Consumer

ESG: Food Security Assessment

MARKET WEIGHT
(Maintained)

Highlights

- Availability, access and utilisation measure a company's contribution to Malaysia's food security; stability measures the resilience of that contribution.
- Essential food producers and distributors contribute most but generally face greater agricultural, climate, disease and commodity exposure.
- Breweries and non-food retailers may be operationally resilient, but their direct contribution to food security is limited or narrower. Maintain MARKET WEIGHT.

Analysis

- **Food security is both a societal outcome and a financially material business issue.** Our assessment asks two separate questions: a) how materially does a company strengthen Malaysia's food availability, affordability, physical reach, nutrition and safety; and b) how exposed is its ability to sustain that contribution to food-system shocks? Disruptions to agricultural output, water, labour, logistics, commodities or household purchasing power can affect input availability, costs, pricing, demand and reputations. The Food and Agriculture Organization (FAO) defines food security as a condition in which people consistently have physical and economic access to sufficient, safe and nutritious food that meets dietary needs and preferences.
- **Two-lens assessment framework.** We assess Malaysian consumer companies across the FAO's four dimensions. Availability measures the physical supply of food; access measures affordability and reach; utilisation measures nutrition, safety and quality; and stability measures whether these benefits can be maintained through climate, water, disease, imported-input, commodity, forex, logistics and regulatory shocks. We then map the dimensions onto two axes. Availability, access and utilisation determine the strength and breadth of a company's contribution towards national food security. Stability captures the resilience of that contribution — or, conversely, the company's net exposure to food-system risks after considering mitigation.
- **Essential food producers and distributors lead on contribution.** QL Resources, Farm Fresh and F&N rank furthest to the right because they directly support domestic protein and dairy supply, while 99Speedmart (99SM) combines broad neighbourhood access with strong distribution resilience. Nestlé Malaysia (Nestlé) stands out for nutrition, product safety, supplier governance and supply-chain preparedness. However, high contribution does not necessarily mean low risk: producers are more exposed to feed and commodity costs, livestock disease, as well as climate, water and agricultural inputs, which moderate their resilience.

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

Corporate Food Security Assessment, Adapted From FAO's Four Dimensions

Step 1: Each company is assessed across FAO's four core dimensions of food security		
Availability: How much does it increase the physical supply of food?		
Access: How much does it improve affordability and physical reach?		
Utilisation: How much does it provide safe and nutritious consumption?		
Stability: How well can it sustain these contributions during disruptions?		
Step 2: Four core dimensions are mapped onto two axes		
Chart axis	Dimensions used	What it represents
X-axis: Contribution to Malaysia's food security	Availability, access and utilisation	How directly and materially the company supports food supply, affordability, reach and nutrition.
Y-axis: Resilience to food-system risks	Stability	Ability to sustain contribution through climate, commodity, disease, water, forex and supply-chain shocks; higher resilience implies lower net exposure.

Source: FAO, UOB Kay Hian

Peer Comparison

Company	Tickers	Price 28 Jul (RM)	Rec	Target Price (RM)	Market Cap (RMm)	P/E (x) FY26F	P/E (x) FY27F	P/BV (x) FY26F	Yield (%) FY26F	Yield (%) FY27F
99Speedmart	99SMART MK	3.57	BUY	4.10	30,408.0	41.1	37.7	12.5	0.6	1.6
Eco-Shop Marketing	ECOSHOP MK	1.47	BUY	1.70	8,520.2	28.2	24.0	6.1	0.7	1.8
Carlsberg (M)	CAB MK	15.88	BUY	21.50	4,922.5	13.1	12.5	13.3	6.9	7.5
Farm Fresh	FFB MK	2.26	HOLD	2.05	4,240.7	31.8	25.6	4.2	0.4	0.4
F&N Holdings	FNH MK	27.50	BUY	38.70	10,746.6	15.7	13.1	2.3	2.2	2.7
Heineken (M)	HEIM MK	19.06	BUY	24.70	5,830.5	12.9	12.2	10.8	8.0	8.2
Mr. DIY	MRDIY MK	1.59	BUY	2.30	16,016.9	22.8	21.1	8.5	3.6	4.5
Nestle	NESZ MK	93.66	BUY	104.00	21,405.2	35.3	32.4	38.1	2.4	3.0
Oriental Kopi	KOPI MK	0.92	BUY	1.40	1,770.0	23.6	18.8	3.8	1.1	1.6
QL Resources	QLG MK	3.96	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

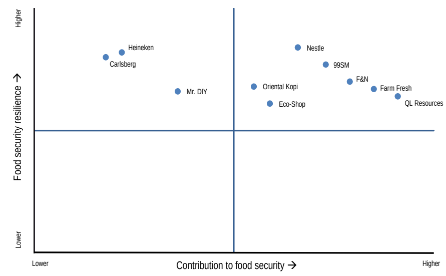
Corporate assessment across FAO's Four Food-Security Dimensions

	---------- Contribution to food security	----------	----------	Food security resilience
	Availability	Access	Utilisation	Stability
QL Resources	High — Direct producer of eggs, poultry and marine protein	High — Essential, relatively affordable protein with broad consumer reach	Moderately high — Nutritious protein and established food-safety controls	Moderately high — Vertical integration and biosecurity partly offset feed, disease and weather risks
Nestlé (M)	Moderately high — Large local manufacturing base, but limited primary production	Moderate — Extensive distribution, although affordability evidence is limited	High — Strong nutrition, fortification, reformulation and food-safety programmes	High — Formal supplier, sourcing and climate-risk systems support continuity
F&N	High — Large-scale dairy and food manufacturing, supplemented by upstream fresh-milk production through AgriValley.	Moderately high — Broad distribution, value-oriented formats and school-milk programmes; affordability evidence remains limited.	High — Strong nutrition reformulation, fortification, food-safety certification and healthier-choice portfolio.	Moderately high — Vertical integration, local feed production and supplier controls improve resilience, but dairy execution, water, climate and imported-input risks remain.
Farm Fresh	High — Directly increases domestic dairy supply through vertically integrated farming, processing and continued capacity expansion.	Moderately high — Broad retail and home-dealer distribution, UHT formats and large-scale school-milk participation improve reach, but commercial affordability is not quantified.	High — Nutritious dairy portfolio, specialised dietary products and established food-safety controls support dietary quality and safe consumption.	Moderately high — Vertical integration, geographic diversification and circular farm practices strengthen resilience, but biological, feed-cost, forex, water and climate risks remain.
99Speedmart	Moderately high — Does not produce food, but materially increases neighbourhood-level product availability.	High — Nationwide proximity, affordable pricing and extensive distribution directly improve access.	Moderate — Product-quality and food-safety controls are present, but nutrition is largely determined by suppliers and consumer choice.	High — Scale, diversified sourcing, centralised procurement, distribution infrastructure and forecasting support continuity.
Mr. DIY	Limited — Offers packaged food and beverages mainly through Mr. DOLLAR, but does not produce food or operate a broad grocery network.	Moderate — Affordable price points, extensive store reach and SARA participation support access, but food is a peripheral part of the overall assortment.	Limited — Product-safety and labelling controls protect consumers, but there is no meaningful nutrition, fortification or healthier-product strategy.	Moderately high — Scale procurement, supplier controls and warehouse automation support continuity, although import dependence and limited food-specific disclosure constrain visibility.
Eco-Shop	Moderate — Does not produce food, but distributes a meaningful volume of packaged food and beverages through 371 stores nationwide.	High — Fixed pricing, extensive geographical reach and house-brand products make food highly accessible to price-sensitive consumers.	Limited to moderate — Product-quality monitoring supports safe consumption, but the portfolio is concentrated in snacks, packaged food and beverages with no disclosed nutrition strategy.	Moderate — Local sourcing and supplier diversification improve continuity, but distribution concentration, imported inputs and climate disruptions remain material.
Oriental Kopi	Moderate — Directly provides prepared meals and packaged foods, but its relatively small outlet network limits its contribution to national food availability.	Moderate — Mass-market positioning, halal offerings and packaged products broaden reach, although cafés are concentrated in commercial locations and affordability is not quantified.	Moderately high — Strong food-safety, quality-control and halal systems support safe consumption, but there is limited evidence of nutrition or healthier-product management.	Moderately high — Local sourcing, multi-sourcing, demand forecasting, supplier audits and centralised distribution support continuity, although external manufacturing and early-stage sustainability systems remain weaknesses.
Heineken (M)	Limited — Locally manufactures beverages at scale, but alcoholic drinks do not materially increase the supply of essential or nutritious food.	Limited — Nationwide distribution is extensive, but the portfolio is largely age-restricted, discretionary and subject to high excise duties; Heineken 0.0 and Malta provide only a small non-alcoholic contribution.	Limited — Strong HACCP, FSSC 22000 and quality-management systems support product safety, while responsible-consumption programmes mitigate harm; however, the core portfolio does not improve nutrition or healthy diets.	High — Established brewing capabilities, nationwide sales infrastructure, mature governance and environmental-management systems support continuity, though water, energy, imported inputs and single-brewery concentration remain risks.
Carlsberg (M)	Limited — Locally manufactures beverages at scale, but beer and cider do not materially increase the supply of essential or nutritious food.	Limited — Broad distribution supports product availability, but alcohol is age-restricted, discretionary, highly taxed and inaccessible to a sizeable segment of Malaysian consumers.	Limited — Strong product-safety and responsible-consumption controls mitigate harm, but the core alcoholic portfolio does not support nutrition or healthy diets.	High — Local procurement, supplier diversification, commodity hedging, operational upgrades and alternative utility arrangements provide strong continuity.

Source: Respective companies, UOB Kay Hian

- **Resilient operators with narrower contribution.** At the other end of the spectrum, the breweries demonstrate strong operational resilience but make only a limited direct contribution to food security, as alcoholic beverages are discretionary and provide little nutritional value. Mr. DIY also has limited relevance because food is peripheral to its broader merchandise offering. Eco-Shop and Oriental Kopi occupy the middle, both improving access to food, but their contribution is narrower than that of major producers and grocery retailers.

Qualitative Food Security Positioning*



**Relative placement only; distances do not represent numerical scores*
Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain MARKET WEIGHT: Holding ground, but upside remains limited.** The sector backdrop has improved from 2025's minimum-wage pressures and subsidy-rationalisation concerns, supported by government cash handouts and VMY 2026. However, the re-escalation of the Middle East conflict and election-related uncertainty weigh on demand.
- Within the sector, our food-security ESG assessment reinforces the need for selective positioning. Essential food producers and distributors offer stronger structural relevance and defensive demand characteristics, but their earnings remain more exposed to agricultural, climate, disease and commodity risks. Conversely, breweries and non-food retailers are operationally more resilient to food-system disruptions but contribute less directly to national food security. With 2026/27 earnings growth of 8.6%/8.7% respectively and valuations at 22.2x one-year forward PE, around 1.5SD below the five-year mean, limited rerating potential still supports our MARKET WEIGHT stance.

- **Top picks: 99SM, Mr. DIY and Fraser & Neave.** 99SM continues to distinguish itself through operational excellence, resilient fundamentals, and a highly visible expansion runway. Meanwhile, Mr. DIY 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.

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