Consumer

Steady Through the Storm

Positive (Maintain)

Analyst

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HIGHLIGHTS

- Retail: Retail spending sustains strong growth
- Tourism recovery on track with strong early-2025 momentum
- GDP outlook moderated, but consumer sector remains resilient
- F&B: Mixed commodity trends with lingering cost pressures from cocoa and coffee, but relief from sugar and packaging
- Poultry: Stabilizing Feed Costs Support Margins
- Currency: Ringgit strengthens, but pace of appreciation likely to moderate amid tariff risks
- US Tariffs: Limited Direct Exposure, But Watch for Indirect Spillovers
- Maintain POSITIVE on Consumer Sector with F&N (BUY, TP: RM32.68), and Aeon (BUY, TP: RM1.77), and Life Water (BUY, TP: RM1.04) as our top picks

SECTOR RECAP

Retail: Retail spending sustains strong growth.

Retail momentum holds strong despite monthly dip. Malaysia's retail trade continued to chart a resilient growth trajectory, expanding +5.9%yoy to RM65.15b in Feb-25. This brought cumulative retail sales for the first two months of the year to RM131.27b—up +7.0%yoy from RM122.64b in 2MCY24—signalling unwavering domestic consumption strength. The expansion was fuelled by buoyant demand in food & beverage and tobacco (+6.4%yoy), alongside sturdy sales in non-specialized stores (+5.9%yoy), which include hypermarkets, supermarkets, and convenience outlets. While monthly growth saw a modest dip (-1.5%mom) following January's festive-driven surge, the broader trend remains upbeat. Malaysia's labour market continues to be the bedrock of consumer resilience, with the unemployment rate steady at 3.1% and employment growth (+2.9%yoy) consistently outpacing labour force expansion for 43 consecutive months. On the price front, inflation pressures stayed well-anchored—headline CPI moderated to +1.5%yoy in Feb-25, while core CPI edged up slightly to +1.9%yoy, signalling limited erosion to consumer purchasing power.

Looking ahead, we expect retail consumption to stay upbeat, underpinned by structural tailwinds such as civil servant pay hikes, higher minimum wages, cash assistance, and a recovering tourism sector. These factors are set to enhance household spending capacity and drive sustained momentum across the retail landscape.

Given this favourable outlook, we continue to favour consumer staples and general merchandise retailers. **Aeon (BUY, TP: RM1.77)** remains a top pick, given its strong positioning to capture rising consumer spending, festive-driven demand, and resilient retail trade growth.

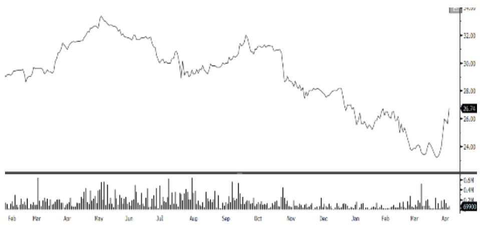
COMPANY *IN FOCUS*

Fraser & Neave Holdings

Maintain BUY | Target Price: RM32.68
Price @ 17 April 2025: RM26.74

- 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.

SHARE PRICE CHART



Aeon Co. (M) Berhad

Maintain BUY | Target Price: RM1.77
Price @ 17 April 2025: RM1.43

- 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.

SHARE PRICE CHART

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

	Monthly Data					Cumulative		
Date	Feb-25	Jan-25	Feb-24	YoY	MoM	2M 25	2M 24	YoY
Retail Trade (RM'b)	**65.15**	**66.12**	**61.53**	5.9%	-1.5%	**131.27**	**122.64**	7.0%
Non-specialized Stores	25.01	25.47	23.61	5.9%	-1.8%	50.48	46.83	7.8%
F&B and Tobacco	4.14	4.20	3.90	6.4%	-1.3%	8.34	7.24	15.2%
Household Equipment	7.39	7.55	7.06	4.6%	-2.1%	14.94	14.27	4.7%
Others in Specialized Stores	13.75	13.96	13.03	5.5%	-1.5%	27.71	25.93	6.9%
Unemployment rate (%)	3.10	3.10	3.30	-0.2ppt	0.0ppt			

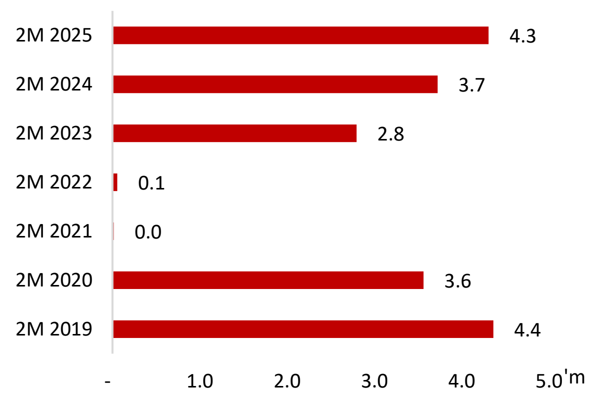
Sources: Department of Statistics Malaysia (DOSM), BNM, MIDFR
**Non-specialized Stores = supermarkets, hypermarkets, and convenience stores.*
**F&B and Tobacco = restaurant, food-related & tobacco related stores.*
**Automotive = Petrol, diesel or alternative fuel at petrol stations*
**Info & Comm Equipment = 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 recovery on track with strong early-2025 momentum.

Tourism recovery accelerates, closing in on pre-pandemic highs. Malaysia's tourism sector is off to a strong start in 2025, sustaining the solid momentum seen throughout 2024. International tourist arrivals climbed to 4.3m in the first two months of the year, surpassing the 3.7m recorded in 2MCY24 and inching closer to the pre-COVID peak of 4.4m in 2MCY19. This marked resurgence underscores the return of travel confidence, bolstered by visa-free entry policies for China and India, improved flight connectivity, and proactive global marketing campaigns. With momentum building early in the year, Malaysia is well on track to meet its Visit Malaysia Year 2026 target, reinforcing the tourism sector's role as a key pillar of domestic economic recovery.

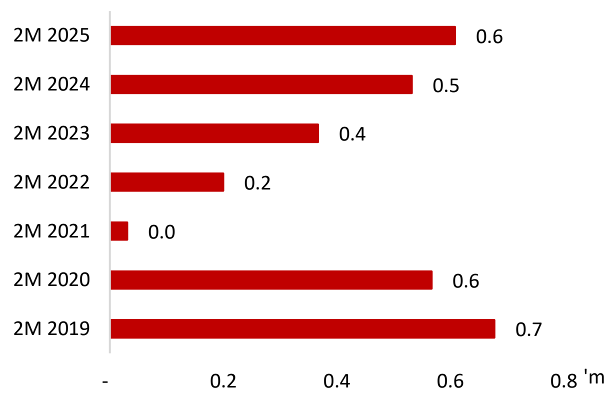
Sabah charts impressive comeback as regional tourism hub. Sabah's tourism revival has gained remarkable traction, positioning the state as a key beneficiary of Malaysia's broader travel resurgence. Tourist arrivals reached 0.6m in 2MCY25, rising from 0.5m in the previous year and closing in on pre-pandemic benchmarks. In 2024, Sabah welcomed 3.15m visitors—exceeding its full-year target of 3.0m—and has now set an ambitious goal of 3.5m arrivals for 2025. This is supported by stronger air traffic, particularly from AirAsia, which aims to bring in 5.0m passengers to Sabah this year (vs. 3.7m in 2024). The influx of international and domestic travellers is expected to drive robust spillover demand across F&B, retail, and convenience services—especially in tourism-heavy zones such as Kota Kinabalu, Sandakan, and Semporna.

Chart 1: Tourists Arrival to Malaysia



Sources: Tourism Malaysia, MIDFR

Chart 2: Tourist Arrival to Sabah

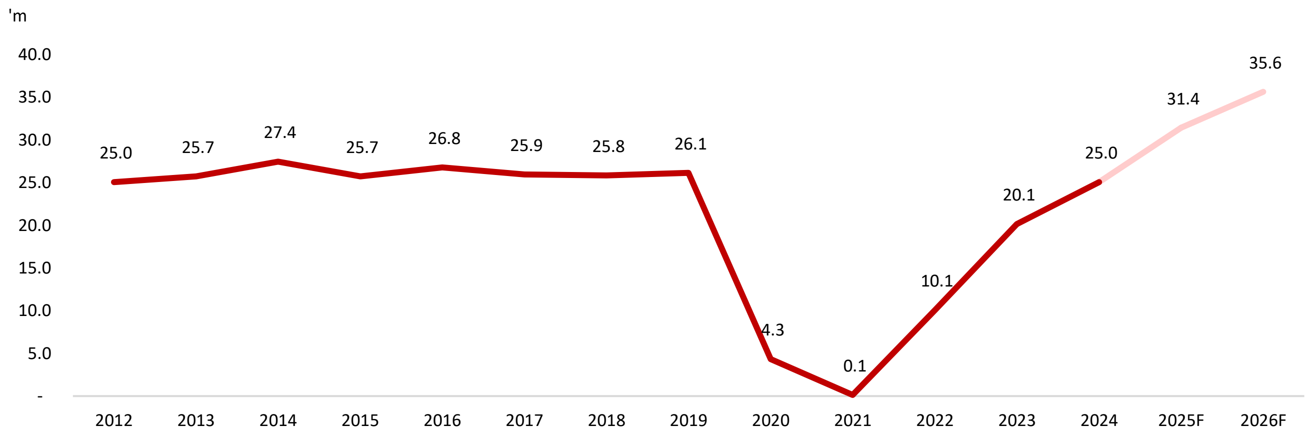


Sources: MySabah, MIDFR

Outlook buoyed by structural tailwinds and strategic policy support. Looking ahead, we anticipate sustained strength in Malaysia's tourism momentum, underpinned by robust government initiatives and long-term structural drivers. The RM550m allocation for tourism under Budget 2025, coupled with continued visa facilitation for key markets, is expected to reinforce international arrivals. The *Visit Malaysia Year 2026* campaign—which targets 35.6m tourists and RM147.1b in receipts—will serve as a key anchor for long-term growth. At the same time, enhancements in international air connectivity, airport infrastructure upgrades, and a pivot toward high-value experiential tourism are set to drive higher per capita tourist spending, catalysing broader consumption across the domestic economy.

Consumer sector to reap multi-channel tourism tailwinds. The resurgence in tourist arrivals is expected to translate into meaningful gains for consumer-facing businesses with strong exposure to travel-centric spending. **Spritzer (BUY, TP: RM1.75)** is set to benefit from heightened demand for bottled water amid increased mobility and longer visitor dwell times. **Life Water (BUY, TP: RM1.04)**, the dominant bottled water player in Sabah, stands to gain significantly from the state's booming tourism activity, supported by its entrenched distribution across tourist hotspots. **Oriental Kopi (BUY, TP: RM0.83)** is well-positioned to attract footfall from experience-driven tourists seeking local flavours in a café setting, while *Family Mart*, operated by **QL Resources (NEUTRAL, TP: RM4.40),** is poised to capitalise on the rising appetite for grab-and-go offerings and travel essentials. As international arrivals continue to climb, we believe the consumer sector remains one of the most direct and compelling beneficiaries of Malaysia's revitalised tourism landscape.

Chart 3: Tourist Arrivals to Malaysia (2012-2026F)



Sources: Tourism Malaysia, MIDFR

GDP outlook moderated, but consumer sector remains resilient.

GDP outlook revised lower amid external headwinds. Our in-house economist has revised down our Malaysia's 2025 GDP growth forecast to +4.0% (from +4.6% previously), reflecting a more cautious outlook due to rising global uncertainties. The downgrade is primarily attributed to weaker export prospects, as external demand softens, and the implementation of US tariffs exerts pressure on key trade-dependent sectors. While industrial production and export-oriented segments may face deceleration, the broader economic impact is expected to be cushioned by the strength of domestic demand. The labour market remains healthy, with the unemployment rate projected to average 3.1% in 2025, supported by continued employment growth and rising workforce participation. Although inflation is expected to inch higher—driven by subsidy rationalisation, food inflation, and potential SST expansion—headline price pressures are likely to stay within a manageable range, aided by subdued crude oil prices and still-contained core CPI.

Consumer sector remains a key pillar of economic resilience. Despite a more subdued macro-outlook, we continue to hold a positive view on the consumer sector, which remains underpinned by structural consumption drivers and defensive earnings visibility. Household spending is expected to remain resilient, supported by wage adjustments in the services sector, targeted government assistance, and favourable base effects. In particular, the consumer staples segment is likely to outperform, benefiting from non-discretionary demand and limited exposure to external shocks. With rising disposable income, stable employment, and manageable inflation, we believe domestic consumption will remain a key anchor of GDP growth in 2025. As such, we reiterate our positive stance on the consumer sector.

F&B: Mixed commodity trends with lingering cost pressures from cocoa and coffee, but relief from sugar and packaging.

Mixed Trends in F&B Commodity Prices as of March 2025. F&B commodity prices in Mar-25 continued to exhibit a mixed pattern, with key inputs such as cocoa (+15.6%yoy), arabica (+109.5%yoy), and robusta (+68.9%yoy) remaining elevated—sustaining cost pressures for coffee and chocolate producers despite minor declines on monthly basis. CPO prices also stayed firm at USD997/mt (+13.1%yoy), contributing to input cost headwinds for manufacturers dependent on palm-based ingredients. Conversely, sugar prices offered some relief, with raw sugar declining -12.3%yoy and white sugar falling -7.2%yoy, easing margin pressures for beverage and packaged food players. PET resin prices declined sharply by -16.0%yoy, providing meaningful cost relief on packaging—benefiting bottled water producers such as **Spritzer (BUY, TP: RM1.75)** and **Life Water (BUY, TP: RM1.04**), both of which maintain high PET-based bottling intensity. Despite these offsets, **Nestlé Malaysia (NEUTRAL, TP: RM77.90)** continues to face demand headwinds from changing of consumer preference, constraining its ability to fully implement price adjustments without volume risk. Looking ahead, the gradual easing of key input costs is expected to support a more balanced cost structure, reinforcing earnings resilience and margin recovery across the F&B sector in 2025.

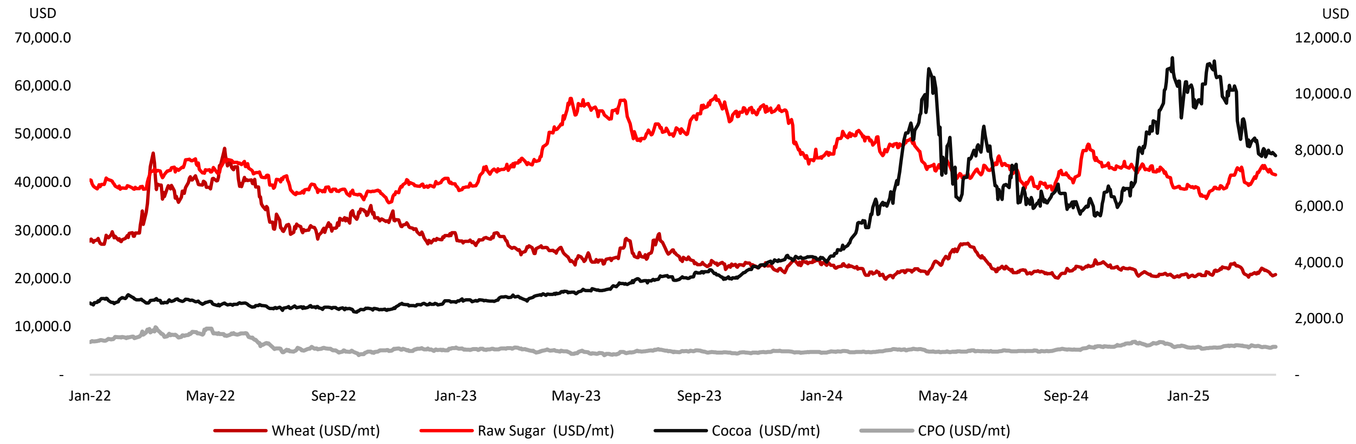
Table 2: March 2025 Average Commodities Futures Prices for F&B Producers

Commodities	Mar-25	Feb-25	Mar-24	YoY (%)	MoM (%)	Remarks
Wheat (USD/mt)	21,122	22,215	20,867	1.2	(4.9)	Year-on-year: Prices increased slightly due to a projected record global wheat production of 807m tonnes for 2025, up by 8m tonnes from the previous year. Despite this increase in production, global wheat ending stocks are expected to decline to 259m tonnes, the lowest in nine years, indicating tighter supply conditions. Month-on-month: Prices dropped in Mar-25 on improved crop conditions in major producers like the U.S., where favourable weather boosted production outlook. A forecasted expansion in Canada's wheat area and weaker import demand from China, amid global trade tensions, further pressured export prices.
Cocoa (USD/mt)	8,050	9,761	6,964	15.6	(17.5)	Year-on-year: Prices surged on persistent structural supply deficits in West Africa. The Ivory Coast cut forward contract limits for 2025/26 after two poor harvests, impacted by climate stress, aging trees, and disease. Production in Ghana and Nigeria also declined, worsened by export restrictions, rising costs, and farmer migration to gold mining. Month-on-month: Prices slumped as improved rainfall and better pod development lifted harvest expectations in West Africa. The ICCO's projected 142,000-ton surplus for 2024/25 triggered a market correction, while reduced speculative activity and signs of demand destruction—flagged by major chocolate makers—further dampened sentiment.
Raw Sugar (USD/mt)	41,569	40,674	47,377	(12.3)	2.2	Year-on-year: Prices dropped primarily due to increased global supply. Brazil, the world's largest sugar producer, reported a record-high output of 43.1m tonnes for the 2024/25 season, attributed to favorable weather conditions and a shift from ethanol to sugar production. Month-on-month: Price rebounded on concerns over dry weather in Brazil's Center-South region, which may affect the upcoming harvest. India's move to cap new export quotas at 1m tonnes, driven by rising domestic demand and lower output forecasts, supported the price recovery.
CPO (USD/mt)	997	1,021	881	13.1	(2.4)	Year-on-year: Prices rose due to Indonesia's implementation of the B40 biodiesel mandate which has boosted domestic palm oil consumption, reducing export availability and tightening global supply. Month-on-month: Prices declined as Malaysia's production rebound lifted inventory levels, easing supply concerns.
White Sugar (USD/mt)	817	809	880	(7.2)	1.0	Year-on-year: Prices declined due to ample global supply, driven by higher-than-expected production in Brazil, India, and Thailand. Brazil's strong crushing output was supported by favourable harvesting conditions, while India's maintained export quota eased earlier supply concerns. Month-on-month: Prices inched up, supported by temporary harvesting delays in Brazil due to intermittent rainfall, which slowed milling and constrained short-term export availability. Steady demand from North Africa and the Middle East, along with firm global crude oil prices sustaining attractive ethanol margins in Brazil, led to greater sugarcane diversion and tightened refined sugar supply.
Arabica (USD/mt)	7,924	8,055	3,782	109.5	(1.6)	Year-on-year: Prices soared due to continued climatic stress in Brazil, where prolonged drought and heatwaves have weakened crop resilience and curbed output. Low global inventories and steady demand from key markets like the U.S. added to the upward pressure. Month-on-month: Prices corrected slightly as improved weather in Brazil's key coffee belt bolstered expectations of a recovery in the upcoming harvest. However, the downside was capped by rising geopolitical risks, including new 10% U.S. tariffs on coffee imports from Brazil and Colombia—key Arabica suppliers to the U.S.—which spurred hedging activity and lifted FOB prices. Additionally, concerns over further stockpiling and Vietnam's reduced Robusta crop, impacted by 46% U.S. tariffs, helped keep Arabica prices elevated despite the mild pullback.
Robusta (USD/mt)	5,445	5,562	3,225	68.9	(2.1)	Year-on-year: Prices surged, primarily driven by a sharp decline in Vietnam's crop following prolonged drought, marking the smallest harvest in four years. Further tightening supply, Indonesia also recorded a notable yoy drop in production, adding upward pressure to global coffee prices. Month-on-month: Prices corrected, driven by expectations of increased global supply, particularly from Vietnam and Brazil, easing earlier concerns that had previously fuelled the price rally.
PET Resin (USD/mt)	848	869	1,010	(16.0)	(2.4)	Year-on-year: Prices declined, primarily due to persistently weak demand across key markets, especially in the packaging and textile sectors, leading to oversupply and downward pressure. Month-on-month: Prices edged down due to a significant drop in crude oil prices, which reduced production costs for key PET feedstocks like PTA and MEG. This cost relief, coupled with ample inventory levels and subdued demand—particularly in the Asia-Pacific region—exerted downward pressure on PET resin prices.

Sources: Bloomberg, USDA, MIDFR

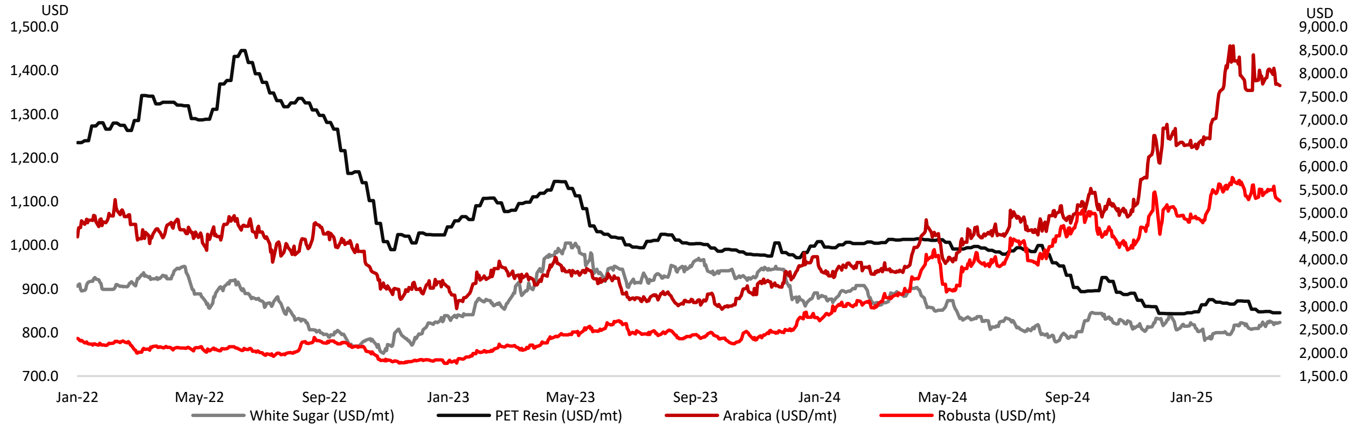
****Pet resin = Polyethylene terephthalate*

Chart 4: Raw Material Futures Price Trend for Food Producers (USD/mt)



Sources: Bloomberg, MIDFR

Chart 5: Raw Material Futures Price Trend for Beverage Producers (USD/mt)



Sources: Bloomberg, MIDFR

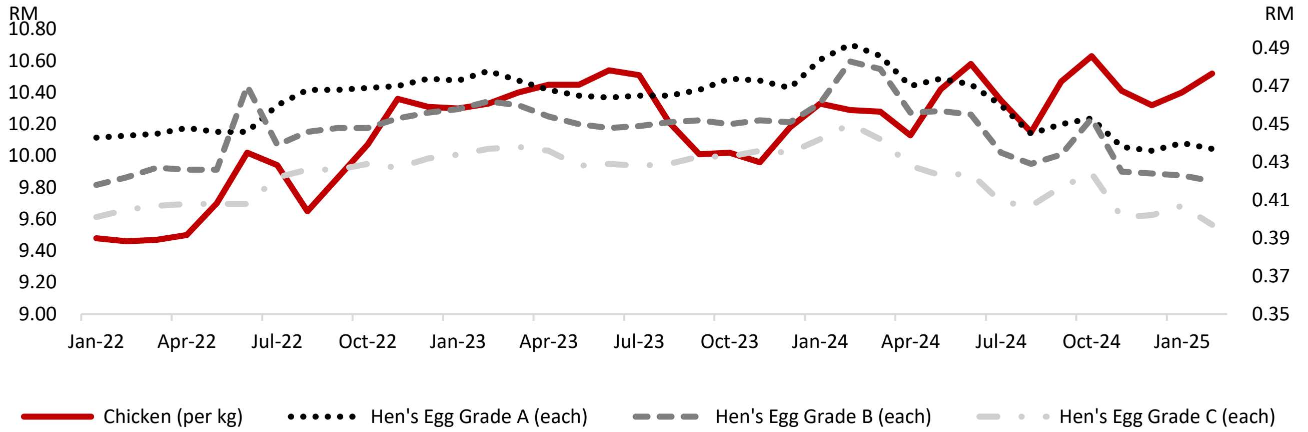
Poultry: Stabilizing Feed Costs Support Margins

Soft Egg Prices in February 2025. Malaysia's poultry sector remained stable in Feb-25, with average chicken prices increasing to RM10.52/kg (+2.2%yoy, +1.2%mom), underpinned by steady demand and manageable supply conditions. Egg prices continued to ease on a year-on-year basis, with Grade A and B eggs unchanged mom at RM0.44 and RM0.42 respectively, while Grade C eggs slipped to RM0.40 (-11.8%yoy, -2.5%mom). The persistent decline on year-on-year basis in egg prices is attributed to lower feed costs and improved production output, helping to stabilise supply. While this trend is favourable for consumers, poultry producers are expected to benefit from improved cost efficiency, particularly with input costs such as corn and soybean meal remaining relatively contained. As such, integrated players like **Leong Hup International (BUY, TP: RM0.90)** and **QL Resources (NEUTRAL, TP: RM4.40)** are well-positioned to sustain margin recovery and earnings resilience moving into 2H25.

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

Data	Monthly Data				
	Feb-25	**Jan-25**	**Feb-24**	**YoY (%)**	**MoM (%)**
Hen's Egg Grade A (each)	0.44	0.44	0.49	**(11.2)**	**0.0**
Hen's Egg Grade B (each)	0.42	0.42	0.48	**(13.0)**	**0.0**
Hen's Egg Grade C (each)	0.40	0.41	0.45	**(11.8)**	**(2.5)**
Chicken (per kg)	10.52	10.40	10.29	**2.2**	**1.2**

Chart 6: Malaysia's Price Trend for Chicken and Egg



Sources: Bloomberg, USDA, MIDFR

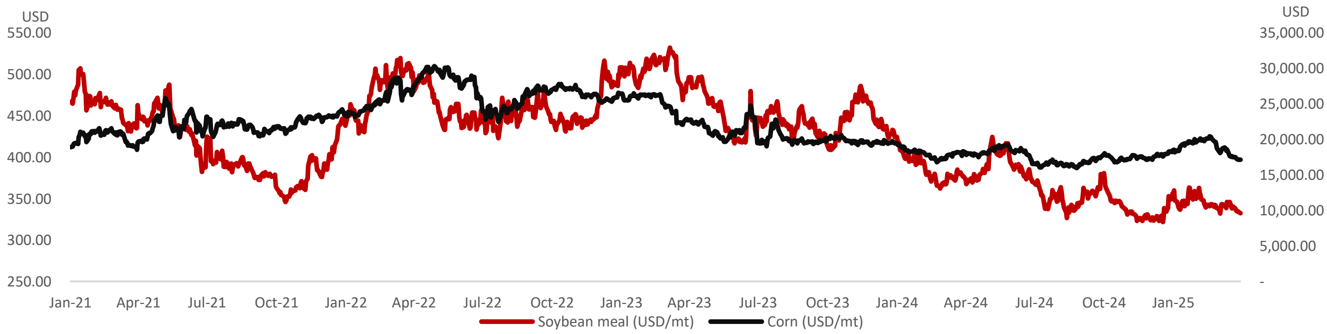
Feed prices remain soft, supporting margin stability. Key poultry feed inputs continued to trend lower in Mar-25, reinforcing a favourable cost environment for integrated poultry producers. Soybean meal prices declined to USD339/mt (-9.7%yoy, -1.7%mom), while corn prices fell sharply by -9.9%mom to USD17,919/mt, though remaining marginally higher on a year-on-year basis (+0.4%). With feed accounting for the majority of production costs, the current downtrend in prices bodes well for earnings resilience within the poultry sector. Looking ahead, the stable supply outlook for key feed ingredients is expected to keep input costs manageable, providing further support to margin performance. Major integrated players such as **QL Resources (NEUTRAL, TP: RM4.40)** and **Leong Hup International (BUY, TP: RM0.90)** are well-positioned to capitalise on cost efficiencies, ensuring operational resilience amid fluctuating poultry selling prices.

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

Commodities	Mar-25	Feb-25	Mar-24	YoY (%)	MoM (%)	Remarks
Soybean Meal (USD/mt)	339	345	376	(9.7)	(1.7)	Year-on-year: Prices declined due to a significant increase in global supply, led by record-high soybean crushing in Brazil, driven by strong biodiesel-related demand for soybean oil. This, in turn, resulted in an oversupply of soybean meal, weighing on prices. Further pressure came from China's retaliatory tariffs on U.S. soybeans, which curtailed American export volumes. Month-on-month: Prices decreased, attributed to continued sluggish demand in major markets like China, where feed consumption remained weak, and increased imports of soybeans led to higher meal inventories. Furthermore, favorable weather conditions in South America improved soybean yields, contributing to the ample supply and sustained price pressure.
Corn (USD/mt)	17,919	19,886	17,846	0.4	(9.9)	Year-on-year: Prices rose, supported by tighter global supply conditions stemming from prolonged drought and heat stress in Argentina, which impacted crop yields. Steady demand from the livestock feed and ethanol sectors also helped sustain price resilience, with these regional supply challenges and firm consumption providing mild upward pressure despite stable overall supply prospects. Month-on-month: Prices declined, driven by bearish market sentiment following renewed trade tensions. U.S. tariffs on imports from Mexico and Canada raised concerns over export demand for American corn, prompting speculative funds to pare back long positions. A dip in ethanol production signaled weaker industrial demand, while expectations of increased domestic corn planting for the 2025/26 season added to supply pressure, further weighing on prices.

Sources: Bloomberg, USDA, MIDFR

Chart 7: Raw Material Futures Price Trend for Poultry Producer (USD/mt)



Sources: Bloomberg, USDA, MIDFR

Currency: Ringgit strengthens, but pace of appreciation likely to moderate amid tariff risks.

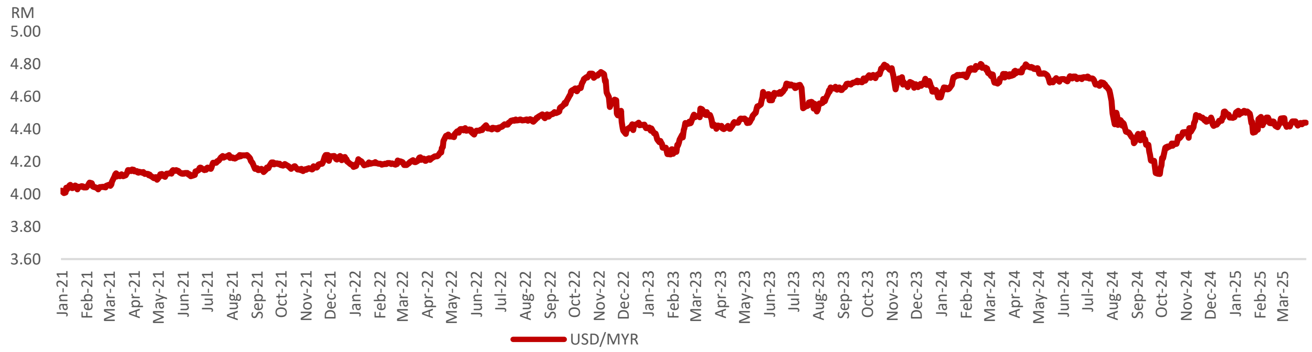
Ringgit Strengthen in March 2025. The ringgit continued to appreciate against the USD in Mar-25, with the average USD/MYR rate improving to 4.43—marking a 6.0%yoy and 0.2%mom strengthening. This trend provides some import cost relief for consumer-facing businesses, particularly those exposed to USD-denominated inputs such as packaging and raw materials. Looking ahead, the narrowing interest rate differential—driven by expectations of further rate cuts by the US Federal Reserve, while Bank Negara Malaysia maintains its OPR—should continue to support the ringgit. However, our economists now anticipate a more gradual pace of appreciation, reflecting increased external headwinds, notably from the latest round of US tariffs. In line with this, our average USD/MYR forecast has been revised to RM4.34/USD (from RM4.23/USD previously), signalling a more measured outlook for the ringgit's strength over the near to medium term.

Table 5: USD/MYR Monthly statistics for March 2025

Data	Average monthly data				
	Mar-25	Feb-25	Mar-24	YoY (%)	MoM (%)
USD/MYR	4.43	4.44	4.72	(6.0)	(0.2)

Sources: Bloomberg, MIDFR

Chart 8: Price Trend of USD/MYR



Sources: Bloomberg, MIDFR

US Tariffs: Limited Direct Exposure, But Watch for Indirect Spillovers

Limited Direct Exposure to US Tariffs. In our view, the newly imposed US tariffs pose minimal direct risk to Malaysian consumer companies. Most players in the sector, particularly those in food & beverage, apparel, and retail, are primarily domestic facing with negligible export exposure to the US market. As such, we do not anticipate material earnings disruption from the tariff measures.

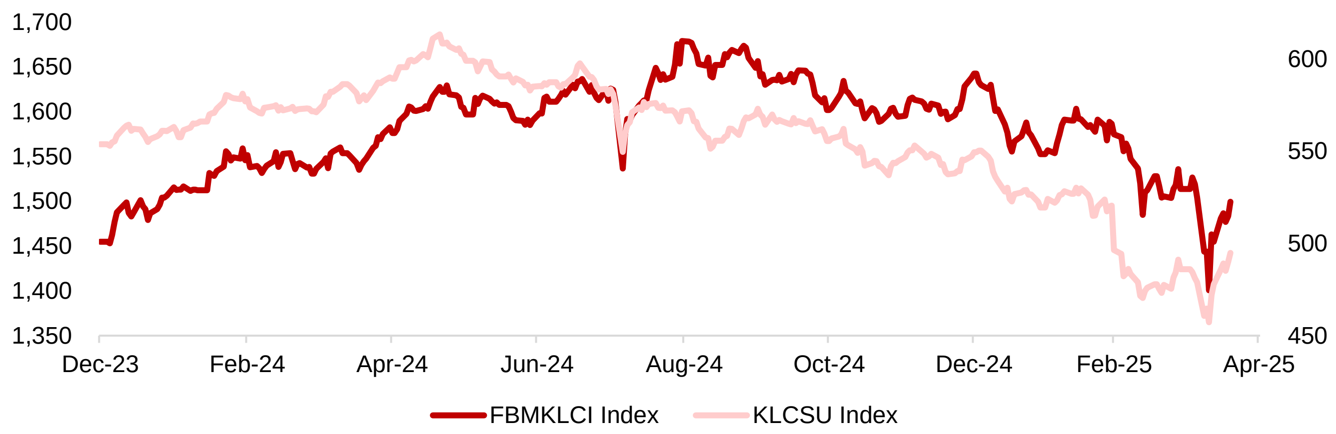
Macroeconomic Spillovers Still Bear Monitoring. However, indirect effects from broader macroeconomic spillovers remain a concern. As tariffs target Malaysia's key export sectors—especially electrical & electronics (E&E)—weaker export earnings could dampen GDP growth, reduce business activity, and weigh on consumer confidence. Additionally, downward pressure on the ringgit from reduced external receipts may raise import costs for select players, particularly those dependent on USD-linked raw materials. This could amplify cost pass-through pressures and elevate inflation risks in certain segments.

Domestic Consumption to Remain a Key Anchor. We continue to view the consumer sector as fundamentally resilient, underpinned by stable domestic demand drivers. In our view, domestic consumption remains the primary growth engine for the economy, underpinned by a firm labour market, stable wage growth, and government-driven income support. In addition, a manageable inflation and a stronger ringgit, should help ease cost-of-living concerns, supporting mass-market spending. In our view, the current tariff-related uncertainty may also prompt a behavioural shift among consumers—steering demand away from big-ticket discretionary items toward affordable essentials and value-for-money brands. This shift is likely to favour mass-market players in convenience retail, apparel, and local FMCG, further reinforcing the sector's defensive appeal and earnings visibility amid a volatile global trade environment.

Selective Upside for Importers from China. We believe some consumer names may see opportunities arising from tariff-induced global supply shifts. If excess capacity in China leads to more competitive pricing, importers sourcing goods from China could benefit from lower procurement costs. **Padini (BUY, TP: RM2.19)** which imports approximately 60–70% of its inventory from China, stands to benefit from such a trend—potentially preserving margins while keeping its offerings affordable for price-sensitive consumers. In our view, companies with strong domestic demand exposure and agile supply chains are best equipped to navigate the evolving global trade landscape and unlock cost-driven upside.

Consumer Sector Outperformance Reinforces Defensive Appeal. Since the announcement of US tariffs in early April, the broader market experienced a sharp selloff before gradually stabilising. To assess sector resilience, we tracked index performance from the trough on 7 April to the latest levels. Over this rebound period, the KL Consumer Index surged +7.4%, outperforming the broader KLCI's +3.9% gain. In our view, this reinforces the consumer sector's defensive appeal—particularly in times of macro uncertainty. As investors rotated away from high-beta and trade-sensitive names, demand shifted towards stable, domestic-driven counters with predictable earnings and lower volatility. The sector's outperformance highlights growing investor confidence in its structural demand base. With supportive policy tailwinds, easing input costs, and undemanding valuations, we believe the consumer sector remains well-positioned to deliver steady returns while offering downside protection in an increasingly volatile global environment.

Chart 9: Relative performance of KLCSU and KLCI index



Sources: Bloomberg, MIDFR

Maintain POSITIVE on the Consumer Sector. We reiterate our **POSITIVE** stance on the consumer sector, underpinned by a compelling combination of macro stability and sector-specific tailwinds. In our view, the sector is well-supported by five key catalysts: (1) rising disposable income, fuelled by broad-based wage adjustments, civil service salary revisions, and sustained government support; (2) resilient household spending, anchored by a robust labour market and low unemployment; (3) a continued surge in tourist arrivals, which is set to lift footfall across F&B and retail channels; (4) improving cost dynamics, as a firmer ringgit and lower commodity prices ease margin pressures; and (5) the sector's defensive earnings profile, with consumer staples offering attractive downside protection amid market volatility.

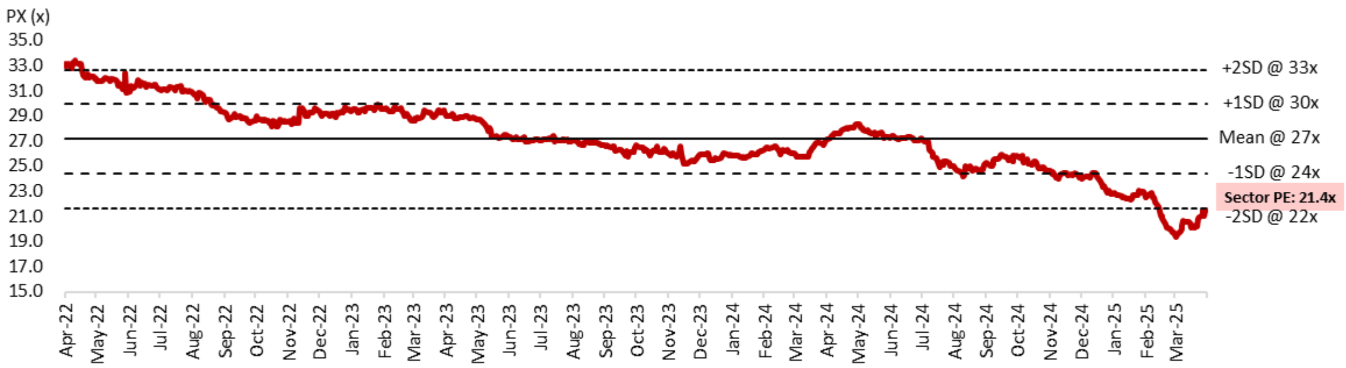
Our top picks in the sector are **F&N (BUY, TP: RM32.68), AEON (BUY, TP: RM1.77),** and **Life Water (BUY, TP: RM1.04).** We like F&N for its strong positioning in the RTD and RTG beverage space, which continues to benefit from increased mobility and higher tourist spending. Its foray into upstream dairy farming in Gemas and plant expansion in Cambodia will further diversify and strengthen its long-term earnings base. AEON, on the other hand, remains a key beneficiary of stable demand for everyday essentials, supported by its nationwide retail footprint. Its Property Management Services division also provides steady rental income, with further upside from tenant mix optimisation and rental reversion. Meanwhile, Life Water is set to double its production capacity by 2027 and stands to gain from lower PET-related input costs amid softer crude oil prices. It is also strategically positioned to capture growth from rising tourism activity and structural demand for clean packaged water.

Table 8: Peer comparison table

Stocks	Rec.	Price @ 18-Apr-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	26.74	32.68	9,807.7	160.8	172.9	16.6	15.5	2.7	2.9
Leong Hup International	Buy	0.62	0.90	2,263.0	12.3	13.1	5.0	4.7	4.0	4.2
QL Resources	Neutral	4.69	4.40	17,120.8	13.6	14.6	34.6	32.1	1.0	1.1
Spritzer	Buy	1.51	1.75	961.5	11.8	13.0	12.8	11.6	2.3	2.6
Hup Seng Industries	Neutral	1.01	1.09	808.0	8.0	8.6	12.7	11.8	6.7	7.2
Nestle Malaysia	Neutral	79.80	77.90	18,713.1	232.1	249.1	34.4	32.0	2.8	3.0
Life Water	Buy	0.83	1.04	392.7	6.7	8.1	12.4	10.3	0.9	1.9
Weighted Avg.					**123.8**	**133.0**	**28.7**	**26.7**	**2.3**	**2.4**
Consumer Discretionary:										
Aeon Co M	Buy	1.43	1.77	2,007.7	11.4	12.1	12.5	11.8	3.2	3.4
Padini Holdings	Buy	2.01	2.19	1,982.2	15.2	15.6	13.2	12.9	5.8	6.0
Asia File Corp	Sell	1.42	1.25	278.0	12.2	13.7	11.6	10.4	3.4	3.8
Rhong Khen International	Buy	1.19	1.60	232.1	9.3	12.3	12.7	9.7	2.4	3.1
Oriental Kopi	Buy	0.76	0.83	1,520.0	2.9	3.9	26.3	19.6	1.0	1.5
Weighted Avg.					**10.5**	**11.3**	**16.2**	**14.0**	**3.5**	**3.8**

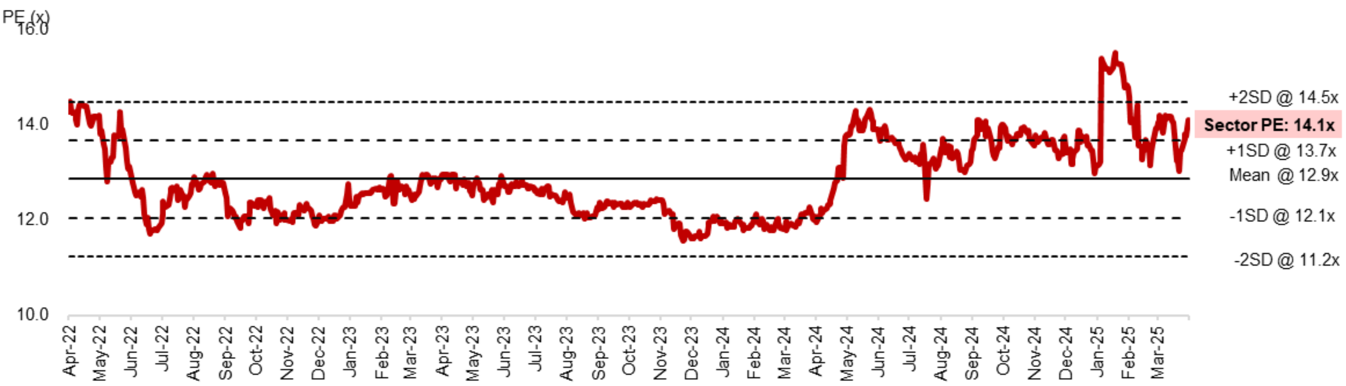
Sources: MIDFR

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