermarkets, Supermarkets, Mini-Markets, and Convenience Stores, Malaysia

	Hypermarket	Supermarket	Mini-market	Convenience store
Average outlet size (sq ft)	Very large >25,000	Large ~5,000-25,000	Small ~2,000-5,000	Very small <2,000
Predominant location	Outskirt of the city or suburban areas	City center, residential and shopping areas	Neighbourhood or near public places	Shopping areas, urban streets and highways
Needs met	Daily necessities and/or products consumed regularly, including fresh produce	Daily necessities and/or products consumed regularly, including fresh produce	Daily necessities and/or products consumed regularly, including limited fresh produce	Packaged products for immediate consumption
Products assortment	Large variety - Bulk packs	Large variety - Regular packs	Moderate variety - Value-packs	Limited variety - small packs and size
Products of focus	F&B, personal care, household items, apparel and footwear, electronic appliances, etc.	F&B, personal care, household items	F&B, personal care, household items	F&B, personal care
Operating hours	12 hours a day 7 days a week	12 hours a day 7 days a week	12 hours a day 7 days a week	24 hours a day 7 days a week
Example of Key players	Giant, Mydin, Lotus's, Aeon Big, Eonsave	Village Grocer, Jaya Grocer, HeroMarket, Giant, Mydin, Eonsave, AEON Store, AEON Maxvalu	99 Speedmart, Pasar Ekonomi Eonsave, Giant Mini, myNEWS SUPERVALUE	7-Eleven, myNEWS, FamilyMart, KK Super Mart

Note: Key players may be involved in one or more types of retail format. For instance, Giant has hypermarkets, supermarkets and mini-markets under the same group.

Source: Frost & Sullivan

3 MACROECONOMIC OVERVIEW OF MALAYSIA

The **Malaysian economy** grew from 2018 to 2022 at a compound annual growth rate ("CAGR") of 2.6%.² However, there was a setback in 2020 with a recorded decline of -5.5% due to the initial uncertainty caused by the political environment at the beginning of the year and the economic impact of the coronavirus disease 2019 ("COVID-19"), which caused a decline in the average monthly household income. Notwithstanding the drop in household income, groceries purchases were less affected as they are essential non-discretionary items that people prioritise even during challenging economic times. In 2021, the Malaysian economy rebounded by 3.3% and this positive trend continued into 2022 with the easing of COVID-19 restrictions and strong trading activity, contributing to a higher average monthly household income. Household expenditure in Malaysia grew in tandem with household income. From 2019 to 2022, the total average monthly household expenditure increased from RM4,609 to RM5,150 at a CAGR of 3.8%. In particular, the total average monthly household expenditure for food and non-alcoholic beverages increased from RM780 to RM841 at a CAGR of 2.6% during the same period.³ The positive growth in household expenditure for food and non-alcoholic beverages provides significant opportunities for the mini-market industry. The Malaysian economy has demonstrated resilience in 2023, growing by 3.7%. This robust performance can be attributed to the continued strength of the domestic demand, which has played a significant role in driving this growth.⁴ The Malaysian economy is forecasted to grow by 4.3% in 2024,⁵ supported by government initiatives such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the Twelfth Malaysia Plan.⁶

The **Malaysian population** grew from 32.4 million in mid-2018 to 32.7 million in mid-2022, at a CAGR of 0.2%. It is forecasted that the population will further increase to 34.6 million by mid-2027, growing at a CAGR of 1.2% from mid-2022 onwards.⁷ With the population of Malaysia set to increase, the mini-market industry will also expand further due to the increased base of potential customers.

Table 3-1: Population in Malaysia, mid-2018–mid-2027F

	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Population (in millions)	32.4	32.5	32.4	32.6	32.7	33.1	33.5	33.9	34.2	34.6

Note: Data refer to mid-year population.

Source: IMF (WEO, Oct 2023); Frost & Sullivan

² International Monetary Fund ("IMF") World Economic Outlook ("WEO") Oct 2023

³ DOSM, Household Expenditure Survey Report Malaysia 2022

⁴ Bank Negara Malaysia, Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, February 2024

⁵ IMF, WEO October 2023

⁶ Ministry of Finance, Economic Outlook 2024

⁷ IMF, WEO October 2023

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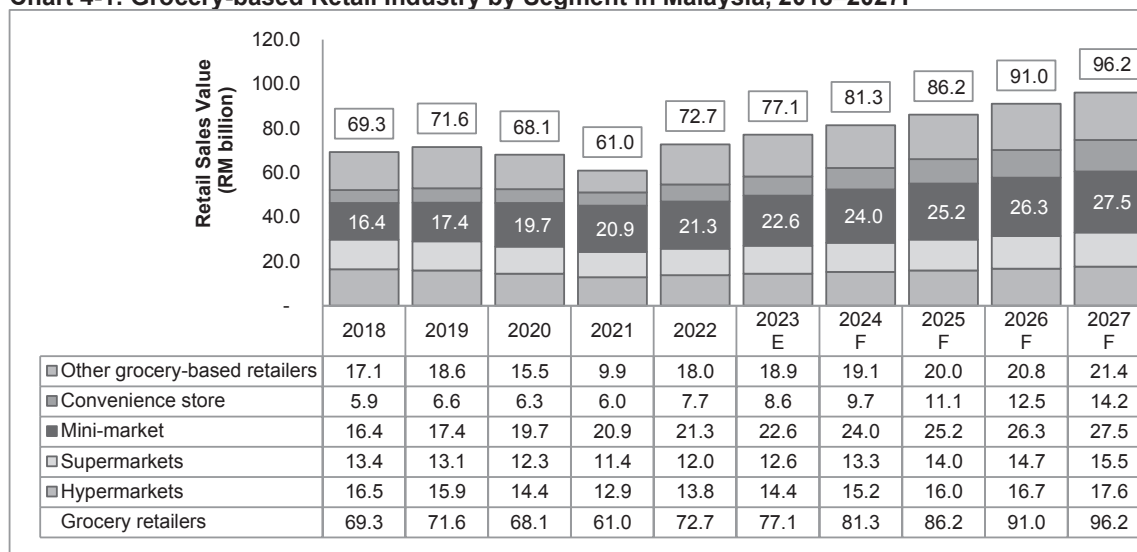
4 ANALYSIS OF MINI-MARKETS INDUSTRY IN MALAYSIA

4.1 MARKET SIZE

The grocery-based retail industry in Malaysia has experienced expansion, as evidenced by the rise in sales value from RM69.3 billion in 2018 to RM72.7 billion in 2022, at a CAGR of 1.2%. Notably, there has been a substantial growth rate of 19.2% in 2022 compared to the previous year, driven by the recovery of this segment upon the liftings of all movement restrictions in April 2022.

Moving forward, the grocery-based retail industry in Malaysia is projected to continue growing from 2022 to 2027. This growth will be driven by population growth and a resilient economic outlook, which lead to higher income and expenditure by households. These are key factors supporting the growth of the grocery-based retail industry. However, the grocery-based retail industry may face challenges due to inflationary pressures, which can lead to consumers becoming more price sensitive.

Chart 4-1: Grocery-based Retail Industry by Segment in Malaysia, 2018–2027F



Note: Total may not add up due to rounding.

Source: Frost & Sullivan

Table 4-1: CAGR of the Grocery-based Retail Industry in Malaysia, 2018–2027F

	CAGR 2018-2019	CAGR 2019-2022	CAGR 2022-2027F
Hypermarkets	-3.3%	-4.8%	5.0%
Supermarkets	-1.8%	-3.1%	5.3%
Mini-markets	5.8%	7.0%	5.2%
- Chain mini-markets	18.2%	17.7%	10.4%
- Independent mini-markets	-0.5%	-0.7%	-1.3%
Convenience stores	10.7%	5.5%	12.9%
Other grocery-based retailers	9.0%	-1.1%	3.6%
Total grocery-based retailers	3.4%	0.5%	5.8%

Note: All forecasts for retail sales value are on a best-efforts basis, based on the latest publicly available information and primary interviews as at January 2024.

Source: Frost & Sullivan

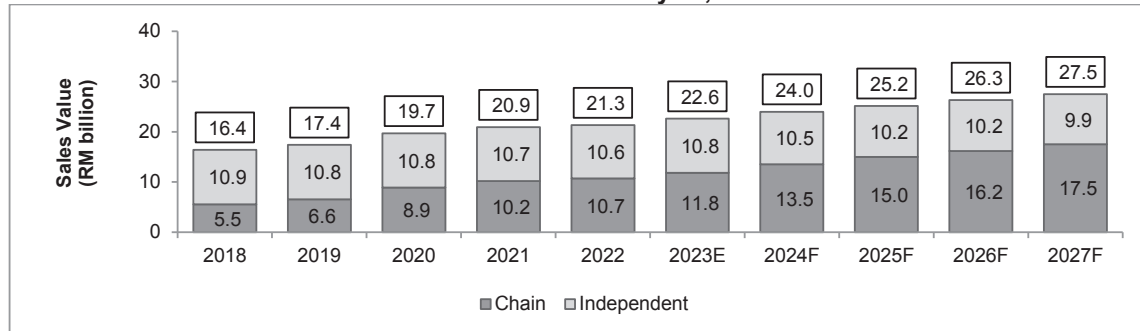
In 2022, grocery-based retailers held a significant share of the total store-based retail sales in Malaysia, accounting for 30.3%. Within the grocery-based retail sector, mini-markets have emerged as a rapidly expanding industry segment in terms of market share, larger than other grocery segments, capturing a growing market share of 29.3% in 2022, compared to 23.7% in 2018. During the COVID-19 pandemic, mini-markets experienced significant growth due to movement restriction orders that limited people's mobility. With supermarkets being less accessible, customers sought nearby alternatives to fulfil their grocery needs. The convenience of mini-markets, located within walking distance of residential areas, made them a preferred choice for customers looking to minimise their time spent shopping. As such, the mini-market industry in Malaysia is poised for significant growth in the forecasted period up to 2027 due to its ability to cater to the needs of consumers seeking convenience and accessibility.

8. INDUSTRY OVERVIEW (Cont'd)



The growth of the mini-markets industry is also expected to be driven by the expansion of chain retailers which are contributing to the modernisation of the grocery purchasing experience. Modern grocery stores provide consumers a comfortable shopping experience in an air-conditioned environment, with a broad range of products properly organised in shelves.

Chart 4-2: Market Size of the Mini-market Sector in Malaysia, 2018–2027F



Note: Total may not add up due to rounding.

Source: Frost & Sullivan

4.2 DEMAND DRIVERS AND TRENDS

Population growth, and resilient economic outlook which leads to higher income and expenditure by households, are key factors supporting the growth of the grocery-based retail industry. In addition, there are other drivers that are contributing to the growth of the mini-market retail segment in Malaysia such as the following:

Growing popularity of convenience shopping: The busy lifestyle of working adults in urban areas creates a need to shop quickly and conveniently for groceries and other daily necessities, such as fast-moving consumer goods (FMCG). Mini-markets satisfy this need, being typically located in small residential areas or urban centers. In addition, mini-markets have on average a smaller outlet size compared to supermarkets and hypermarkets, and offer selected product assortments tailored to daily needs in contrast to large assortments offered by supermarkets and hypermarkets. Customers can save time and effort by avoiding trips to larger supermarkets or hypermarkets, especially when they only need to purchase a few items. Instead, they can opt to shop at a nearby mini-market or convenience store without feeling overwhelmed. This way, they can minimise the time spent on transportation and navigating through larger outlets, making their shopping experience more efficient and convenient. However, when compared with convenience stores, mini-markets are able to provide a more comfortable shopping experience due to their larger outlet size. Mini-markets also provide value-packs for daily necessities rather than small packs for immediate consumption.

Resilient spending on food and non-alcoholic beverages: Despite a significant increase in the consumer price index (CPI) for food and non-alcoholic beverages, which rose by 11.9 points from 133.1 in 2019 to 145.0 in 2022,⁸ household expenditure on this group of products continued to grow from RM780 in 2019 to RM841 in 2022 at a CAGR of 2.6%.⁹ The trend highlights resilient demand for this group of products found in mini-markets, regardless of economic situations or price fluctuations. The reason behind this consistent demand is that many of these products are essential household necessities and non-discretionary consumables, often requiring regular replenishment and replacement.

Government initiatives to support of low-to-middle income Malaysian households: The nationwide initiatives such as the e-Madani programme, Inisiatif Pendapatan Rakyat (IPR) and Sumbangan Tunai Rahmah (STR), along with state government programs like Bantuan Kehidupan Sejahtera Selangor (BINGKAS) and Bantuan Sara Hidup Johor, among others, play a significant role in supporting mini-markets. These initiatives provide direct financial assistance to eligible households in Malaysia, thereby easing the financial burden especially for low income individuals/families when accessing essential goods and services. Furthermore, the Malaysian Government continues to provide subsidies on household products such as white sugar, wheat flour, rice and cooking oil to ensure affordability for all citizens, especially those with lower incomes. This ongoing initiative aims to alleviate financial burdens and promote the well-being of the population.

⁸ DOSM, Consumer Price Index 2022

⁹ DOSM, Household Expenditure Survey Report Malaysia 2022

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4.3 BARRIERS TO ENTRY AND KEY SUCCESS FACTORS

Strong Branding: Established and recognised brand names in the mini-market segment enjoy trust and familiarity among customers, making them the preferred choice over competitors. This presents challenges for new entrants who must invest significant time and resources to build brand awareness and gain customer loyalty. A strong brand name contributes to the success of existing mini-markets by attracting and retaining customers, setting a brand apart from competitors, and creating a positive perception of the offering. Operators with a strong brand equity in the consumer industry benefit from instant brand recognition, recall, and long-term customer loyalty, giving them a competitive edge in expanding their customer base.

Economies of scale and Extensive Outlet Network: Large retail chains are able to leverage their size to negotiate better prices with suppliers or directly with manufacturers, achieve cost savings through bulk purchases, and spread fixed costs over a larger number of sales, thus offering a strong price-to-quality value proposition. Established companies that have achieved economies of scale can also source private label goods or services at a lower cost than new entrants, making it difficult for new firms to enter the market, compete on price and gain a foothold. Besides, established companies in the mini-market segment typically have a large outlet network, which helps them to reach a wider customer base, spread their risk, and reduce their dependence on any one particular location. This also allows them to respond more effectively to changes in consumer demand and localised market trends, as they can adjust their outlet network and product offerings to meet these changes. Additionally, having a large outlet network can help established mini-markets to build brand recognition and customer loyalty, as customers are more likely to recognise and trust a brand that has a strong presence in their local area and throughout the country.

Strong distribution network: Having a robust distribution network enables mini-markets to achieve operational efficiencies and effectively serve their customers. It can be difficult for new entrants to replicate the same level of efficiency, cost-effectiveness and reliability in their supply chain. This is due to the fact that established retailers with strong distribution networks have already invested significant resources in building and optimising their infrastructure, such as their own distribution centres and distribution vehicles across the country. That allows for easier and faster stock replenishment, which can make it harder for new competitors to match.

Digitalisation and new technologies: The process of leveraging digital technologies to transform a business may provide mini-market players with a competitive edge over competitors. Digitalisation can, among other benefits, help to improve internal operations, offer cost savings, enhance the customer experience, and better manage and coordinate a large outlet network, particularly when an industry player is expanding and opening new outlets. For example, the Company embarked on bulk sales through a mobile webpage which allows it to take online orders within the Klang Valley. For new entrants, the upfront investment required to implement such digital tools and technologies can be a significant hurdle. The costs associated with setting up automated inventory management systems, mobile express checkouts, energy-efficient infrastructure, and other efficient solutions may be too high for smaller players with limited resources.

Direct sourcing from manufacturers and/or brand principals: By purchasing products directly from the manufacturer and/or brand principals, mini-markets can eliminate the markup that would be added by a middleman or distributor. This can help them to keep prices low and remain competitive. Direct sourcing gives mini-markets greater flexibility in terms of product selection. When retailers work directly with manufacturers, they have more control over the products they carry and can choose from a wider range of options. Direct sourcing also allows mini-markets to have more control over the quality of the products they sell. They can work closely with manufacturers to ensure that products meet their standards and specifications. Established mini-markets have invested time and resources in building these relationships with manufacturers, which gives them a competitive advantage over new entrants who may struggle to establish similar relationships.

Uniformity of outlet layout: By adopting a consistent and standardised outlet design across multiple locations, mini-markets aim to enhance the customer experience, improve operational efficiency, and strengthen their brand identity through uniformity. This approach ensures that customers can easily navigate and find products in a familiar and predictable manner, regardless of the outlet they visit. Moreover, a uniform outlet layout allows mini-market chains to streamline their operations, optimise inventory management, and maintain a cohesive brand image throughout their entire network of outlets.

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4.4 COMPETITIVE LANDSCAPE

In the Malaysian mini-market retail segment, there are a few well-established chain industry players with over 15 outlets nationwide, alongside numerous smaller chain and independent industry players localised in various states, where their headquarters are situated. 99 Speedmart's outlets are strategically located in urban, suburban, and rural areas, providing an extensive coverage of the Malaysian population and of Malaysian households. However, 99 Speedmart has a lower store penetration in areas outside of the Central and Southern regions of Malaysia. This is indicative that the Company can potentially expand its footprint in the East Coast and Northern regions of Peninsular Malaysia, as well as in East Malaysia.

Table 4-2: Estimated Population by Regions¹⁰ as at June 2023 vs 99 Speedmart's outlets as at January 2024 in Malaysia

Malaysia	Population (thousand) (Jun 2023) ⁽¹⁾	Area (kilometer ("km") ²)	Population Density (people/km ²)	99 Speedmart's outlet count (Jan 2024) ⁽²⁾	99 Speedmart's stores penetration (outlets / million population) ⁽³⁾	99 Speedmart's population coverage (population (thousand) / outlets) ⁽³⁾
Peninsular Malaysia	26,917	132,492	203	2,311	85.9	11.6
- Central	9,234	8,233	1,121	994	107.7	9.3
- East Coast	4,664	64,124	73	99	21.2	47.1
- Northern	6,727	32,504	207	555	82.5	12.1
- Southern	6,292	27,631	228	663	105.4	9.5
East Malaysia	6,142	198,363	31	231	37.6	26.6

Note: Latest available data as at January 2024. (1) Estimated population data as at 30 June 2023; (2) 99 Speedmart's outlets count as at 31 January 2024; (3) Calculated based on the population data as at 30 June 2023 and 99 Speedmart's outlets count as at 31 January 2024.

Source: DOSM; IMF; Frost & Sullivan

Table 4-3: Number of Households by State as at December 2022 vs 99 Speedmart's outlets in Malaysia as at January 2024

Malaysia	Number of households ('000) (Dec 2022) ⁽¹⁾	Area (km ²)	Households / area in km ²	99 Speedmart's outlet count (Jan 2024) ⁽²⁾	99 Speedmart's stores penetration (households/outlet) ⁽³⁾
Peninsular Malaysia	6,689.4	132,492	50.5	2,311	2,894.6
Selangor	1,774.8	7,941	223.5	777	2,284.2
Kuala Lumpur	553.0	243	2,275.7	211	2,620.9
Putrajaya	30.9	49	630.6	6	5,150.0
Central	2,358.7	8,233	286.5	994	2,372.9
Kelantan	357.8	15,032	23.8	0	-
Terengganu	281.4	12,958	21.7	5	56,280.0
Pahang	382.6	36,134	10.6	94	4,070.2
East Coast	1,021.8	64,124	15.9	99	10,321.2
Perlis	75.8	816	92.9	0	-
Kedah	534.2	9,510	56.2	149	3,585.2
Penang	478.3	1,031	463.9	111	4,390.0
Perak	649.9	21,146	30.7	295	2,203.1
Northern	1,738.2	32,504	53.5	555	3,131.9
Johor	999.4	19,166	52.1	377	2,650.9
Melaka	262.0	1,755	149.3	131	2,000.0
N. Sembilan	309.3	6,710	46.1	155	1,995.5
Southern	1,570.7	27,631	56.8	663	2,369.1
Sabah	601.3	74,100	8.1	228	2,637.3
Sarawak	596.8	124,171	4.8	3	198,933.3
Labuan	21.6	92	234.8	0	-
East Malaysia	1,219.7	198,363	6.1	231	5,280.1
Total Malaysia	7,909.2	330,855	23.9	2,542	3,111.4

Note: Latest available data as at January 2024. (1) Number of households as at 31 December 2022; (2) 99 Speedmart's outlets count as at 31 January 2024; (3) Calculated based on the number of households as at 31 December 2022 and 99 Speedmart's outlets count as at 31 January 2024.

Source: DOSM; Frost & Sullivan

It's important to note that 99 Speedmart competes not only with chain and independent players in the mini-market industry but also indirectly with other grocery-based retailers such as supermarkets. This competition arises from offering similar products and vying for market share based on factors such as product selection, pricing, quality, customer service, and the overall shopping experience.

¹⁰ Central region: state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. East Coast region: state of Kelantan, Terengganu and Pahang. Northern region: state of Perlis, Kedah, Penang and Perak. Southern region: state of Johor, Melaka and Negeri Sembilan. East Malaysia: state of Sabah and Sarawak and the Federal Territory of Labuan.







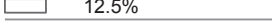



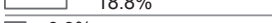





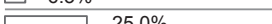

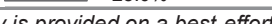

8. INDUSTRY OVERVIEW (Cont'd)



4.4.1 Profiles of Key Players

Among the various participants in the mini-markets segment, 99 Speedmart stands out as the largest player in Malaysia in terms of geographical coverage and number of outlets, with 2,542 outlets nationwide as at January 2024. 99 Speedmart is also one of the selected key players that manages its logistics predominantly in-house, with its own delivery trucks, lorries and/or distribution centers; other selected key players manage their logistics needs predominantly via third-party service providers.

Table 4-4: Selected Key Players in the Chain Mini-Markets Segment in Malaysia, January 2024

Brand Name ⁽¹⁾	Number of States and Federal Territories in which the Brand has outlets ⁽²⁾	Number of Outlets ⁽³⁾
99 Speedmart	 81.3%	 2,542
Pasar Ekonomi Eonsave	 12.5%	 74
Bila-bila Mart	 12.5%	 50
Giant Mini	 12.5%	 40
myNEWS SUPERVALUE	 50.0%	 31
Fresh 365	 18.8%	 28
Save	 6.3%	 28
TMG Express	 31.3%	 24
GT Mart	 6.3%	 19
Econo Jaya Mini Market	 25.0%	 15

Notes: Data for each company is provided on a best-effort basis based on publicly available information. The list of selected key players may not be exhaustive and the information is provided for reference only. (1) The brands listed are mini-market retailers that have at least 15 outlets in Malaysia as at January 2024. The brands are sorted based on the total number of outlets in Malaysia.; (2) Refers to the 13 States and 3 Federal Territories in Malaysia; (3) Outlet count is as at January 2024.

Source: Respective Company Websites; Frost & Sullivan

The extensive presence of 99 Speedmart in terms of geographical coverage and number of outlets makes it challenging for other players to compete in the field. The extensive reach and presence of 99 Speedmart give a competitive advantage, as it can cater to a larger customer base, especially cost-conscious customers, and offer convenience through its extensive outlet network. The strong market position of 99 Speedmart creates barriers for new entrants or smaller competitors looking to establish themselves in the same market. With 99 Speedmart already occupying a significant share of the market, it can be difficult for other players to gain traction and attract customers away from the established brand. Furthermore, 99 Speedmart's extensive geographical coverage and established relationships with suppliers give the company a bargaining power to negotiate better deals. This can further solidify its competitive position and make it challenging for others to compete on pricing and product variety.

4.4.2 Benchmarking Versus Selected Grocery-based Retailers

Table 4-5: Financial Benchmarking of Selected Grocery-based Retailers in Malaysia, 2022

Company	Type of grocery retailers	Financial year ended	Revenue (RM mil)	Latest three years revenue CAGR	Profit before tax ("PBT") margin ⁽¹⁾	Inventory turnover ⁽²⁾ (days)	Current ratio ⁽³⁾
99 Speedmart	Mini-market	31 Dec 22	8,075.3	17.0%	6.0%	47	1.2
7-Eleven Malaysia Holdings Berhad	Convenience store	31 Dec 22	3,764.3	16.8%	3.7%	56	1.0
KK Supermart & Superstore Sdn Bhd		30 Jun 23	1,255.2	22.8%	10.4%	61	1.6
Mynews Holdings Berhad ⁽⁵⁾		31 Oct 22	631.3	6.8%	-3.3%	61	0.7
Trendcell Sdn Bhd	Supermarket	31 Dec 22	2,360.5	NA ⁽⁴⁾	4.9%	48	1.2
TFP Retail Sdn Bhd		31 Oct 22	1,038.3	NA ⁽⁴⁾	4.9%	62	1.5
Mydin Mohamed Holdings Berhad	Hypermarket + supermarket	31 Mar 23	2,952.7	1.7%	-1.5%	152	1.0
Lotuss Stores (Malaysia) Sdn Bhd	Hypermarket	31 Dec 22	3,686.5	NA ⁽⁴⁾	2.7%	45	1.0
AEON Big (M) Sdn Bhd		31 Dec 22	1,483.6	-3.2%	-1.2%	48	0.2

Notes: Information based on the latest available financial data reported by selected players as at January 2024. The list of selected players may not be exhaustive and the information is provided for reference only. The selected players are sorted first based on the type of grocery retailer, and then by revenue. The selected grocery-based retailers are either publicly listed or have reported a revenue of more than RM500 million in the latest financial statement available as at January 2024. The revenue and PBT reported may be derived from other non-grocery retail activities; (1) Computed based on PBT divided by revenue; (2) Computed based on average inventories as at the beginning and end of the financial year divided by cost of sales for such financial year, multiplied by number of days in the financial year; (3) Computed based on current assets over current liabilities as at the end of the financial year; (4) Not available due to non-comparable historical revenue. (5) The information for the financial year ending 31 Oct 2023 is excluded in this analysis as only the unaudited report is available as at January 2024.

Source: Respective companies' audited financial statements; Frost & Sullivan

8. INDUSTRY OVERVIEW (Cont'd)



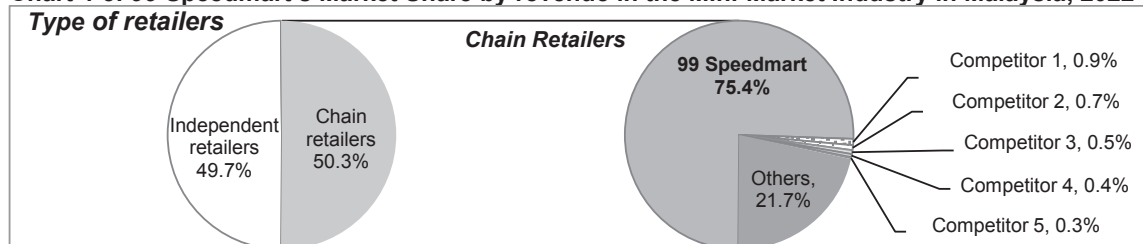
Among the selected grocery-based retailers, 99 Speedmart has among the fastest revenue CAGR in the prior three years, which can be attributed to the Company's expanding geographical coverage and consumer preference towards convenience shopping. Its high PBT margin in the latest financial year indicates that the Company operates efficiently. In terms of financial ratios, 99 Speedmart has a lower inventory turnover period, indicating that goods are sold faster to recover its investment. 99 Speedmart's positive current ratio is comparable with the selected grocery-based retailers.

4.4.3 Market Share

The mini-market industry in Malaysia, with a revenue of RM21.3 billion in 2022, is composed of a significant number of independent mini-market retailers and chain mini-market retailers. Among the chain mini-market retailers, 99 Speedmart stands out as the market leader holding a market share of 75.4% in 2022.¹¹ In Malaysia, 99 Speedmart is also the largest mini-market player and a leading groceries retailer based on revenue holding a market share of 37.9% and 11.1% in 2022 respectively, based on the Company's revenue for the FYE 2022.

99 Speedmart anticipates a significant growth in its market share in the coming years due to several factors. Firstly, the proactive outlet opening strategy and availability of whitespace areas allow the company to expand its presence in various locations across Malaysia to reach new customers and expand its customer base. Moreover, the large scale of 99 Speedmart's operations creates a barrier to entry and expansion for other mini-market players in Malaysia, hindering their ability to compete effectively. 99 Speedmart also stands out from other mini-market players due to its competitive pricing strategy. By offering affordable prices on a wide range of products, it attracts cost-conscious shoppers and creates a loyal customer base. With these factors in place, 99 Speedmart is confident in its ability to increase its market share and establish a strong foothold in the market in the foreseeable future.

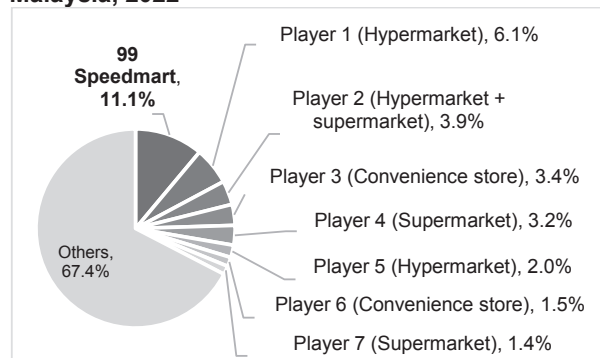
Chart 4-3: 99 Speedmart's Market Share by revenue in the Mini-Market Industry in Malaysia, 2022



Notes: Information relating to "Chain Retailers" as set out in Chart 4-3 is based on (1) Market share estimates derived from the latest available financial data reported by selected players as at January 2024; (2) The category labelled as "Others" include mini-market players with a market share that is estimated to be less than 1.0% in 2022, and other players for which financial information is not available or cannot be estimated; (3) The revenue reported may include revenue derived from other non-mini-market retail activities; (4) The revenue is estimated for the Financial Year January-December 2022 for key industry players that have a different financial reporting period.

Source: Frost & Sullivan

Chart 4-4: 99 Speedmart's Market Share by revenue in the Grocery-based Retail Industry in Malaysia, 2022



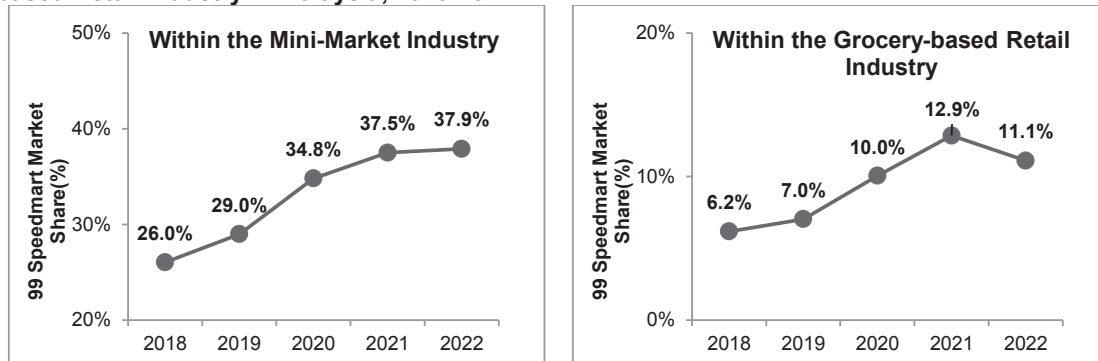
Notes: Information is based on (1) Market share estimates derived from the latest available financial data reported by selected players as at January 2024; (2) The category labelled as "Others" include grocery-based retail players with a market share that is estimated to be less than 1.0% in 2022, and other players for which financial information is not available or cannot be estimated; (3) The revenue reported may include revenue derived from other non-grocery retail activities; (4) The revenue for player 3 is based on the convenience store segment only; (5) The revenue is estimated for the Financial Year January-December 2022 for key industry players that have a different financial reporting period.

Source: Frost & Sullivan

¹¹ 99 Speedmart's market positioning in 2022 is confirmed by comparing its revenue in 2022 against the estimated revenue of other similar mini-market retailers reported in the table "Profile of Key Players". The revenue data may not have been available for all players. Therefore, Frost & Sullivan has estimated their revenue based on various factors, including the number of established outlets, the indicative revenue per outlet, and the industry average growth rate, amongst others.

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

Chart 4-5: Market Share of 99 Speedmart within the Mini-Market Industry and within the Grocery-based Retail Industry in Malaysia, 2018-2022

Source: Frost & Sullivan

4.5 INDUSTRY RISKS AND MITIGANTS

Intense competition from other retail formats: Due to the broad range of products offered by mini-markets, some of the items available also overlap with those offered by other grocery retailers such as supermarkets and hypermarkets. These competitors often offer similar products at competitive prices, which can make it challenging for mini-markets to differentiate themselves and attract customers. However, the smaller outlet footprint compared with other retailers, makes mini-markets a convenient destination for customers who are looking for a quick shopping trip for their groceries and daily necessities.

Theft and damaged/obsolete products: The mini-market industry faces the risks of theft and damaged/obsolete products, but there are mitigants that can help address these concerns. Some of the measures include implementing security systems, conducting employee training, practicing efficient inventory management, establishing strong supplier relationships that can help minimise theft, monitoring product quality and expiration dates, identifying and removing damaged or expired items, and ensuring the freshness of inventory. By implementing these mitigants mini-markets can effectively manage these risks and maintain the integrity of their operations.

Disruption within the supply chain: The mini-market industry may, similarly to other grocery retailers, face disruptions due to a possible shortage of supply or sudden increase in demand. A shortage of supply may be due to a shortage of workers in production facilities, a shortage of raw materials for production, or logistics issues among other factors. Meanwhile, a sudden increase in demand is usually not a prolonged event, such as during the outbreak of COVID-19, when in March 2020 the announcement of Movement Control Order generated a panic buying of daily necessities. To reduce the impact of this risk, mini-market retailers constantly monitor industry trends. They may increase or decrease their inventory based on their view on the latest industry demand and supply conditions.

Labour-intensive industry: The mini-market industry can be considered a labour-intensive industry as it requires a significant workforce to handle various tasks, such as customer service, inventory management, stocking shelves, and managing the checkout process. Retailers in the mini-market segment need to ensure that their employees are well-trained, motivated, and efficient to provide excellent customer service and maximise productivity. However, retailers are also increasing the adoption of technologies and automation solutions such as inventory management systems to reduce their reliance on human labour.

Reliance on and vulnerability to imports: Similar to other retail formats, mini-markets offer a variety of products that can be either locally produced or imported. However, the mini-market industry is generally less vulnerable to disruptions in imports compared to other retailers. This is because the products sold in mini-markets are typically general in nature and not reliant on a limited number of overseas suppliers. There are multiple options available for each type of product, including different brands and similar substitutes, which can be sourced from both local and overseas manufacturers and suppliers. The availability of numerous options reduces the likelihood of being impacted by disruptions from imports.

Manufacturer risk: While any retailer is vulnerable to disruptions in the import of products, mini-markets have an advantage in managing manufacturer risk. The products sold in mini-markets are not dependent on a limited number of overseas manufacturers. This means that if one vendor faces issues such as bankruptcy, production delays, or quality control problems, mini-markets have the flexibility to source products from other vendors. This reduces their reliance on any single manufacturer and helps to mitigate the risk of disruptions in the supply chain.

8. INDUSTRY OVERVIEW (Cont'd)**4.6 SUMMARY PROSPECTS AND OUTLOOK OF THE MINI-MARKET INDUSTRY**

The chain mini-market retail sector in Malaysia is forecasted to grow in the period from 2022 to 2027, at a CAGR of 10.4%. The resilient economic climate provides a conducive environment for consumer spending and supports the growth of the retail sector, including mini-markets. Besides, the country's population growth and urbanisation trend are also driving the demand for easily accessible grocery stores in the proximity of residential areas. The growing popularity of convenience shopping, along with busy lifestyles, has increased the demand for mini-markets.

Furthermore, spending on food and non-alcoholic beverages has proven to be resilient even during challenging times. Malaysians prioritise their food and grocery needs, making the mini-market industry a resilient sector that can withstand economic uncertainties. Lastly, the government's initiatives to support low-to-middle income Malaysian households further contributes to the positive prospects of the mini-market industry. Programs and initiatives aimed at improving the welfare of these households, such as financial aid and subsidies, increase the purchasing power and demand for affordable and accessible shopping options like mini-markets. These highly advantageous factors not only create a conducive environment, but also pave the way for exponential growth and resounding success of mini-markets in the country.

5 SUMMARY PROSPECTS AND OUTLOOK FOR THE COMPANY

99 Speedmart is the largest mini-market player and a leading groceries retailer in Malaysia, by revenue in 2022. In 2023, 99 Speedmart has also the largest number of outlets among the Malaysian mini-market players. The mini-market industry is experiencing significant growth and it has the potential to continue to grow further, which presents opportunities for retailers like 99 Speedmart. As the leading homegrown mini-market chain player in Malaysia, 99 Speedmart is positioned to capitalise on the growth potential of the industry.

The primary focus of 99 Speedmart is to provide value and ease to consumers, across Malaysia due to its vast geographical coverage. This positioning has allowed the Company to gain a loyal customer base and compete effectively in the market. 99 Speedmart not only offers a wide variety of products but also provides additional services like bill payment options and mobile top-up services. Besides, the Company is committed to meeting the changing consumer shopping habits by working with suppliers to provide smaller packaging and enhance product selection by introducing seasonal items to coincide with festive occasions. By offering these services, 99 Speedmart becomes a one-stop destination for customers' daily necessities and service needs, providing a comprehensive and convenient shopping experience. The Company's competitive strengths are further enhanced by its efficient supply chain management and cost-effective operations, leveraging economies of scale. By effectively utilising economies of scale, 99 Speedmart can maintain competitive pricings and deliver value to its customers. 99 Speedmart's effective supply chain management includes centralised purchase and delivery processes, efficient inventory management and a front-end point of sale system (POS) for seamless transactions.

Furthermore, 99 Speedmart has strategically identified unmet market opportunities and regions with significant growth potential, where lower market penetration creates greater potential for market entry and expansion. In addition, the Company has demonstrated its commitment to grow by opening new outlets across Malaysia, targeting both urban and rural areas to capture new market segments and augment its market share. With plans to further expand its geographical coverage, 99 Speedmart is poised for continued success and growth in grocery retailing to the end consumers. The introduction of bulk sales capabilities to serve business customers in the Klang Valley through an e-commerce-driven business model allows the Company to further expand and diversify its revenue streams by combining both business-to-consumer and business-to-business sales. With its industry positioning benefitting from resilient consumer demand, alignment with unmet market needs, competitive strengths, and unique strategies; 99 Speedmart is well-positioned for future growth.

[END OF THE REPORT]