Consumer

MARKET WEIGHT
(Maintained)

Discounted, But Not Yet Compelling

Analyst(s)
Philip Wong
philipwong@uobkh.com
+603 2147 1996

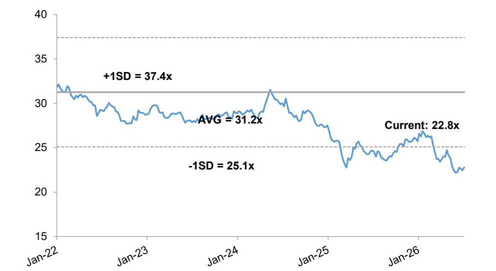
Highlights

- Consumer stocks historically outperform the FBMKLCI around elections, led by retailers, with momentum often persisting after polling day.
- Input costs remain contained despite conflict risks, with lower soft commodities costs offsetting higher packaging and logistics costs.
- Maintain MARKET WEIGHT. Discounted valuations support resilience, but uncertainties cap upside. Top picks for the sector: 99SM, MRDIY and F&N.

Analysis

- **An election haven.** Consumer companies appear to have held up relatively well around the past five election periods, with outperformance more evident versus the FBMKLCI than on an absolute basis. These selected companies were picked out of virtue of being listed since the 11th General Election (2004) (refer overleaf). Retailers were the clear standout pre-election, averaging +8.4% relative performance, likely reflecting expectations of stronger consumer spending from pre-election handouts and feel-good measures. Staples and sin stocks also outperformed, but to a lesser extent. Interestingly, the post-election trend remained supportive, with staples (+6.1%), retailers (+5.7%) and sin stocks (+4.4%) still outperforming on average. This suggests that election-related consumer momentum does not necessarily fade immediately after polling day, while the broader market tends to soften post-election.
- **Commodities prices remain contained despite conflict scares.** The weakening of soft commodity prices in late-25 arrived at an ideal time for consumer companies, as year-end re-hedging and strategic inventory levels should largely shield them from the recent Middle East conflict uncertainties. Latest key input costs remain below pre-conflict levels, notably, coffee (-17.6%), cocoa (-30.6) and sugar (-13.0%). Consequently, barring a spike in plastic packaging cost and elevated logistics cost, the overall input cost environment remains relatively neutral. Stocking out of key materials appears specific to Farm Fresh, with it being the exception rather than the rule.

Sector Valuations



Source: Bloomberg, UOB Kay Hian

Consumer Sub-sectors' Performance Three Months Before And After Malaysia's Past Five General Elections

	Retailers	Staples	Sin stocks	FBMKLCI
GE11				
- 3m	30.7%	-6.6%	-4.9%	17.5%
+ 3m	12.1%	5.2%	0.0%	-8.7%
GE12				
- 3m	16.3%	7.1%	7.0%	-9.0%
+ 3m	-7.3%	-1.4%	5.2%	-2.0%
GE13				
- 3m	-1.6%	7.8%	12.7%	3.8%
+ 3m	-3.4%	11.2%	-3.4%	5.3%
GE14				
- 3m	-4.8%	7.5%	4.8%	1.5%
+ 3m	17.6%	7.5%	12.9%	-2.3%
GE15				
- 3m	1.5%	2.8%	0.7%	-3.7%
+ 3m	9.7%	8.3%	7.5%	1.9%
Avg				
- 3m	8.4%	3.7%	4.1%	2.0%
+ 3m	5.7%	6.1%	4.4%	-1.2%

Source: Bloomberg

Peer Comparison

Company	Tickers	Price 14 Jul (RM)	Rec	Target Price (RM)	Market Cap (RMm)	------------ P/E (x) ------------		P/BV (x)	----------- Yield (%) -----------	
						FY26F	FY27F	FY26F	FY26F	FY27F
99Speedmart	99SMART MK	3.62	BUY	3.80	30,408.0	41.1	37.7	12.5	0.6	1.6
Eco-Shop Marketing	ECOSHOP MK	1.48	BUY	1.70	8,520.2	28.2	24.0	6.1	0.7	1.8
Carlsberg (M)	CAB MK	16.10	BUY	21.50	4,922.5	13.1	12.5	13.3	6.9	7.5
Farm Fresh	FFB MK	2.25	HOLD	2.05	4,240.7	31.8	25.6	4.2	0.4	0.4
F&N Holdings	FNH MK	29.30	BUY	38.70	10,746.6	15.7	13.1	2.3	2.2	2.7
Heineken (M)	HEIM MK	19.30	BUY	24.70	5,830.5	12.9	12.2	10.8	8.0	8.2
Mr. DIY	MRDIY MK	1.69	BUY	2.30	16,016.9	22.8	21.1	8.5	3.6	4.5
Nestle	NESZ MK	91.28	HOLD	104.00	21,405.2	35.3	32.4	38.1	2.4	3.0
Oriental Kopi	KOPI MK	0.89	BUY	1.40	1,770.0	23.6	18.8	3.8	1.1	1.6
QL Resources	QLG MK	3.90	HOLD	4.00	14,200.6	30.0	28.7	3.5	0.6	1.4
Average					11,806.1	25.5	22.6	10.3	2.6	3.3

Source: Bloomberg, UOB Kay Hian

Consumer Sub-sectors' Performance Three Months Before And After Malaysia's Past Five General Elections

	Retailers			Staples								Sin stocks			FBMKLCI
	Amway	Padini	Avg vs FBMKLCI	Nestle	Ajinomoto	Dutch Lady	F&N	DKSH	Spritzer	QL Resources	Avg vs FBMKLCI	Heineken	Carlsberg	Avg vs FBMKLCI	
GE11															
- 3m	1.5%	94.8%	30.7%	6.7%	4.3%	3.0%	5.6%	18.2%	15.1%	23.2%	-6.6%	17.9%	7.3%	-4.9%	17.5%
+ 3m	1.5%	5.3%	12.1%	-0.9%	-6.0%	5.8%	1.0%	-17.3%	-3.3%	-4.3%	5.2%	-7.2%	-10.2%	0.0%	-8.7%
GE12															
- 3m	5.5%	9.0%	16.3%	-1.9%	-0.9%	0.8%	-0.6%	-3.9%	-8.0%	0.8%	7.1%	-0.9%	-3.3%	7.0%	-9.0%
+ 3m	0.8%	-19.5%	-7.3%	2.9%	-4.9%	5.7%	2.0%	-24.7%	-6.3%	1.4%	-1.4%	2.8%	3.7%	5.2%	-2.0%
GE13															
- 3m	5.5%	-1.2%	-1.6%	5.4%	1.2%	9.3%	-0.7%	49.8%	18.0%	-2.3%	7.8%	12.4%	20.6%	12.7%	3.8%
+ 3m	3.2%	0.6%	-3.4%	7.8%	2.4%	1.5%	3.4%	38.3%	44.3%	17.9%	11.2%	-0.5%	4.3%	-3.4%	5.3%
GE14															
- 3m	2.0%	-8.7%	-4.8%	18.0%	14.2%	5.7%	15.0%	-3.9%	6.3%	7.8%	7.5%	1.0%	11.5%	4.8%	1.5%
+ 3m	-2.6%	33.3%	17.6%	8.0%	-1.3%	0.0%	9.0%	4.7%	-0.9%	17.2%	7.5%	14.1%	7.3%	12.9%	-2.3%
GE15															
- 3m	-0.4%	-3.9%	1.5%	-3.6%	-6.2%	-5.5%	-7.5%	9.6%	0.0%	6.9%	2.8%	-1.7%	-4.2%	0.7%	-3.7%
+ 3m	9.3%	13.9%	9.7%	4.1%	26.3%	-4.4%	23.7%	2.6%	11.4%	7.7%	8.3%	14.5%	4.3%	7.5%	1.9%
Average															
- 3m			8.4%								3.7%			4.1%	2.0%
+ 3m			5.7%								6.1%			4.4%	-1.2%

m: months Source: Bloomberg

Latest And End-25 Key Commodities Prices And Forex Are Broadly Lower vis-à-vis 2025's Average

	Sugar US$/lb	Cocoa US$/MT	Coffee US$/MT	Milk powder US$/MT	Palm oil MYR/MT	Wheat US$/bu	USDMYR	CNHMYR
2024 avg.	20.74	8226.9	4274.0	2691.4	4223.4	572.6	4.576	0.6347
2025 avg.	16.96	8207.0	4675.0	2751.5	4306.0	533.2	4.282	0.5954
End 2025	15.01	6065.0	4109.0	2510.0	3933.0	507.0	4.060	0.5814
YTD avg.	14.46	4017.3	3725.7	3288.1	4358.9	583.5	3.990	0.5819
Latest	14.75	5696.0	3854.0	3140.0	4464.5	627.0	4.080	0.6012

MT: Metric tonne
lb: Pound
bu: Bushel
Source: Bloomberg

- **2026 outlook: Sector sales to be anchored by 99SM, Nestle (M) and MRDIY.** We project sector sales growth of 8.5% in 2026, with momentum extending into 2027 at 9.9%. Growth is primarily anchored by 99SM, Nestle (M) and MRDIY, which are projected to grow 11.1%, 7.8% and 10.3% respectively, and collectively account for 52.6% of sector sales. 99SM alone contributes about a third of the sector's incremental sales growth. Eco-Shop and Farm Fresh are standouts with mid-teens growth of 15.9% and 13.7% respectively, while Oriental Kopi Holdings' smaller base supports a steeper 38.9% sales uplift. In contrast, Fraser & Neave Holdings (Fraser & Neave) is expected to remain broadly flattish at 0.2%, reflecting regional headwinds to its operations.
- **Sector margins to ease despite stronger top-line growth.** While sector revenue growth is expected to improve to 8.5% in 2026, core margin is projected to ease by 0.21ppt yoy to 8.58%. This reflects margin slippage from selected heavyweights, particularly Fraser & Neave, where Agrivalley gestation costs continue to weigh, and Heineken, where weaker volumes and sales adjustments have pressured earnings. Oriental Kopi Holdings also sees margin dilution from weaker gross margins and higher opex, while Carlsberg faces some moderation from higher marketing spend and softer tourism-related risks. These are partly cushioned by stronger margins at MRDIY, Eco-Shop, Farm Fresh and 99SM. Consequently, sector core profit growth is expected to undershoot revenue growth, rising 5.9% yoy in 2026.

Valuation/Recommendation

- **Maintain MARKET WEIGHT: Holding ground, but upside remains limited.** The sector backdrop has shifted from a restrictive 2025 environment, marked by minimum wage hikes and subsidy rationalisation concerns, to emerging pockets of optimism supported by government cash handouts and VMY 2026. However, sentiment has recently been dampened by the Middle East conflict, while potential subsidy rationalisation and election-related uncertainties could further weigh on already lukewarm demand conditions. Despite this, sector valuations have remained resilient, rising 2.0% on average since the conflict began and modestly outperforming the FBMKLCI by 0.9%.
- Persistent external and domestic uncertainties and modest 2026/27 sector earnings growth of 8.6%/8.7% are balanced by sharply derated sector valuations, with the sector now trading at 22.8x one-year forward PE, around -1.5SD to its five-year mean. However, valuations may appear deceptively compelling, given the sector's structural derating over time, particularly among sin stocks and large defensives such as Nestlé and QL Resources (little incremental fund appetite relative to modest earnings growth over the years). This underpins our MARKET WEIGHT stance.
- **Top picks: 99SM, MRDIY and F&N.** 99SM continues to distinguish itself through operational excellence, resilient fundamentals, and a highly visible expansion runway. Meanwhile, MRDIY offers value and attractive dividend yields, backed by its capital management. Lastly, Fraser & Neave is trading at a steep discount to its peers and its own historical valuations, with clear catalysts ahead to revive interest and narrow the gap.