UOBKayHian

Country Daily Malaysia

Wednesday, 29 July 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	52,747.3	1.0	1.0	1.7	9.7
S&P 500	7,428.8	0.2	(1.1)	1.0	8.5
FTSE 100	10,871.0	0.8	2.7	3.5	9.5
AS30	9,112.0	0.5	1.5	0.9	1.0
CSI 300	4,569.5	(2.8)	(3.6)	(7.3)	(1.3)
FSSTI	5,616.1	(0.1)	1.6	7.8	20.9
HSCEI	8,436.3	0.8	0.9	10.9	(5.4)
HSI	25,310.9	0.4	0.7	11.6	(1.2)
JCI	6,130.6	(0.9)	(3.3)	5.3	(29.1)
KLCI	1,712.5	(0.0)	(0.5)	2.8	1.9
KOSPI	6,023.7	(10.8)	(10.7)	(28.2)	42.9
Nikkei 225	62,364.9	(4.0)	(5.8)	(10.2)	23.9
SET	1,624.5	(1.2)	(1.3)	2.1	29.0
TWSE	41,603.4	(4.7)	(5.9)	(7.5)	43.6
BDI	2,696	(1.7)	1.0	6.8	43.6
CPO (RM/mt)	4,533	(1.5)	0.2	0.7	15.2
Brent Crude (US$/bbl)	84	(4.8)	(7.6)	16.8	38.2

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Hybrid Post-result Group Luncheon with Plover Bay Technologies Ltd (1523 HK)	Hong Kong	31 Jul	31 Jul
Virtual Meeting with i-Tail Corporation Public Company Limited (ITC TB)	Thailand	05 Aug	05 Aug
Virtual Meeting with UOB-Kay Hian Holdings Ltd (UOBK SP)	Singapore	11 Aug	11 Aug
Hybrid Meeting with UltraGreen.ai Ltd (UGAI SP)	Singapore	13 Aug	13 Aug

Corporate & Macro Calendar

Economic Indicator/Event	Country/Region	Date
PMI	Malaysia	3 Aug
Foreign Reserves	Malaysia	7 Aug
Industrial Production	Malaysia	11 Aug
Manufacturing Sales	Malaysia	11 Aug

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Top Stories

Sector Update | Consumer Page 3

We assess food security through two distinct lenses: how companies strengthen Malaysia's food security and how resilient that contribution is to food-system disruption. Availability, access and utilisation measure contribution, while stability captures exposure and mitigating capacity. Essential food producers and distributors contribute the most but typically face greater agricultural, climate, disease and commodity risks. Breweries and non-food retailers may be operationally resilient but make limited or narrower contributions. Maintain MARKET WEIGHT.

Company Update | VS Industry (VSI MK /**BUY**/RM0.22/Target: RM0.34) Page 6

Earnings are turning the corner, supported by a stronger volume ramp-up across its customer base, narrowing losses from loss-making divisions, and early benefits from recently implemented strategic initiatives. VSI trades at just 8.6x FY27F PE (-1SD below historical mean) and 0.4x FY27F P/BV (-2SD), well below even the trough valuations seen during the MCO period (0.83-0.88x P/BV), suggesting limited downside with asymmetrical upside potential. Current valuations more than compensate for risks. Maintain BUY with a target price of RM0.34.

What's Inside

Company Results | Nestle (Malaysia) (NESZ MK/BUY/RM93.66/Target: RM109.00) Page 9

Nestle's 2Q26 results exceeded expectations. Sales sustained a robust mid-single-digit growth driven by resilient domestic demand. However, enhanced gross margins lifted earnings beyond expectations. Upgrade to BUY with a higher target price of RM109.00 (from RM104.00).

Market Spotlight

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- The FBMKLCI closed flat yesterday at 1,712.48 (-0.61pt).
- US stocks were mixed after the close on Tuesday, as gains in the healthcare, telecommunications and consumer goods sectors led shares higher while losses in the oil & gas, technology and industrials sectors led shares lower.

Technical Analysis

Beshom Holdings | BESHOM MK
Trading Buy Range: RM0.545-0.55

Orkim Berhad | ORKIM MK
Trading Buy Range: RM0.905-0.91

PMB Technology | PMBT MK
Trading Buy Range: RM1.70-1.75

Disclaimer: *In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.*

Consumer

ESG: Food Security Assessment

MARKET WEIGHT
(Maintained)

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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 Fraser & Neave Holdings (F&N) rank furthest to the right because they directly support domestic protein and dairy supply, while 99 Speed Mart Retail Holdings (99SM) combines broad neighbourhood access with strong distribution resilience. Nestlé (Malaysia) 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.

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	Rec	Share Price 28 Jul 26 (RM)	Target Price (RM)	Market Cap (RMm)	PE FY26F (x)	PE FY27F (x)	P/BV FY26F (x)	Yield FY26F (%)	Yield FY27F (%)
99 Speed Mart Retail Holdings	99SMART MK	BUY	3.57	4.10	30,408.0	41.1	37.7	12.5	0.6	1.6
Eco-Shop Marketing	ECOSHOP MK	BUY	1.47	1.70	8,520.2	28.2	24.0	6.1	0.7	1.8
Carlsberg Brewery Malaysia	CAB MK	BUY	15.88	21.50	4,922.5	13.1	12.5	13.3	6.9	7.5
Farm Fresh	FFB MK	HOLD	2.26	2.05	4,240.7	31.8	25.6	4.2	0.4	0.4
Fraser & Neave Holdings	FNH MK	BUY	27.50	38.70	10,746.6	15.7	13.1	2.3	2.2	2.7
Heineken Malaysia	HEIM MK	BUY	19.06	24.70	5,830.5	12.9	12.2	10.8	8.0	8.2
Mr DIY Group (M)	MRDIY MK	BUY	1.59	2.30	16,016.9	22.8	21.1	8.5	3.6	4.5
Nestle (Malaysia)	NESZ MK	BUY	93.66	104.00	21,405.2	35.3	32.4	38.1	2.4	3.0
Oriental Kopi Holdings	KOPI MK	BUY	0.92	1.40	1,770.0	23.6	18.8	3.8	1.1	1.6
QL Resources	QLG MK	HOLD	3.96	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

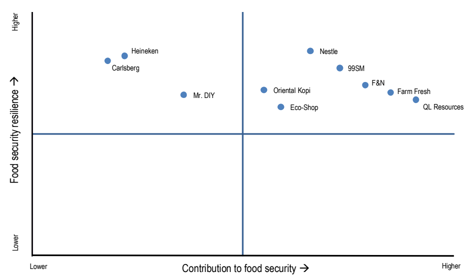
Corporate Assessment Across FAO's Four Food-Security Dimensions

	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 (Malaysia)	**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
Fraser & Neave Holdings	**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.
99 Speed Mart Retail Holdings	**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 Group (M)	**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 Marketing	**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 Holdings	**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 Malaysia	**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 Brewery Malaysia	**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 Group (M) (MRDIY) 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, 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, F&N 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.

VS Industry (VSI MK)

Emerging From The Trough; Deep Value Beckons

BUY (Maintained)	
Share Price	RM0.22
Target Price	RM0.34
Upside	+54.5%

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Highlights

- Earnings are turning the corner, supported by stronger volume ramp-up across its customer base, narrowing losses from loss-making divisions, and early benefits from recently implemented strategic initiatives.
- VSI trades at just 8.6x FY27F PE (-1SD below historical mean) and 0.4x FY27F P/BV (-2SD), well below even the trough valuations seen during the MCO period (0.83-0.88x P/BV), suggesting limited downside with asymmetrical upside potential.
- Current valuations more than compensate for risks. Maintain BUY with a target price of RM0.34. Key re-rating catalysts include further order normalisation, improving capacity utilisation, sustained earnings recovery, and potential new customer wins.

Analysis

- **Recovery gaining traction despite near-term supply disruptions.** VS Industry (VSI) recorded two consecutive quarters of core losses in 2Q and 3QFY26, with order weakness observed across its customer base alongside margin compression. Following seven months of inventory correction, management highlighted encouraging signs of order ramp-up into 4QFY26 with monthly assembly revenue rising 30% mom from one of its key customers on new product launches. Although June was temporarily impacted by chip supply disruptions on this key customer, operations normalised in July with production returning May's healthy turnover. While management acknowledged limited visibility on whether component shortages will persist, it expects operations to remain broadly on track for now.
- **Seasonal ramp-up to anchor operational breakeven in 4QFY26.** Beyond the recovery of its key customer, overall plant utilisation is receiving a further boost from the typical year-end seasonal demand. While reported earnings in 4QFY26 could still be typically weighed down by a potential one-off impairment on underutilised assets, management expects a meaningful acceleration in volumes from May 26 onwards. This will be driven by: a) recovering orders from its coffee brewer and US-based customer segments, b) improving utilisation and narrowing losses at its Philippines operations as new programmes ramp up, and c) a gradual recovery in demand from the Indonesian market. Collectively, these drivers are expected to lift overall plant utilisation and support a return to operational breakeven in 4QFY26, marking an important inflection point in the group's earnings recovery.

Key Financials

Year to 31 Jul (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	4,248	3,788	3,474	4,003	4,562
EBITDA	413	223	133	285	322
Operating profit	287	96	3	156	188
Net profit (rep./act.)	246	37	(13)	101	125
Net profit (adj.)	210	51	(13)	101	125
EPS	6	1	(0)	3	3
PE	4.1	16.9	(67.6)	8.6	6.9
P/B	0.4	0.4	0.4	0.4	0.4
EV/EBITDA	2.5	3.6	6.4	3.3	3.1
Dividend yield	8.5	3.6	(0.4)	3.5	4.3
Net margin	5.8	1.0	(0.4)	2.5	2.7
Net debt/(cash) to equity	(5.8)	(6.1)	(5.1)	(5.1)	(5.1)
Interest cover	22.5	11.4	5.6	12.2	13.7
ROE	11.1	1.7	(0.6)	4.6	5.6
Consensus net profit			(28)	65	93
UOBKH/Consensus (x)			0.47	1.55	1.34

Source: VSI, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Information Technology
Bloomberg ticker	VSI MK
Shares issued (m)	3,947.7
Market cap (RMm)	868.5
Market cap (US$m)	212.3
3-mth avg daily t'over (US$m)	3.1

Price Performance (%)

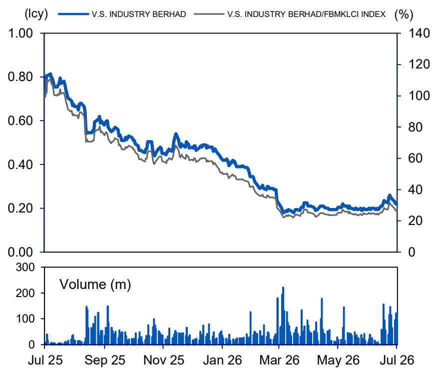
52-week high/low: RM0.87/RM0.17

1mth	3mth	6mth	1yr	YTD
10.0	4.8	(48.8)	(70.3)	(53.2)

Major Shareholders

Major Shareholders	%
Beh Hwee Sze	7.4
Beh Hwee Lee	7.4
Aberdeen	6.8

Price Chart



Source: Bloomberg

Company Description

VS Industry is involved in the manufacturing of plastic parts and components, contract manufacturing, precision mould making, the sub-assembly of electronic and electrical equipment and other secondary processes. It has plants in Malaysia, China, and Indonesia.

- **Indonesia and the Philippines emerging as key earnings turnaround stories.** Indonesia is expected to see revenue gap replacement following the exit of key PCBA customer, through increased orders from existing customers. Management expects the operation to recover in 4QFY26 and improve significantly in FY27 while returning to profitability. Meanwhile, the Philippines operations are approaching an inflection point. After recording approximately RM35m in cumulative losses over 9MFY26, utilisation has reached close to breakeven point despite ongoing chip shortages. The commencement of a third production line in August is expected to further improve utilisation and profitability. In addition, competitive intensity appears to be easing, with one programme reportedly transferred from another contract manufacturer to VSI following weaker-than-expected execution by the competitor.
- **Positioning for the upcycle amid near-term headwinds.** VSI continues to navigate a challenging EMS landscape marked by tariff-related pressures, excess industry capacity and subdued margins through a combination of diversification, cost optimisation and operational rationalisation. Beyond expanding into new non-consumer electronics programmes, the group is streamlining its cost base through workforce optimisation, machinery rationalisation and system upgrades, while maintaining positive operating cash flow to support ongoing investments.
- Importantly, management is strategically sharing part of the tariff burden with customers in exchange for higher order commitments, strengthening customer relationships and positioning VSI to capture market share as weaker competitors exit the industry. While margins are expected to remain under pressure in the near term, improving utilisation and a gradual recovery in orders should underpin a progressive earnings recovery over the medium term.

Sales Assumption

(RMm)	FY25	FY26F	FY27F	FY28F
Sales	**3,788**	**3,474**	**4,003**	**4,562**
Key Customer	2,256	2,390	2,523	2,925
Customer Z	264	187	206	227
China	30	40	72	72
Indonesia	314	220	330	330
New Key Customers	586	300	500	600
Others	339	338	372	409
Core Net Margin	**1.4%**	**-0.4%**	**2.5%**	**2.7%**

Source: VSI, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM0.34,** based on 12x 2027F PE (which is -0.5SD to the 10-year mean).

Earnings Revision/Risk

- **Earnings revision:** We trim our FY26 earnings forecast to a core loss of RM12.8m to reflect softer-than-expected margins in 4QFY26, while leaving our FY27 assumptions unchanged.

Environmental, Social, Governance (ESG) Updates

Environmental

- VSI has been certified with the ISO 14001:2015 Environment Management System for assembly services for mechanical and electrical products.

Social

- VSI held an In-House Vaccination Programme in Aug 21 and achieved a 99.8% vaccination record for the entire workforce.
- It is proactively engaging with migrant worker rights specialists and independent auditors to improve the welfare of migrant workers in Malaysia.

Governance

- The company has in place an Anti-Corruption Framework which fulfils the requirements in the Guidelines on Adequate Procedures to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009.

Profit & Loss

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Net turnover	**3,788**	**3,474**	**4,003**	**4,562**
EBITDA	223	133	285	322
Deprec. & amort.	127	130	130	133
EBIT	96	3	156	188
Associate contributions	(1)	3	3	3
Net interest income/(expense)	(20)	(23)	(23)	(23)
Pre-tax profit	**75**	**(18)**	**135**	**167**
Tax	(42)	5	(35)	(44)
Minorities	4	(0)	1	2
Net profit	**37**	**(13)**	**101**	**125**
Net profit (adj.)	51	(13)	101	125

Balance Sheet

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Fixed assets	944	964	984	1,001
Other LT assets	262	264	267	269
Cash/ST investment	859	801	711	643
Other current assets	1,661	1,696	1,906	2,147
Total assets	**3,726**	**3,725**	**3,869**	**4,061**
ST debt	454	454	454	454
Other current liabilities	702	710	785	890
LT debt	333	333	333	333
Other LT liabilities	85	85	85	85
Shareholders' equity	2,153	2,144	2,215	2,303
Minority interest	(2)	(2)	(3)	(5)
Total liabilities & equity	**3,726**	**3,725**	**3,869**	**4,061**

Cash Flow

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Operating	**531**	**191**	**194**	**222**
Pre-tax profit	75	(18)	135	167
Tax	(64)	5	(35)	(44)
Deprec. & amort.	127	130	130	133
Working capital changes	337	53	(56)	(56)
Non-cash items	16	16	16	16
Other operating cashflows	41	6	6	6
Investing	**(139)**	**(200)**	**(200)**	**(200)**
Capex (growth)	(188)	(150)	(150)	(150)
Investments	47	0	0	0
Proceeds from sale of assets	2	0	0	0
Others	0	(50)	(50)	(50)
Financing	**(257)**	**(50)**	**(83)**	**(91)**
Dividend payments	(77)	4	(30)	(37)
Issue of shares	19	20	1	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(160)	(35)	(15)	(15)
Others/interest paid	(39)	(39)	(39)	(39)
Net cash inflow (outflow)	**135**	**(58)**	**(89)**	**(68)**
Beginning cash & cash equivalent	**755**	**859**	**801**	**712**
Changes due to forex impact	(31)	0	0	0
Ending cash & cash equivalent	**859**	**801**	**712**	**643**

Key Metrics

Year to 31 Jul (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	5.9	3.8	7.1	7.1
Pre-tax margin	2.0	(0.5)	3.4	3.7
Net margin	1.0	(0.4)	2.5	2.7
ROA	0.9	(0.3)	2.7	3.2
ROE	1.7	(0.6)	4.6	5.6
Growth				
Turnover	(14.1)	(11.6)	7.9	28.6
EBITDA	(59.9)	(56.6)	39.5	62.4
Pre-tax profit	(93.7)	(173.8)	111.5	172.6
Net profit	(110.6)	(188.8)	245.2	338.2
Net profit (adj.)	(75.5)	(124.9)	(889.4)	24.1
EPS	(98.2)	(174.9)	135.6	202.1
Leverage				
Debt to total capital	36.6	36.7	35.6	34.3
Debt to equity	36.6	36.7	35.5	34.2
Net debt/(cash) to equity	6.2	5.3	3.4	6.2
Interest cover	11.4	5.6	12.2	13.7

Nestle (Malaysia)
(NESZ MK/BUY/RM93.66/Target: RM109.00)

2Q26: Exceeds Expectations Due To Enhanced Margins

2Q26 Results

Year to 31 Dec	2Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg	Remarks
Revenue	**1,813.1**	**(3.6)**	**8.7**	**3,693.5**	**7.5**	Lifted by solid domestic growth.
Gross profit	594.2	(0.8)	19.7	1,193.4	14.3	
EBIT	216.2	(24.0)	31.3	500.8	27.0	
PBT	**205.7**	**(24.4)**	**38.4**	**477.6**	**32.1**	
Tax expense	(50.7)	(24.2)	39.0	(117.5)	33.3	
Net profit	155.0	(24.4)	38.3	360.1	31.7	
Core NP	**155.0**	**(24.4)**	**38.3**	**360.1**	**31.7**	Beyond expectations at 65% and 60% of our and consensus full-year estimates respectively.
Margins	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**	
Gross profit	32.8	0.9	3.0	32.3	1.9	Resurgent margins lifts earnings.
EBIT	11.9	(3.2)	2.1	13.6	2.1	
Core NP	8.5	(2.4)	1.8	9.8	1.8	
Effective tax rate	(24.6)	(0.1)	(0.1)	(24.6)	(0.2)	

Summary Earnings Forecasts

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	6,881	7,418	7,833	8,217
EBITDA	988	1120	1198	1274
EBIT	761	886	956	1022
Net profit	513	608	659	708
Core NP	513	608	659	708
PE (x)	42.8	36.1	33.3	31.0
Div. yield (%)	2.3	2.6	2.9	3.1
Forecast Revision				
Net profit		8.0	6.4	8.9

Source: Nestle, UOB Kay Hian

Highlights

- **Beyond expectations.** Nestle (Malaysia) (Nestle) reported a 2Q26 core net profit of RM155m (-24.4% qoq, 38.3% yoy). This brought 1H26 core profit to RM360m (+31.7% yoy). This exceeded expectations, at 65% and 60% of our and consensus full-year forecasts respectively. The positive variance primarily arose from better-than-expected margins. An interim DPS of 80 sen was declared (1H25: 70 sen).
- **Sales underpinned by robust domestic demand.** 2Q26 revenue grew 8.7% yoy, supported by resilient domestic demand amid stable export sales. This underscores the strength of the group's diversified portfolio and the enduring appeal of its trusted brands across diverse consumer segments and consumption occasions. Nestle benefits from its deep and long-standing investment in innovation and brand building that strengthened key categories such as coffee, nutrition and active lifestyle offerings under Malaysians' favourite brands such as Milo, Maggi, Nescafé, and Kit Kat, ensuring the group's portfolio remains relevant for consumers across all demographic segments.
- **Surprise from gross margin gains.** 2Q26 gross margin improved by 3.0ppt yoy to 32.8% (+0.9ppt qoq). Opex accelerated from brand investments as EBIT margins expanded by only 2.1ppt yoy to 11.9% as a marginally higher effective tax rate tempered 2Q26 core margin to 8.5% (+1.8ppt yoy).
- **Softer input costs provide buffer against conflict spillovers.** Commodity prices have continued to ease, with USD/MYR, cocoa, sugar, and coffee prices down 4.5%, 14.0%, 37.8% and 18.7% respectively vs the 2025 average. Additionally, a portion of these input costs is likely to have been hedged earlier in the year. Evidently, it has more than offset spillover effects from the Middle East conflict. These favourable forex trends and costs may further alleviate margin pressure heading into 2027.

Earnings Revision/Risk

- After revising our margin assumptions, we lift our earnings by 8.0%/6.4%/8.9% for 2026-28 respectively. Downside risks include: a) higher-than-expected operating costs, and b) unfavourable commodities prices.
- **Upgrade to BUY with a higher target price of RM109.00** (from RM104.00). We like Nestle for its increasingly palatable valuations and defensive nature amid a risk-off environment. It currently trades at a -2SD to its five-year mean PE. Our target price is DCF-based with WACC of 7.4% and terminal growth of 4.1%, which implies 38.8x 2027F PE.

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Market Spotlight

Market News

The FBMKLCI closed flat yesterday at 1,712.48 (-0.61pt). Meanwhile, Asian equities fell sharply on Tuesday, with South Korea and Japan leading losses, as fresh concerns over artificial intelligence investments sparked another wave of selling in global chipmakers. The FBMKLCI's top gainers were Nestle (Malaysia) (+2.9%), Tenaga Nasional (+1.4%) and PPB Group (+1.1%), while the top losers were 99 Speed Mart Retail Holdings (-3.5%), Petronas Chemicals Group (-2.7%) and IOI Corporation (-1.8%). In the broader market, losers outpaced gainers 717 to 348 with 536 counters unchanged. Turnover was 2.94b shares valued at RM2.57b.

US stocks were mixed after the close on Tuesday, as gains in the healthcare, telecommunications and consumer goods sectors led shares higher while losses in the oil & gas, technology and industrials sectors led shares lower. At the close in NYSE, the Dow Jones Industrial Average gained 1.03%, while the S&P 500 Index climbed 0.22%, and the NASDAQ Composite Index lost 0.22%. Rising stocks outnumbered declining ones on the New York Stock Exchange by 1,649 to 1,074 and 80 ended unchanged; on the Nasdaq Stock Exchange, 1,705 rose and 1,676 declined, while 217 ended unchanged. *(Sources: Investing.com)*

FBMKLCI, FCPO & FKLI Index Outlook

FBMKLCI

Source: UOBKH ChartGenie

FTSE Bursa Malaysia KLCI

Last close: 1,712.48

Expected moving range: 1,700– 1,730

Technical view:

The FBMKLCI continued its pullback to and closed lower at 1,712.48 on yesterday's movement/ From the technical perspective, the index formed a falling window which indicates a bearish signal. The correction looks set to continue amid growing selling pressure as reflected in the negative readings in the RSI and the MACD. Weaker regional sentiments and an absence of domestic catalysts may drag the index lower in the near term. Support and resistance levels are still maintained as follows:

Support: 1,677, 1,650

Resistance: 1,750, 1,770

FCPO

Source: Tradingview

Futures Crude Palm Oil (FCPO) Active Contract, 1 Hour Chart

Technical SELL with 2.5% potential downside

Trading SELL range: RM4,600-4,700

Last price: RM4,653

Target price: RM4,571, RM4,538

Resistance: RM4,694

Stop-loss: RM4,695

SELL with a target price of RM4,538 and stop-loss at RM4,695. Based on the chart, FCPO penetrated the uptrend line and closed lower at RM4,653 on yesterday's movement. This bearish movement is supported by a downtick in the RSI and a bearish crossover in both the MACD and DMI indicators. We peg our targets at RM4,571 and RM4,538 in the near term.

Expected timeframe: One day to three

FKLI

Source: Tradingview

FTSE Bursa Malaysia KLCI Futures (FKLI), 1 Hour Chart

Technical SELL with 2.1% potential downside

Trading SELL range: 1,700-1,730

Last price: 1,717

Target price: 1,689, 1,681

Resistance: 1,723

Stop-loss: 1,722

SELL with a target price of 1,681 and stop-loss at 1,722. Based on the chart, FKLI continued the bearish movement and closed lower at 1,717 yesterday. This bearish movement is supported by a downtick in the RSI and a bearish crossover in both the MACD and DMI indicators. We still maintained our targets at 1,689 and 1,681 in the near term.

Expected timeframe: One day to three days

Traders' Corner

Source: UOBKH ChartGenie

Beshom Holdings (BESHOM MK)

Technical BUY on breakout with +18.3% potential return

Trading buy range: RM0.545-0.55

Last price: RM0.525

Target price: RM0.62, RM0.645

Support: RM0.505

Stop-loss: RM0.495

BUY on breakout with a target price of RM0.645 and stop-loss at RM0.495. Based on the chart, share price has recovered to above the 7- and 21-day EMAs in the last few days, effectively reversing its sideways trend. This is supported by the rising RSI and DMI indicators, which shows the positive momentum would strengthen in the near term. We peg our targets at RM0.62 and RM0.645 if the stock penetrates the breakout level of RM0.545.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Orkim (ORKIM MK)

Technical BUY on breakout with +18.2% potential return

Trading buy range: RM0.905-0.91

Last price: RM0.885

Target price: RM0.995, RM1.07

Support: RM0.81

Stop-loss: RM0.805

BUY on breakout with a target price of RM1.07 and stop-loss at RM0.805. Recovering from the low of RM0.81, share price has formed bullish candles towards the breakout level of RM0.905. This is consistent with an uptick in the RSI as surging momentum could lift share price in the near term. Additionally, the bullish cross between the +DI and -DI lines imply a significant change in the trend which, in this case, shifted to an upside bias from the previous consolidation mode. A positive closing above RM0.905 should kick-start a new up-leg.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

PMB Technology (PMBT MK)

Technical BUY with +15.0% potential return

Trading buy range: RM1.70-1.75

Last price: RM1.74

Target price: RM1.88, RM1.99

Support: RM1.65

Stop-loss: RM1.64

BUY with a target price of RM1.99 and stop-loss at RM1.64. Based on the daily chart, share price is climbing up gradually after having established support at RM1.65. Positive readings in both the RSI and the DMI should translate into stronger momentum for share price. This is also supported by bullish crossover in MACD. We peg our targets at RM1.88 and RM1.99 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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