Consumer

A Defensive Safe Haven in 2025

Positive (Maintain)

Analyst

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HIGHLIGHTS

- Retail: Strong start as spending gains momentum
- F&B: Mixed commodity trends with cost pressures from cocoa and coffee, but relief from sugar and wheat
- Poultry: Stabilizing feed costs support margins
- Currency: Ringgits strengthen in 2025
- 4QCY24 Wrap
- Consumer continues to underperform, creating value opportunities
- Maintain POSITIVE on Consumer Sector with F&N (BUY, TP: RM36.77), and Aeon (BUY, TP: RM1.77) as our top picks
- Upgrade Oriental Kopi to BUY and Nestle to NEUTRAL following recent share price correction

COMPANY *IN FOCUS*

Fraser & Neave Holdings

Maintain BUY | Target Price: RM36.77
Price @ 14 Mar 2025: RM23.82

- Capitalize on the robust OOH beverages consumption.
- Benefit from the high temperatures prevalent across SEA and the return of tourists' arrivals.
- Integration of Sri Nona and Cocoaland to expand food pillar businesses.

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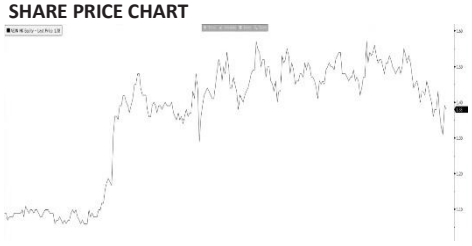


Aeon Co. (M) Berhad

Maintain BUY | Target Price: RM1.77
Price @ 14 Mar 2025: RM1.38

- Benefit from sustained consumer spending, bolstered by Budget 2025 cash handouts, EPF Account 3, and the civil servant pay rise, all of which will increase disposable income.
- PMS segment is set for continued growth with improved rental renewal rates and an optimized tenant mix.

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SECTOR RECAP

Retail: Strong Start as Spending Gains Momentum

A good start of retail spending. Malaysia's retail trade grew at an accelerated pace of +8.2% yoy in Jan-25, compared to Dec-24's +5.4%yoy, reflecting a positive start to the year. Growth was driven by higher spending on food, beverages & tobacco (+8.8%yoy) and non-specialized stores (+9.7%yoy). On the macroeconomic front, Malaysia's labour market remained a key pillar of support, with the unemployment rate unchanged at 3.1% and the labour force participation rate steady at 70.6%, signalling continued employment stability. Additionally, headline CPI inflation remained at +1.7%yoy in Jan-25, while core inflation edged up to +1.8%yoy (Dec-24: +1.6%yoy), reversing from the 35-month low recorded previously. Despite policy adjustments, such as higher diesel prices and increased utility tariffs, overall price pressures remain contained, ensuring limited impact on consumer purchasing power. Additionally, the postponed RON95 fuel subsidy rationalization until mid-2025 continues to provide relief, supporting household budgets.

Looking ahead, we remain optimistic about the sustainability of domestic consumption, underpinned by stable employment conditions, rising wages, and government policy support. Factors such as higher civil servant salaries, an increased minimum wage, and continued cash assistance programs are expected to strengthen consumer spending power. Additionally, the upcoming Aidilfitri festive seasons, combined with a recovery in tourism, will further support retail activity.

Given this positive outlook, we continue to favour consumer staples and general merchandise retailers, which are well-positioned to benefit from sustained consumer demand. **Aeon (BUY, TP: RM1.77)** remains a top pick, as it stands to capitalize on rising consumer spending, strong festive demand, and resilient retail trade growth.

Table 1: Malaysia's monthly key statistics for January 2025

	Monthly Data				
	Jan-25	Dec-24	Jan-24	YoY	MoM
Retail Trade (RM'b)	**66.12**	**65.82**	**61.11**	**8.2%**	**0.5%**
Non-specialized Stores	25.47	25.09	23.22	9.7%	1.5%
F&B and Tobacco	4.20	4.13	3.86	8.8%	1.6%
Household Equipment	7.55	7.62	7.21	4.7%	-1.0%
Others in Specialized Stores	13.96	14.14	12.89	8.3%	-1.3%
Unemployment rate (%)	3.10	3.10	3.30	-0.2ppt	0.0ppt

Sources: Department of Statistics Malaysia (DOSM), BNM, MIDFR

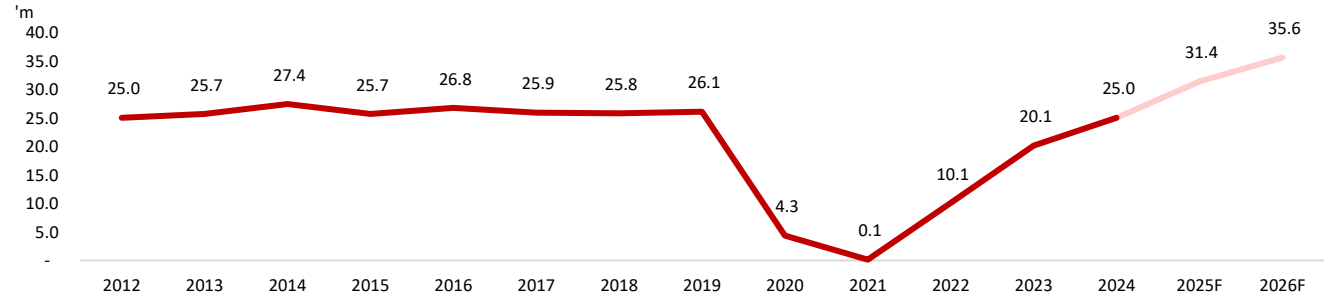
**Non-specialized Stores = supermarkets, hypermarkets, and convenience stores.*
**F&B and Tobacco = restaurant, food-related & tobacco related stores.*
**Automotive = Petrol, diesel or alternative fuel at petrol stations*
**Info & Comm Equipment = Computer, Laptops, Mobile devices, printers, hardrives, television, projectors and more*
**Cultural and recreation goods = Books, publication, audios, music, art and more*
**Household Equipment = textiles, hardware, carpets, other consumer electronic appliances, or furniture.*
**Others in Specialized Stores = clothing, footwear, pharmaceuticals, watches, souvenirs, and others.*
**Via stalls and markets = Fresh produce, handmade crafts, and street food*
**Not in stores, stalls or markets = Online purchases, direct-from-manufacturer items, and more*

Tourism Boom Fuels Economic Expansion and Consumer Spending. Malaysia's tourism sector is experiencing a resounding resurgence, cementing its status as a key driver of economic growth and consumer activity. In CY24, international arrivals soared +24.2%yoy to 25.0m, a testament to the nation's strong post-pandemic recovery. This surge was propelled by enhanced air connectivity, streamlined visa policies, and aggressive global marketing efforts, drawing in a significant influx of tourists. China led the revival with a staggering +123.0%yoy increase in arrivals (3.29m), followed by India (+68.7%yoy to 1.1m), while steady gains from Singapore (+9.5%yoy, 9.1m) and Indonesia (+17.5%yoy, 3.7m) reinforced Malaysia's appeal as a top-tier travel destination. This influx of visitors translated into tourism receipts of RM102.2b (+43.4%yoy), eclipsing 2019 levels by 18.7%, with per capita tourist spending climbing +15.4%yoy to RM4,086.60, signalling a shift toward higher-value, experience-driven tourism. Meanwhile, airport passenger movements surged +9.8%yoy to 93.8m, reaching 89.1% of pre-pandemic levels, as non-ASEAN arrivals skyrocketed +38.2%yoy to 24.6m, underscoring a broad-based tourism recovery across multiple segments.

Forging Ahead: Tourism Industry Poised for Sustained Growth. Malaysia's tourism industry is set to maintain its strong growth trajectory, supported by ongoing government initiatives and favourable market conditions. The RM550m allocation in Budget 2025 for tourism promotion, coupled with the extension of visa-free travel for Chinese tourists until 2026, is set to further boost international arrivals and spending patterns. Additionally, the Visit Malaysia Year 2026 campaign aims to push the sector to new heights, targeting 35.6m arrivals and RM147.1b in receipts, positioning Malaysia as a premier global travel destination. As the government amplifies efforts to enhance connectivity, boost infrastructure, and cultivate high-value tourism experiences, the industry is primed to sustain its upward trajectory, injecting vitality into consumer-facing sectors.

Consumer Sector Poised to Capitalize on Tourism Windfall. With tourism spending on an upward trajectory, key consumer-centric businesses stand to reap substantial benefits. **Spritzer (BUY, TP: RM1.75)** is poised to capitalize on increased bottled water demand, fuelled by higher tourist footfall and prolonged visitor stays. Similarly, **Oriental Kopi (BUY, TP: RM0.83)** is well-positioned to harness rising consumer traffic in bustling urban hubs and tourist-heavy locales, leveraging Malaysia's thriving culinary scene to attract experience-seeking tourists. Meanwhile, Family Mart, operated by **QL Resources (NEUTRAL, TP: RM4.40)**, is set to capture the growing demand for grab-and-go meals, beverages, and essential travel provisions, particularly as international visitor mobility intensifies. With the continued efforts to attract global visitors, the consumer sector remains a key beneficiary of Malaysia's thriving tourism industry, ensuring sustained retail and F&B sector growth in the coming years.

Chart 1: Tourist Arrivals to Malaysia (2012-2026F)



Sources: Tourism Malaysia, MIDFR

F&B: Mixed Commodity Trends with Cost Pressures from Cocoa and Coffee, but Relief from Sugar and Wheat

Mixed Trends in F&B Commodity Prices as of February 2025. F&B commodity prices in Feb-25 showed divergent trends, with cocoa (+78.8%yoy), arabica (+110.8%yoy), and robusta (+82.8%yoy) surging, posing cost pressure for coffee and chocolate producers due to supply shortages and adverse weather. CPO prices (+25.9%yoy) further add to cost pressures for food manufacturers relying on palm-based ingredients. However, cost relief comes from raw sugar (-17.4%yoy), white sugar (-9.2%yoy), and PET resin (-13.5%yoy), easing input expenses for beverage, and packaged food players. Despite these offsets, **Nestlé Malaysia (NEUTRAL, TP: RM77.90)** continues to face boycott-related demand weakness, making cost pass-through increasingly challenging. We believe further price hikes could exacerbate demand erosion, putting additional pressure on margins. Moving forward, the sector's earnings resilience will depend on cost normalization in key commodities and the ability to optimize pricing strategies without further impacting consumer demand.

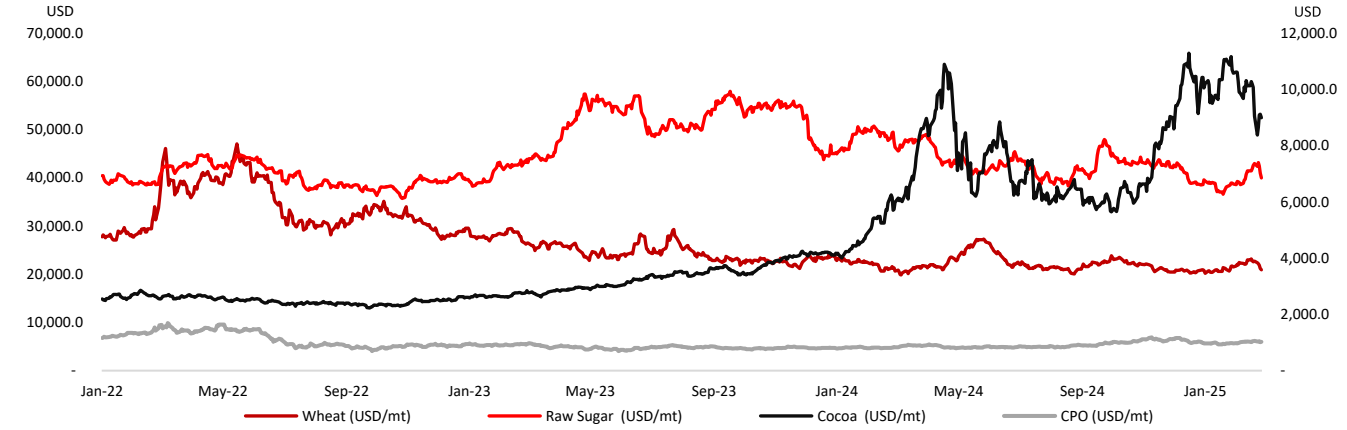
Table 2: February 2025 Average Commodities Futures Prices for F&B Producers

Commodities	Feb-25	Jan-25	Feb-25	YoY (%)	MoM (%)	Remarks
Wheat (USD/mt)	22,215	20,866	21,607	2.8	6.5	Year-on-year: Prices increased slightly as global wheat production stabilized with improved harvests in key producing regions such as the U.S., Russia, and Canada. Month-on-month: Prices rebounded due to stronger global demand and weather-related disruptions, particularly in Australia and Argentina. Concerns over tighter supply from war-affected regions also contributed to the price recovery.
Cocoa (USD/mt)	9,761	10,328	5,460	78.8	5.5	Year-on-year: Prices surged significantly, reflecting severe supply constraints in West Africa caused by excessive rainfall, flooding, and the spread of the cocoa swollen shoot virus. Additionally, export restrictions in Ivory Coast and Ghana further exacerbated the supply shortfall. Month-on-month: Cocoa prices continued to climb due to ongoing supply chain disruptions, seasonal demand pressures, and economic constraints on producers and manufacturers.
Raw Sugar (USD/mt)	40,674	38,243	49,233	(17.4)	6.4	Year-on-year: Prices dropped as sugar production in Brazil and Thailand saw strong gains, offsetting previous concerns about supply tightness. India's re-entry into the export market also contributed to downward pressure on prices. Month-on-month: Prices rebounded due to short-term tightening in global supply after India unexpectedly restricted new export quotas. Rising crude oil prices also incentivized more sugarcane diversion toward ethanol production, further supporting sugar prices.
CPO (USD/mt)	1,021	964	811	25.9	5.9	Year-on-year: Prices rose due to strong biodiesel demand in Indonesia and Malaysia, coupled with lower stockpiles following weaker-than-expected production. Month-on-month: Prices continued to strengthen, driven by rising demand from India as buyers anticipated further price hikes due to significant dip ono production in Dec-24. Additionally, adverse weather conditions led to tighter short-term supply.
White Sugar (USD/mt)	809	801	891	(9.2)	1.1	Year-on-year: Lower prices aligned with reduced raw sugar prices as the market saw higher sugar production from major producing countries such as India, Thailand and Brazil. The continued expansion of sugarcane planting areas in these regions has increased global availability. Month-on-month: Prices remained relatively stable, as a slight production increase in Thailand and India helped offset temporary shortfalls in other regions. However, continued ethanol demand could keep prices volatile.
Arabica (USD/mt)	8,055	6,756	3,822	110.8	19.2	Year-on-year: Prices soared as persistent drought in Brazil weakened crop yields, and coffee trees remained too stressed for a full recovery. Additionally, low stockpiles in major consuming countries added upward pressure on prices. Month-on-month Prices increased further, partly driven by concerns over U.S. tariffs on Colombian coffee, which could disrupt supply chains. Vietnam's harvest shortfalls and a rise in stockpiling activities also added to price pressure.
Robusta (USD/mt)	5,562	5,116	3,043	82.8	8.7	Year-on-year: Prices surged due to lower-than-expected production in Vietnam and Indonesia, the world's top robusta producers. The increasing preference for robusta over arabica, given its lower price, further contributed to the tight supply-demand balance. Month-on-month: Prices inclined driven by a combination of supply shortages and speculative market activity.
PET Resin (USD/mt)	869	861	1,005	(13.5)	0.9	Year-on-year: Prices declined due to weaker demand, lower crude oil prices, and supply chain improvements. The slowdown in global plastic consumption, particularly in packaging and textiles, led to reduced demand for PET resin. Month-on-month: Prices edged up slightly due to supply chain disruptions and trade-related uncertainties. The threat of tariffs on Mexican PET imports created concerns over supply availability, leading to slight upward pressure on prices.

Sources: Bloomberg, USDA, MIDFR

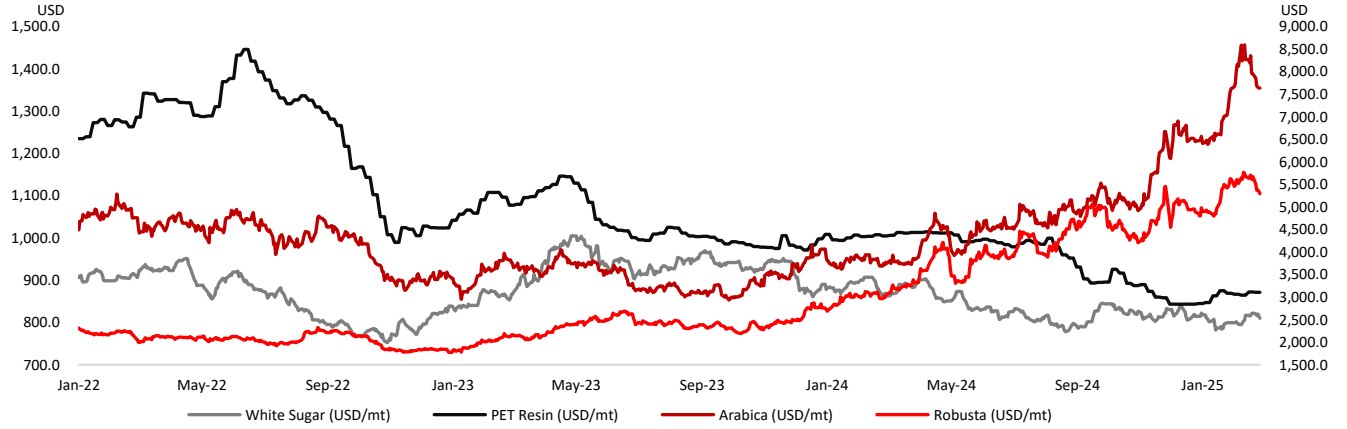
****Pet resin = Polyethylene terephthalate*

Chart 2: Raw Material Futures Price Trend for Food Producers (USD/mt)



Sources: Bloomberg, MIDFR

Chart 3: Raw Material Futures Price Trend for Beverage Producers (USD/mt)



Sources: Bloomberg, MIDFR

Poultry: Stabilizing Feed Costs Support Margins

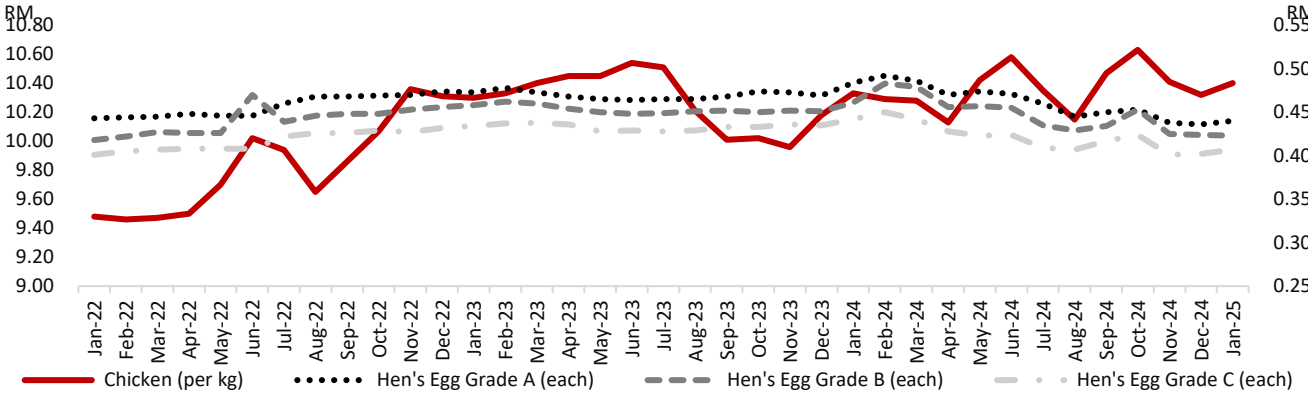
Chicken Prices Edge Higher in January 2025. The poultry market in Jan-25 continued to see a decline in egg prices, while chicken prices edged higher on a monthly basis. The average chicken price rose slightly to RM10.40 per kg (+0.8% mom, +0.7%yoy), supported by stable demand and moderate supply adjustments. Meanwhile, egg prices weakened across all grades, reflecting better supply conditions and easing input costs. Grade A eggs averaged RM0.44 each (-9.1%yoy, +0.9% mom), while Grade B eggs stood at RM0.42 (-8.2%yoy, -0.2% mom). Grade C eggs saw a similar downward trend at RM0.41 (-7.9%yoy, +1.2% mom). The persistent year-on-year decline in egg prices is attributed to lower feed costs and improved production output, helping to stabilize supply. With stable input costs, poultry players are expected to benefit from improved margins despite the softer selling prices, supporting a more resilient earnings outlook heading into 2025.

Table 3: Malaysia Monthly Hen's egg and chicken Statistics

Data	Monthly Data				
	Jan-25	Dec-24	Jan-24	YoY	MoM
Hen's Egg Grade A (each)	0.44	0.44	0.48	(9.1%)	0.9%
Hen's Egg Grade B (each)	0.42	0.42	0.46	(8.2%)	(0.2%)
Hen's Egg Grade C (each)	0.41	0.40	0.44	(7.9%)	1.2%
Chicken (per kg)	10.40	10.32	10.33	0.7%	0.8%

Sources: DOSM, MIDFR

Chart 4: Malaysia's Price Trend for Chicken and Egg



Sources: Bloomberg, USDA, MIDFR

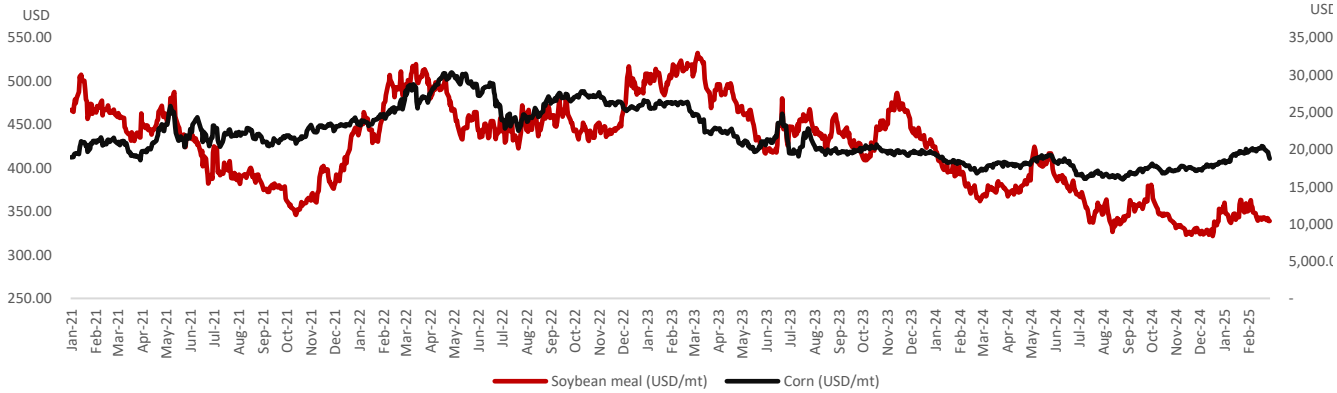
Feed Cost Moderation Supports Poultry Sector Despite Corn Price Increase. The poultry sector remains supported by moderating feed costs, although corn prices continue to rise, adding some cost pressures. In Feb-25, soybean meal prices declined -8.6%yoy to USD 345/mt, with a slight -1.2% mom drop, reflecting a more stable cost environment. Meanwhile, corn prices surged +13.2%yoy to USD 19,886/mt, with a +3.8% mom increase. Despite higher corn prices, overall feed costs remain manageable, providing cost relief for poultry players. Given that feed constitutes 65-75% of poultry production costs, this trend is expected to support margin stability in the sector. Looking ahead, the stable supply of key feed ingredients should help maintain manageable input costs, benefiting major players such as **QL Resources (NEUTRAL, TP: RM4.40)** and **Leong Hup International (BUY, TP: RM0.90).** These companies are well-positioned to capitalize on cost efficiencies, ensuring resilience amid fluctuating poultry prices.

Table 4: Average Monthly Soybean meal, and corn futures prices for February 2025

Commodities	Feb-25	Jan-25	Feb-24	YoY (%)	MoM (%)	Remarks
Soybean Meal (USD/mt)	345	349	378	(8.6)	(1.2)	Year-on-year: Prices declined primarily due to increased global soybean production, especially in Brazil, leading to ample supply and reduced prices. Month-on-month: Prices decreased due to favorable weather conditions in South America, enhancing crop yields and contributing to a well-supplied market.
Corn (USD/mt)	19,886	19,162	17,567	13.2	3.8	Year-on-year: Prices rose due to tightening global supplies and adverse weather conditions in key producing regions, such as Argentina, have negatively impacted crop yields. Strong demand from the livestock and ethanol sectors has also contributed to upward price pressure. Month-on-month: Prices inclined due to strong demand from livestock and ethanol producers. Additionally, speculative trading activities have played a role, with money managers increasing their net long positions in corn futures and options, reflecting bullish market sentiment. These factors, combined with ongoing supply constraints, have contributed to the mom price rise.

Sources: Bloomberg, USDA, MIDFR

Chart 5: Raw Material Futures Price Trend for Poultry Producer (USD/mt)



Sources: Bloomberg, USDA, MIDFR

Currency: Ringgit Strengthen in Feb 2025

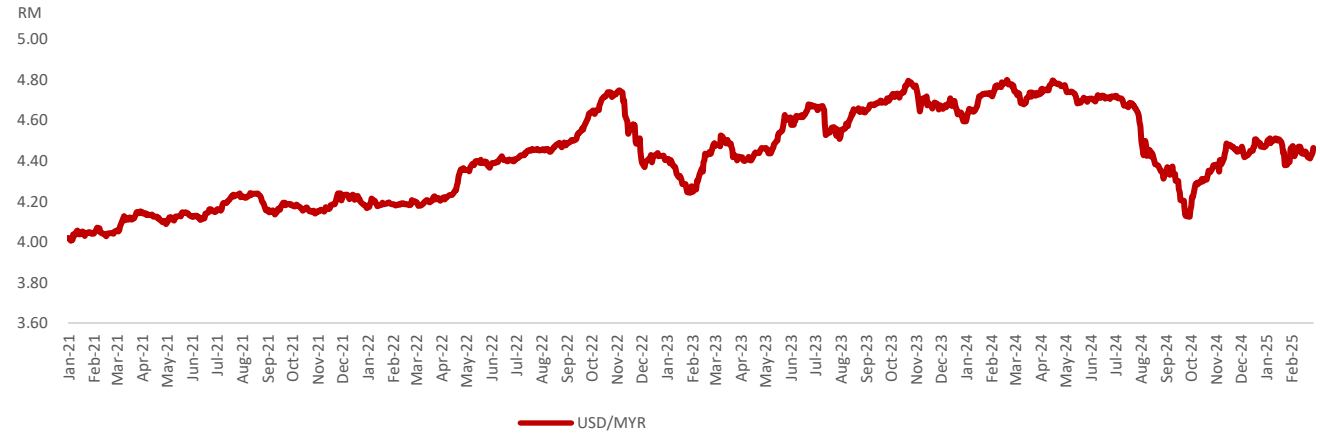
Ringgit Shows Signs of Stability. Ringgit strengthen in Feb-25, averaging USD 1.00:RM4.44, marking a slight +0.5%mom appreciation from Jan-25 (USD 1.00:RM4.47). On a yearly basis, the MYR strengthened by 6.8% yoy, compared to RM4.77/USD in Feb-24, reflecting improving investor sentiment, stable domestic economic conditions, and a softer USD. The stronger ringgit helps ease import costs for F&B and poultry companies reliant on USD-denominated commodities, supporting margin recovery in sectors sensitive to raw material prices. Looking forward, the ringgit is expected to strengthen further, with our economists projecting an average exchange rate of RM4.23/USD, which could further ease import costs and improve margins for domestic players. While this would ease import costs and support margins for domestic players, export-driven companies such as **Asia File (SELL, TP: RM1.25)** and **Rhong Khen International (BUY, TP: RM1.60)** could face headwinds, as a stronger ringgit may dampen USD revenue upon conversion.

Table 5: USD/MYR Monthly statistics for February 2025

Data	Average monthly data				
	Feb-25	Jan-25	Feb-24	YoY (%)	MoM (%)
USD/MYR	4.44	4.47	4.77	(6.8)	(0.5)

Sources: Bloomberg, MIDFR

Chart 6: Price Trend of USD/MYR



Sources: Bloomberg, MIDFR

4QCY24 Wrap

Consumer (Staples). The consumer staples sector showed **resilience with selective outperformance**, as three companies exceeded expectations, one met, and two underperformed. **F&N (BUY, TP: RM36.77)** posted earnings within expectations, with 1QFY25 earnings declining -9.4%yoy but rebounding +42.2%qoq due to strong festive sales in Malaysia and a recovery in Thailand. **Hup Seng (NEUTRAL, TP: RM1.09)** exceeded expectations, with FY24 earnings rising +27.7%yoy, driven by strong biscuit and export sales alongside better cost management. **Spritzer (BUY, TP: RM1.75)** exceeded expectations, with FY24 earnings surging +56.2% yoy to RM79.3m, backed by strong sales, higher pricing, lower raw material costs, and efficiency gains. Poultry players saw solid results, with **Leong Hup (BUY, TP: RM0.90)** surpassing expectations as FY24 core PATANCI surged +66.4%yoy on lower feed costs and robust poultry demand, while **QL Resources (NEUTRAL, TP: RM4.40)** missed expectations as POCE led growth while MPM suffered margin erosion. In contrast, **Nestlé (NEUTRAL, TP: RM77.90)** underperformed, with FY24 core earnings plunging -42.9%yoy, impacted by boycotts related to the Middle East conflict and rising costs, leading to its lowest dividend payout in 15 years.

Consumer (Discretionary). The consumer discretionary sector posted varied results, with one company exceeding expectations, three meeting, and one underperforming. **AEON (BUY, TP: RM1.77)** outperformed, with FY24 core PATANCI rising +18.7%yoy to RM151.4m, driven by strong festive retail sales and resilient property management revenue. **Padini (BUY, TP: RM2.19)** met expectations, with 2QFY25 earnings surging +177.3%qoq, though higher staff costs and depreciation pressured margins. **Oriental Kopi (BUY, TP: RM0.83)** met expectations, posting 1QFY25 core PATAMI of RM13.5m, supported by strong café operations and a growing FMCG segment. **Rhong Khen (BUY, TP: RM1.60)** maintained steady performance, with 1HFY25 core PATANCI up +76.0%yoy, benefiting from cost efficiencies and export demand. **Asia File (SELL, TP: RM1.25)** underperformed as 3QFY25 core PATANCI turned negative (-RM1.4m) due to weak demand and rising costs. Overall, the consumer sectors saw growth driven by strong festive demand, cost efficiencies, and market recovery, while challenges included weak domestic demand, margin pressures, and rising costs.

Consumer Sector 4Q Performance Summary. The sector benefited from strong festive demand, stable employment, and easing raw material costs, although selective consumer spending and rising operating expenses pressured margins for some players. Staples remained stable, with poultry gaining from cost efficiencies, while retailers leveraged seasonal demand despite cost headwinds.

Looking Ahead. Retail spending started 2025 strong, with Malaysia's retail trade up +8.2%yoy in Jan-25 (Dec-24: +5.4%yoy), led by F&B and general retail spending. Stable employment (3.1% unemployment) and wage hikes will support purchasing power, especially in mass-market consumer segments. Entering 1HCY25, festive demand and government policy support, including the minimum wage hike to RM1,700, civil servant salary increases and cash handouts, will bolster consumption. The primary risk to consumer spending remains fuel subsidy rationalization, but with the majority of Malaysians—approximately 85%—remaining unaffected by the subsidy cuts, consumer confidence is likely to strengthen, encouraging an increase in discretionary spending.

Table 6: 4QCY24 Revenue & Earnings Overview

Companies	Dividend (sen/ share)	4QCY24 Revenue Overview			4QCY24 Core PATANCI Overview		
		YoY (%)	QoQ (%)	Ytd (%)	YoY (%)	QoQ (%)	Ytd (%)
Consumer Staples:							
Fraser & Neave Holdings	NA	4.3	10.6	4.3	(9.4)	42.2	(9.4)
Leong Hup International	NA	(4.1)	3.9	(2.4)	18.8	1.9	66.4
QL Resources	2.5sen/share	6.2	(2.9)	6.2	1.9	(1.8)	6.7
Spritzer	4sen/share	21.2	3.8	18.0	58.2	7.9	56.2
Hup Seng Industries	2sen/share	23.1	12.2	10.7	28.8	2.7	27.7
Nestle Malaysia	74sen/share	(12.6)	1.8	(11.7)	(83.2)	(66.0)	(42.9)
Consumer Discretionary:							
Aeon Co M	4.5sen/share	3.6	6.7	3.2	32.0	146.9	18.7
Padini Holdings	1.8sen/share	5.1	33.7	3.4	3.8	177.3	(4.2)
Asia File Corp	NA	(10.9)	(12.2)	(7.4)	(113.2)	(131.7)	(52.2)
Rhong Khen International	NA	(6.8)	10.1	0.3	44.7	(20.9)	76.0
Oriental Kopi	NA	NA	NA	NA	NA	NA	NA

Sources: MIDFR

Table 7: 4QCY24 Forecast Revision Summary

Companies	FYE	4QCY24 Results Overview		Revisions		
		Ours	Streets'	Recommendation	Target Price	Earnings Forecast
Consumer Staples:						
Fraser & Neave Holdings	**SEPT**	**Within 26%**	**Within 27%**	**Unchanged** BUY	**Unchanged** RM36.77	**Unchanged**
Leong Hup International	**DEC**	**Above** 123%	**Above** 144%	**Unchanged** BUY	**Unchanged** RM0.90	**Unchanged**
QL Resources	**MAR**	**Below** 67%	**Within** 77%	**Unchanged** NEUTRAL	**Lower** RM4.40	**Revised Downward** FY25F =-12% FY26F =-19% FY27F =-23%
Spritzer	**DEC**	**Above** 111%	**Above** 113%	**Upgraded** BUY	**Higher** RM1.75	**Revised Upward** FY25F = +6% FY26F =+14%
Hup Seng Industries	**DEC**	**Above** 110%	**Above** 111%	**Unchanged** NEUTRAL	**Higher** RM1.09	**Revised Upward** FY25F = +3% FY26F =+5%
Nestle Malaysia	**DEC**	**Below** 75%	**Below** 83%	**Downgraded** SELL	**Lower** RM77.90	**Revised Downward** FY25F = -18% FY26F =-19%
Consumer Discretionary:						
Aeon Co M	**DEC**	**Above** 110%	**Within** 96%	**Unchanged** BUY	**Higher** RM1.77	**Revised Upward** FY25F = +6% FY26F =+7%
Padini Holdings	**JUN**	**Within** 54%	**Within** 56%	**Upgraded** BUY	**Unchanged** RM2.19	**Unchanged**
Asia File Corp	**MAR**	**Below** 45%	**NA**	**Unchanged** SELL	**Lower** RM1.25	**Revised Downward** FY25F =-40% FY26F =-13% FY27F =-11%
Rhong Khen International	**JUN**	**Within** 57%	**Above 62%**	**Unchanged** BUY	**Unchanged** RM1.60	**Unchanged**
Oriental Kopi	**SEPT**	**Within** 22%	**Within** 21%	**Unchanged** NEUTRAL	**Unchanged** RM0.83	**Unchanged**

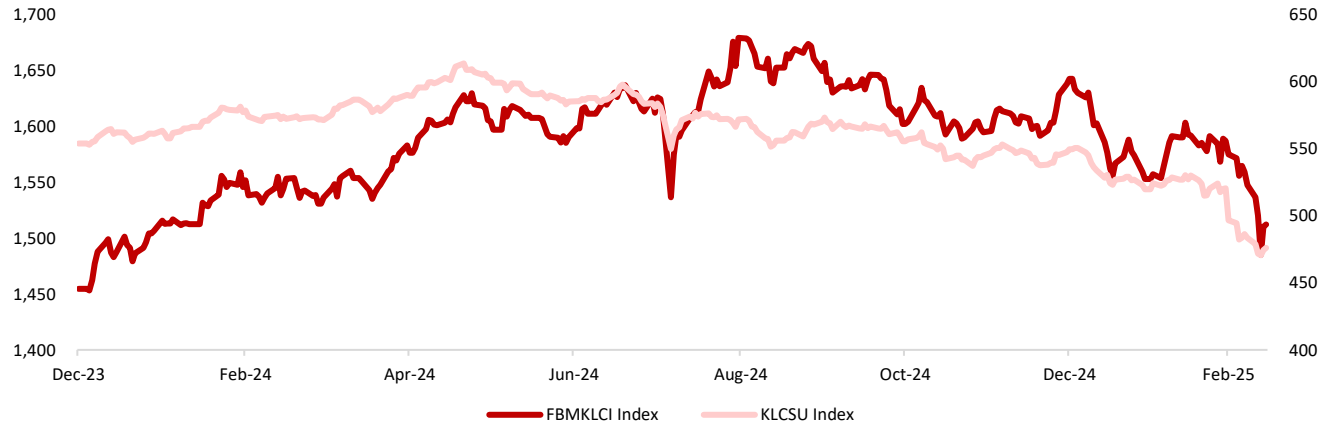
Sources: MIDFR

Consumer Continues to Underperform, Creating Value Opportunities

The consumer sector has lagged behind broader market performance over the past year, as the 2024 market rally was largely driven by strong catalysts in data centers, artificial intelligence (AI), and the Johor-Singapore Special Economic Zone (JSSEZ). Meanwhile, the consumer sector lacked fresh sector-specific catalysts, leading to its underperformance. In 2024, while the KLCI surged +12.9% YTD, the KL Consumer Index declined -0.8% YTD, reflecting investors' preference for higher-growth themes.

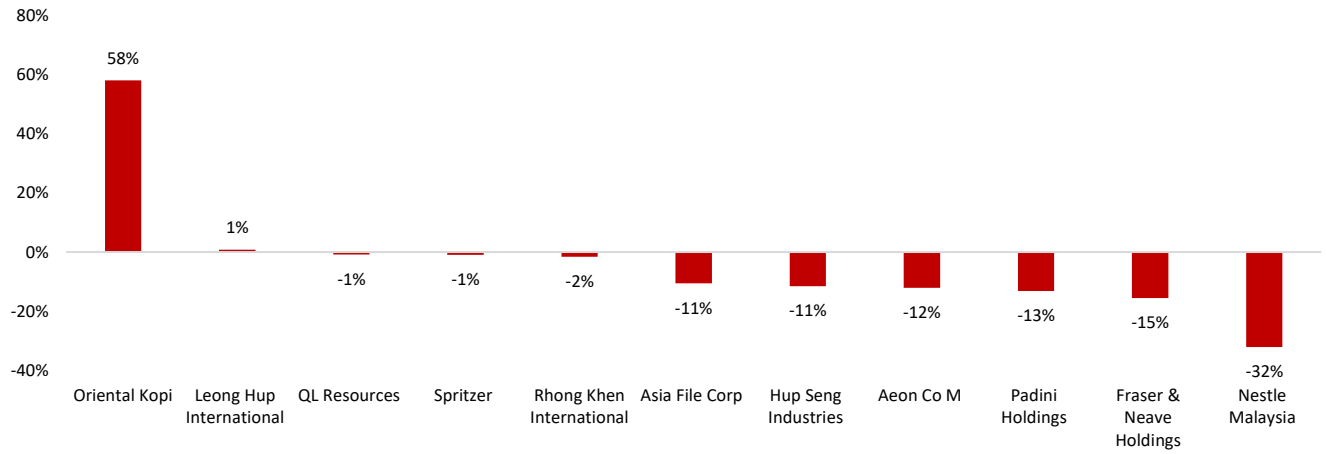
Moving into 2025, market conditions have softened, with the KLCI declining -7.9% YTD, while the KL Consumer Index fell more sharply by -13.4% YTD. However, we believe the tide is turning for consumer stocks, as supportive macroeconomic policies and resilient domestic demand create a more favourable outlook for the sector. Moreover, the consumer sector's defensive nature makes it an attractive play in uncertain market conditions, offering stable earnings, lower volatility, and consistent demand, particularly in consumer staples.

Chart 7: Relative performance of KLCSU and KLCI index



Sources: Bloomberg, MIDFR

Chart 8: YTD Stock Price Performance



Sources: Bloomberg, MIDFR
**Oriental Kopi YTD performance is derived from IPO Price of RM0.44*

2025 Presents a More Supportive Environment for the Consumer Sector. Malaysia's consumer sector is set to thrive in 2025, driven by a more conducive economic environment that encourages higher spending. A key catalyst is the anticipated increase in disposable income, supported by wage hikes in both the public and private sectors, as well as upsized cash handouts under Budget 2025. A stable labour market further underpins household consumption, ensuring sustained purchasing power. Additionally, the continued recovery in tourism will drive demand for both essential and discretionary goods, benefiting retailers, F&B players, and convenience store operators. On the cost front, businesses are expected to gain from a stronger Malaysian Ringgit and more stable raw material prices, leading to improved operating margins across the sector.

The consumer sector remains a defensive play, offering resilience amid market volatility, particularly in the staples segment, where demand remains steady regardless of economic conditions. From a valuation perspective, consumer staples are currently trading at a compelling valuation of 20.3x, significantly below the three-year forward PE average of 27.8x and below -2SD of 22.6x, signalling a rare window of undervaluation. With these appealing valuations, the sector is poised to benefit from favourable tailwinds, making it an attractive prospect for investors in 2025. We favour defensive consumer names, particularly in the F&B, poultry, and essential retail segments, which are well-positioned to benefit from stronger domestic consumption trends.

Maintain POSITIVE on the Consumer Sector. We remain optimistic on the consumer sector, supported by four key drivers: (1) rising disposable income, spurred by wage growth and supportive government policies; (2) resilient domestic consumption, underpinned by a strong labour market; (3) increasing tourist arrivals, which will boost retail and F&B spending; (4) cost tailwinds, as a stronger MYR and lower input costs improve profit margins; and (5) defensive play with consumer staples providing earnings stability in volatile markets.

Our top pick for consumer sector remains **F&N (BUY, TP: RM36.77)** and **Aeon (BUY, TP: RM1.77).** F&N is well positioned to capitalize on the rising demand for ready-to-go (RTG) beverages, particularly from increasing tourist traffic. The company's expansion into integrated dairy farming could further boost its revenue base. Aeon, with its strong presence in general merchandise and supermarkets, is poised to benefit from robust domestic demand for essential goods. Moreover, Aeon's Property Management Services segment is expected to thrive, driven by optimized tenant mixes and improved rental rates.

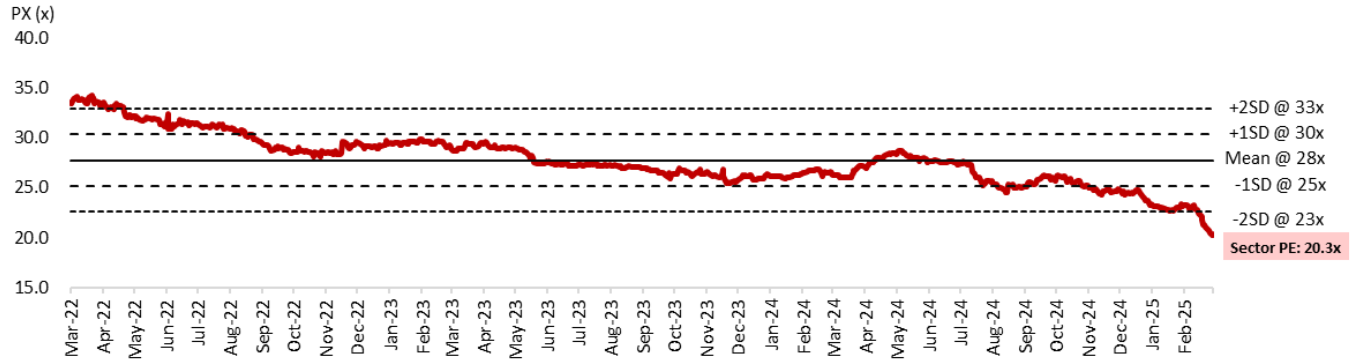
Following recent share price underperformance since our downgrade on Nestlé (from NEUTRAL to SELL) and Oriental Kopi (from BUY to NEUTRAL), valuations have turned increasingly attractive. As such, we upgrade **Nestlé to NEUTRAL,** reflecting a more balanced risk-reward profile at current levels, while upgrading **Oriental Kopi to BUY**, offering a strategic entry opportunity given its improved upside potential. We maintain our target prices at RM77.90 for Nestlé and RM0.83 for Oriental Kopi, as the recent correction has enhanced their relative value.

Table 8: Peer comparison table

Stocks	Rec.	Price @ 14-Mar-25	TP	Mkt. Cap (RM'm)	Core EPS (sen)		PER (x)		Div. Yield (%)	
					CY25F	CY26F	CY25F	CY26F	CY24F	CY25F
Consumer Staples:										
Fraser & Neave Holdings	Buy	23.82	36.77	8,736.7	160.8	172.9	14.8	13.8	3.1	3.2
Leong Hup International	Buy	0.61	0.90	2,226.5	12.3	13.1	4.9	4.7	4.0	4.3
QL Resources	Neutral	4.72	4.40	17,230.3	13.6	14.6	34.8	32.3	1.0	1.1
Spritzer	Buy	1.52	1.75	967.8	11.8	13.0	12.9	11.7	2.3	2.6
Hup Seng Industries	Neutral	1.08	1.09	864.0	8.0	8.6	13.5	12.6	6.3	6.7
Nestle Malaysia	Neutral	67.92	77.90	15,927.2	232.1	249.1	29.3	27.3	3.2	3.5
Weighted Avg.					**117.1**	**125.8**	**26.8**	**24.9**	**2.5**	**2.6**
Consumer Discretionary:										
Aeon Co M	Buy	1.38	1.77	1,937.5	11.4	12.1	12.1	11.4	3.3	3.5
Padini Holdings	Buy	1.91	2.19	1,883.6	15.2	15.6	12.6	12.2	6.2	6.3
Asia File Corp	Sell	1.52	1.25	297.6	12.2	13.7	12.4	11.1	3.2	3.5
Rhong Khen International	Buy	1.20	1.60	234.1	9.3	12.3	12.8	9.7	2.3	3.1
Oriental Kopi	Buy	0.70	0.83	1,390.0	2.9	3.9	24.0	17.9	1.1	1.7
Weighted Avg.					**10.6**	**11.4**	**15.2**	**13.2**	**3.7**	**4.0**

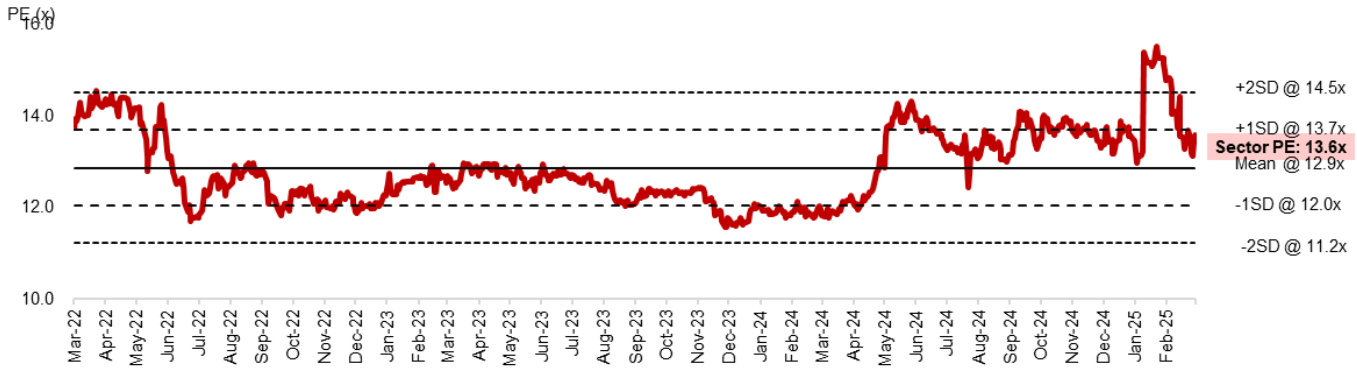
Sources: MIDFR

Chart 9: 3-Year Forward P/E Band – Consumer Staple



Sources: Bloomberg, MIDFR

Chart 10: 3-Year Forward P/E Band – Consumer Discretionary



Sources: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology