

# 99 Speed Mart's business soars

BY VASANTHA GANESAN

**M**ini-market group 99 Speed Mart Sdn Bhd, which operates mostly in the Klang Valley, expects sales in its current financial year 2014 ending Dec 31 to surpass RM2 billion as it adds 100 stores to its stable.

The expansion will see its total store count reach 600 by the end of the year, helping the local retailer maintain its ranking as the largest

mini-market operator in the country.

99 Speed Mart's founder Lee Thiam Wah is expecting to ring up sales of RM2.1 billion in FY2014, representing a 17% increase from the RM1.8 billion achieved in FY2013.

The company's performance in FY2013 put it ahead of other retail players, such as convenience store 7-Eleven and hypermarket AEON BIG.

In FY2013 ended Dec 31, 7-Eleven Malaysia Holdings Bhd recorded RM1.67 billion in sales and RM51.78 million in net profit from 1,557 stores.

This means the average sales and profit from each store was RM1.07 million and RM33,256 respectively.

By comparison, 99 Speed Mart posted per store sales of RM3.6 million from the 500 stores it operated as at Dec 31, 2013. Net profit last year was 2% of its total sales or RM36 million, which means each store made RM72,000.

AEON BIG, which has yet to submit its FY2013 accounts to the Companies Commission of Malaysia (CCM), had estimated that sales in



PATRICK GOH/THE EDGE

Lee: I love my company too much to divest it

FY2013 ended Dec 31 would reach RM1.66 billion. Japan's AEON Co Ltd had bought Carrefour's loss-making business in 2012.

99 Speed Mart's performance figures were provided by Lee because the company's accounts are not available on CCM's website. It has been made private exempt on the advice of its auditor. (A private exempt company has to be solvent and not have more than 20 individuals as its shareholders.)

In a recent interview with *The Edge*, Lee says the business' margins are being squeezed by the higher electricity tariff that took effect in January. "[This year] we expect profit to be less than 2% of total sales due to the higher cost of electricity," he remarks.

Lee's 27-year-old business grew exponentially, both in terms of number of stores and performance, once its revenue reached RM1 billion. "We achieved RM1 billion [in sales] in 2011 when we had 300 stores. We had 500 stores at the end of 2013 and by the end of 2014, we will have 600 stores," he says.

On average, two 99 Speedmart stores open each week.

The retailer's performance makes it an attractive candidate for potential merger and acquisition as well as listing exercises. Lee, who is the company's managing director, does not deny that investment bankers/dealmakers have approached it to gauge its interest in such opportunities. "But I love my company too much to divest it," he quickly adds.

On what potential buyers are willing to pay for his business, Lee says he has never asked the question because that would send the wrong message.

7-Eleven was listed at 51 times its FY2013 earnings per share of 2.7 sen based on an adjusted pro forma consolidated net profit of RM33.3 million. This means 99 Speed Mart could be worth about RM1.8 billion.

As for floating the company on Bursa Malaysia, Lee explains that retailing of grocery items gives very small margins, which would make it unfair to the shareholders because the returns would not be good enough to reward them. Moreover, the profits are ploughed back into the company for expansion.

99 Speed Mart will be spending close to RM50 million on opening 100 stores in calendar year 2014 or roughly RM500,000 on each new store, which would include the cost of renovation and stocking the shelves. Each store of about 2,700 sq ft offers around 3,400 stock keeping units.

The retailer owns all its 500 stores and has no plans to franchise the business. This is again because profit is marginal, says Lee. The franchise model would not work because the franchisee would want profit to keep growing, he adds.

In preparation for an eventual expansion abroad, Lee in August 2013 ventured into Sa-

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bah. "We are first trying out a faraway locale from our base in Klang," he says, adding that should he take the 99 Speedmart brand overseas, it would likely be in Asean — he is keen on Thailand. However, with the political turmoil there, he says plans to venture abroad could take another two years to materialise.

Today, there are 10 stores in Sabah and plans are afoot to open some in Sarawak. To this end, a RM11 million distribution centre (DC) will be set up in Kota Kinabalu, Sabah, to cater for both states. "The Kota Kinabalu DC will be the headquarters for Sabah and Sarawak," says Lee.

When added to the four other DCs in Klang, Shah Alam, Balakong and Rawang, the total floor area will be four acres. These DCs support the neighbourhood stores.

The business model of the 99 Speedmart stores brings them close to the customers and helps them sell popular retail items at fair prices. "The turnaround at our distribution centres is very fast. In fact, we don't keep stock for more than a week," says Lee. Best-selling items at the mini-markets include beverages, rice, milk powder and personal care and household items.

On new players entering the market and existing ones expanding aggressively, Lee admits that there will always be competition from all store formats, whether a sundry shop, hypermarket or 24-hour convenience store, but believes that there is no direct competitor to the 99 Speedmart stores.

New entrant G Ekspres, which is 70%-owned by Dairy Farm International Holdings Ltd, has a few stores now but plans to be 500 strong by 2018. Another new entrant, convenience store Circle K, has also targeted 500 stores by 2018 while 7-Eleven's target is 600 stores in three years.

"The new entrants will force us to be more competitive, both in terms of pricing and services," Lee observes.

Every store issues 1,000 receipts daily, which means no fewer than 500,000 customers buy something from them every day.

To remain competitive, Lee plans to stick to his forte in operating mini-markets. He does not want to go into the hypermarket or supermarket business. The retailer also does not have a budget for advertising and promotional activities, so it can continue to offer the lowest prices to its customers. Its top-performing outlets are located in Dengkil, Setia Alam and Taipan.

To continue luring consumers and not solely rely on retail sales, 99 Speed Mart has introduced value-added services, such as the convenience of settling Astro bills. It hopes to include other services, such as the settlement of electricity bills, next.

On the impact that the Goods and Services Tax (GST) will have on the business once it comes into force on April 1, 2015, Lee says he is already in discussions with his suppliers to help maintain his pricing.

He says a few decades ago, when one got his salary at the end of the month, the first thing he did was to settle his sundry shop bill and then buy more items on credit, which would be settled the following month.

"Nowadays, the first thing people do when they get their salary is to pay their car instalment, credit card dues and handphone bills and top up their Touch-n-Go. Only then do they go to places like 99 Speedmart, by which time they would have hardly any money left," he says, explaining the need to engage the suppliers well ahead of the implementation of GST. **E**

## A mini-market in every corner

Lee Thiam Wah, the founder of the RM2 billion 99 Speedmart mini-market empire in Malaysia, envisions a future where his stores can be found in every corner of the country and within easy reach of everyone.

Being wheelchair-bound never deterred Lee from reaching for the stars — he is today the largest mini-market operator in the country. He says he has his family to thank for his achievement.

The 50-year-old was stricken with polio when he was eight months old. "I was born in 1964, before the vaccination for polio arrived in 1969."

The fourth in a family of 13, Lee only completed his primary school education. "The secondary school was 10 miles away from my home and my father did not have a car," he says. His father Lee Thian Poh was a construction worker while his mother was a hawkker.

Not being able to attend secondary school did not stop Lee from continuing to learn. "I taught myself by borrowing books from my friends," he says.

"At 14, I started selling small items, such as kacang, kacang and sweets, outside our family home in Jalan Kapar [in Klang]." That was Lee's very first venture in retail.

"I received a lot of encouragement from my grandmother who used to say that since my education level was low, I needed to do my best and learn a skill," he recalls.

After a few years, he managed to scrape together RM17,000 — from the profits he had made, some "ang pow" and a little help from his father — and opened his first retail store called Pasaraya Hiap Hoe in Tepi Sungai, Klang, in 1987.

"The first kedai runcit only measured 1,400 sq ft. A few of my family members helped me in the store," he says, recollecting his venture at age 23.

Five years later, after deciding to upgrade to a mini-market, Lee sold his mom-and-pop store for RM30,000 and with another RM50,000 in loans from his family, he started Pasar Mini 99.

He explains that the number 99 in 99 Speedmart signifies that nothing is perfect in this world. "So we try and be almost perfect — 99%."

After setting up his first Pasar Mini 99 in Klang Utama, Lee opened seven more between 1992 and 1998. And in 2000, he renamed his retail chain 99 Speedmart and transformed its colours to the current orange and green.

In 2002, Lee invested RM6.5 million in his first distribution centre and by 2008, the 99 Speedmart chain had increased to 100 stores.

Apart from him and his father, Lee's wife Ng Lee Tieng is also a shareholder of the company 99 Speed Mart Sdn Bhd. All three are also its directors.

Lee says he met his wife, who is 15 years his junior, when she joined his purchasing department in 1998. They have two children, aged 12 and 14.

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