Consumer

Holding Firm

POSITIVE (Maintain)

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HIGHLIGHTS

- Retail: Consumption Resilience Sustained
- Tourism: Arrivals Bolstered by ASEAN and Chinese Visitors
- F&B: Commodity Pressures Persist in Sugar and Coffee; CPO Remains Firm
- Poultry: Margin Support from Softer Feed Costs
- Currency: MYR Appreciation Continues in August 2025
- Maintain POSITIVE on Consumer Sector with F&N (BUY, TP: RM32.08), and Aeon (BUY, TP: RM1.77), and Life Water (BUY, TP: RM1.11) as our top picks
- Downgrade Spritzer to NEUTRAL, Nestlé Malaysia & Oriental Kopi to SELL following recent share price rallies

Retail: Momentum Holds Strong

Retail spending picked up pace in July. Malaysia's retail trade rose +5.6%yoy to RM67.01b in July 2025 (Jun-25: +5.4%yoy), supported by stronger gains in other specialised stores (+7.6%yoy), automotive fuel in specialised stores (+6.6%yoy), and food, beverages & tobacco (+6.1%yoy). On a month-on-month basis, however, sales slipped -0.8%, reversing the previous month's momentum of +0.7%mom. The pullback was led by other specialised stores (-2.2%mom), food, beverages & tobacco (-2.0%mom), and non-specialised stores (-1.5%mom). For 7MCY25, cumulative retail sales rose +5.86%yoy to RM466.64b, reflecting resilient household demand.

Firm labour market and contained inflation. Malaysia's labour market held steady in July 2025, with the unemployment rate unchanged at 3.0%, the lowest in a decade. Employment growth accelerated to +3.1%yoy (Jun-25: +3.0%yoy), continuing to outpace labour force expansion of +2.8%yoy (Jun-25: +2.7%yoy) for the 48th consecutive month since August 2021, underscoring resilient job creation and sustained labour demand. On prices, headline CPI inflation inched up to +1.2%yoy in July 2025, while core CPI was unchanged at +1.8%yoy. The combination of robust employment conditions and mild inflation continues to support real household purchasing power and steady domestic consumption.

Looking ahead, retail momentum is expected to stay resilient, supported by firm labour market conditions, benign inflation, and targeted fiscal measures under the Ekonomi MADANI framework. Wage adjustments across GLC/GLIC employees continue to strengthen household purchasing power. In addition, Prime Minister Datuk Seri Anwar Ibrahim announced that the targeted subsidy for RON95 petrol will cover all Malaysians starting 30 Sep-25, broadening the scope of relief beyond earlier income-based categories. These measures, alongside ongoing job creation and accommodative financing conditions post-OPR cut, are set to reinforce sentiment and sustain spending into year-end. **AEON (BUY, TP: RM1.77)** remains our top pick within the sector, supported by its defensive positioning, mass-market focus, and stable earnings contribution from property management services.

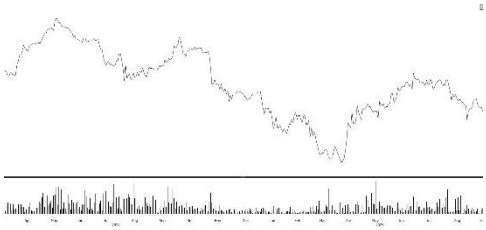
COMPANY *IN FOCUS*

Fraser & Neave Holdings

Maintain BUY | Target Price: RM32.08
Price @ 29 Sep **2025**: RM27.30

- 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 @ 29 Sep 2025: RM1.32

- 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

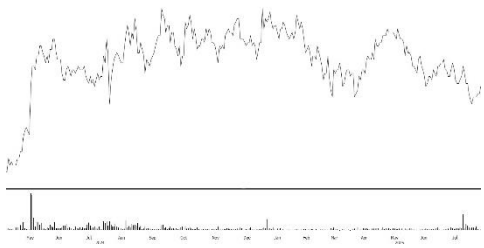


Table 1: Malaysia's monthly key statistics for July 2025

	Monthly Data					Cumulative		
	Jul-25	Jun-25	Jul-24	YoY	MoM	7M 25	7M 24	YoY
Retail Trade (RM'b)	**67.01**	**67.54**	**63.48**	5.6%	-0.8%	**466.64**	**440.79**	5.9%
Non-specialized Stores	25.78	26.18	24.43	5.5%	-1.5%	179.78	169.81	5.9%
F&B and Tobacco	4.25	4.33	4.00	6.2%	-2.0%	29.83	27.84	7.1%
Household Equipment	7.60	7.69	7.34	3.6%	-1.1%	53.07	50.77	4.5%
Others in Specialized Stores	14.00	14.32	13.01	7.6%	-2.2%	98.40	92.58	6.3%
Unemployment rate (%)	3.00	3.00	3.30	-0.3ppt	0.0			

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

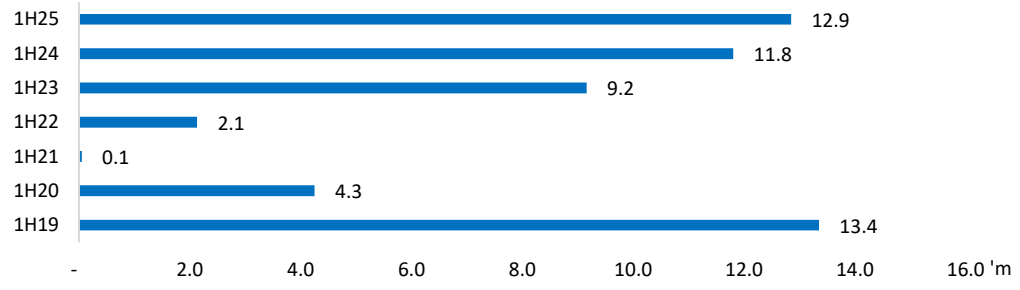
**Non-specialized Stores = supermarkets, hypermarkets, and convenience stores.*
**F&B and Tobacco = restaurant, food-related & tobacco related stores.*
**Automotive = Petrol, diesel or alternative fuel at petrol stations*
**Info & Comm Equipment = Computer, Laptops, Mobile devices, printers, hardrives, 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: Steady Momentum Underpins Pre-COVID Recovery

Tourism recovery supported by ASEAN and China-driven growth. Malaysia recorded 12.9m tourist arrivals in 1HCY25, an +8.8%yoy increase from 11.8m in 1HCY24, edging closer toward pre-pandemic benchmarks. The ongoing ASEAN Chairmanship in 2025 has provided added lift, with regional meetings, events, and delegate inflows boosting visibility and strengthening intra-ASEAN travel flows. Chinese tourist arrivals remain firm, following the visa-waiver policy, underscoring China's role as a key growth driver alongside ASEAN markets. These dynamics reflect the effectiveness of Malaysia's tourism push and are translating into broader spillovers across retail, F&B, accommodation, and cultural tourism. With arrivals on track toward the government's 31.4m full-year target, the sector continues to reinforce its role as a key pillar of domestic demand ahead of Visit Malaysia 2026.

Consumer sector positioned to capture tourism-led consumption gains. The rebound in tourist arrivals offers a structural uplift for consumer-facing businesses, particularly in FMCG, convenience retail, and discretionary spending. Higher traffic through airports, malls, and tourist hotspots is expected to drive stronger demand for bottled drinks, packaged snacks, and casual dining. **Life Water (BUY, TP: RM1.11)** is well-placed to secure incremental volumes in Sabah, supported by strong brand equity and wide distribution coverage, while **Spritzer (NEUTRAL, TP: RM2.13)** should benefit from greater bottled water demand across peninsular tourist hubs. **Oriental Kopi (SELL, TP: RM1.03)** is likely to gain from increased footfall at urban outlets, underpinned by its localised menu appeal and growing FMCG presence. Meanwhile, **QL Resources (NEUTRAL, TP: RM4.33)**, via its FamilyMart franchise, remains positioned to serve convenience-seeking customers, particularly in transit-heavy locations. With tourism momentum building into 2HCY25, the sector stands to enjoy a multi-channel lift in volumes, reinforcing earnings visibility.

Chart 1: Malaysia Tourist Arrivals (1H25)



Sources: Tourism Malaysia, MBSBR

F&B: Balanced Cost Backdrop as Palm Oil Stays Firm but Packaging Inputs Soften

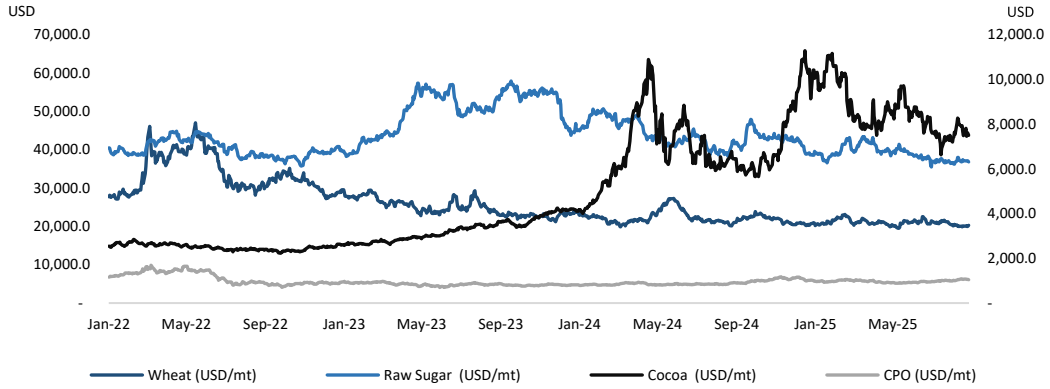
Mixed Trends in F&B Commodity Prices as of August 2025. Commodity prices in August 2025 showed an uneven backdrop for the consumer sector. Wheat stayed under pressure, and both raw sugar and white sugar remained soft, easing cost pressures for F&B producers. While corrections in Cocoa keep confectionery margins constrained. Coffee trends were split Arabica surged further (+39.1%yoy; +15.0%mom), while Robusta rebounded sharply on-month (+17.5%mom) but remained lower than last year (-7.9%yoy). Crude palm oil (CPO) was firm at USD1,041/mt (+21.0%yoy; +5.2%mom), sustaining cost pressure on palm-intensive manufacturers such as **Hup Seng (NEUTRAL, TP: RM0.92)**. Meanwhile, PET resin stayed weak (-14.3%yoy; -0.9%mom), cushioning packaging and bottling costs for players like **Life Water (BUY, TP: RM1.11)** and **Spritzer (NEUTRAL, TP: RM2.13)**. On balance, corrections in wheat, sugar, and PET resin provide partial offsets, but the strength in CPO and coffee continues to affect input cost narrative.

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

Commodities	Aug-25	Jul-25	Aug-24	YoY (%)	MoM (%)	Remarks
Wheat (USD/mt)	20,146	21,100	20,992	-4.0	-4.5	**YoY:** Prices weakened as ample global supplies, improved harvest prospects in Australia, and larger year-on-year output in the EU weighed on benchmarks, while competitive exports from Russia, Ukraine, and Argentina added to pressure. **MoM:** Prices declined as increased availability of soon-to-be-harvested crops in the U.S. and Argentina's suspension of export taxes amplified oversupply concerns, offsetting temporary support from slow Russian harvest progress and quality issues.
Cocoa (USD/mt)	7,688	7,385	6,291	22.2	4.1	**YoY:** Prices stayed elevated as persistent supply constraints in Côte d'Ivoire were compounded by dry weather, the driest in 46 years, raising concerns over pod retention and main crop yields, while Nigeria projected an -11% drop in output for 2025/26. **MoM:** Prices climbed as poor bean quality in the Ivorian mid-crop and a slowdown in port deliveries tightened near-term availability, offsetting earlier improvements in inventories and weaker European demand.
Raw Sugar (USD/mt)	36,978	36,877	39,792	-7.1	0.3	**YoY:** Prices softened as Brazil's record cane harvest and strong global output continued to weigh on supply dynamics, despite firmer demand in physical markets. **MoM:** Prices rebounded to a two-month high as improving physical demand and tighter U.S. balance sheets—reflected in the USDA's reduced stocks-to-use ratio—offset the overhang of ample Brazilian supply.
CPO (USD/mt)	1,041	990	861	21.0	5.2	**YoY:** Prices advanced on sustained import demand from India and China, steady offtake from Sub-Saharan Africa, and support from robust biodiesel mandates across Indonesia, Brazil, and the U.S., tightening the broader vegetable oils complex.. **MoM:** Prices firmed further as Indian imports surged to a nine-month high ahead of Diwali, while rising Malaysian inventories were offset by expectations of peaking production and tightening global soybean oil availability.
White Sugar (USD/mt)	786	789	795	-1.2	-0.5	**YoY:** Prices softened as abundant global supply prospects weighed on sentiment, with larger-than-expected output in Brazil, India, and Thailand reinforcing expectations of record production in 2025/26. **MoM:** Prices retreated further as increased crushing in Brazil's Center-South boosted near-term availability, while tepid spot market demand in São Paulo and weak global consumption trends added to downside pressure.
Arabica (USD/mt)	6,755	5,839	4,858	39.1	15.7	**YoY:** Prices surged as U.S. tariffs on Brazilian coffee tightened supply dynamics and coincided with strong seasonal demand for premium beans, while low rainfall in key Brazilian regions raised concerns over 2025/26 yield prospects. **MoM:** Prices spiked further on weather-related risks and declining ICE-certified stocks, with tariff-driven trade disruptions amplifying volatility.
Robusta (USD/mt)	3,948	3,361	4,285	-7.9	17.5	**YoY:** Prices declined as improved supply—led by a strong harvest in Vietnam following favourable weather—restored availability in global markets. **MoM:** Prices spiked as U.S. tariffs on Brazilian coffee disrupted trade flows and weather risks in Brazil tightened supply, prompting buyers to bid up Robusta.
PET Resin (USD/mt)	835	842	974	-14.3	-0.9	**YoY:** Prices remained under pressure, with weaker demand from packaging and beverage sectors compounded by cautious restocking and competition from recycled PET. **MoM:** Prices drifted lower as Chinese export benchmarks eased alongside softening raw material costs, with producers chasing sales into the offseason despite recent output cuts.

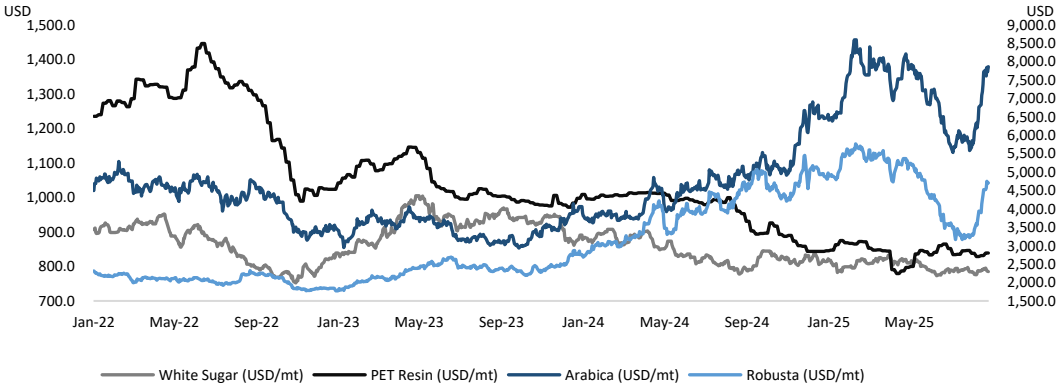
*Sources: Bloomberg, USDA, MBSBR ***Pet resin = Polyethylene terephthalate*

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



Sources: Bloomberg, MBSBR

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



Sources: Bloomberg, MBSBR

Poultry: Egg Prices Remain Soft, Chicken Prices Facing Weakness

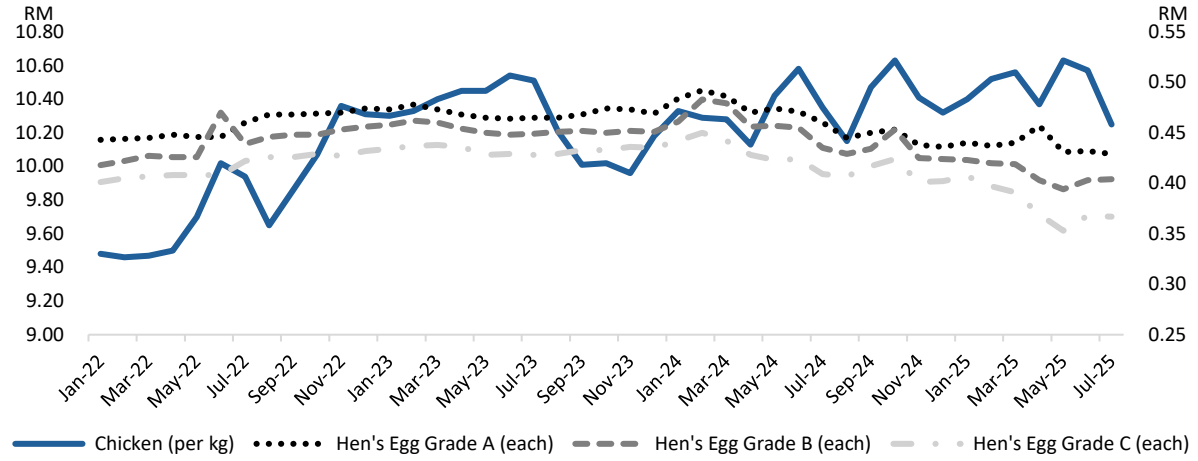
Egg prices remain soft; chicken prices decline further. Retail egg prices stayed under pressure in July 2025, with Grade A, B, and C eggs down -6.7%yoy, -7.1%yoy, and -10.3%yoy respectively, alongside mixed sequential movements of -0.7%mom, +0.25%mom, and -0.27%mom. The government had discontinued the egg subsidy on 1 Aug-25 after reducing support to RM0.05/egg in May 2025, with supply conditions remaining stable post-removal. Meanwhile, average retail chicken prices eased to RM10.25/kg (-0.97%yoy; -3.03%mom), reflecting softer demand following post-festive normalisation. On the policy front, the Ministry of Finance announced that animal feed, including raw soybeans—a key input in production—will now be exempt from Sales Tax or subject to a zero rate, aimed at stabilising prices of chicken, eggs, and meat. The MOF noted that other raw materials used in feed formulations are still under review, with stakeholder engagement ongoing. This measure underscores the Madani government's commitment to maintaining a fair and sustainable tax regime while supporting the competitiveness of the livestock sector.

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

Data	Monthly Data				
	Jul-25	Jun-25	Jul-24	YoY	MoM
Hen's Egg Grade A (each)	0.429	0.432	0.460	-6.7%	-0.7%
Hen's Egg Grade B (each)	0.404	0.403	0.435	-7.1%	0.25%
Hen's Egg Grade C (each)	0.367	0.368	0.409	-10.3%	-0.27%
Chicken (per kg)	10.25	10.57	10.35	-0.97%	-3.0%

Sources: DOSM, MBSBR

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



Sources: Bloomberg, MBSBR

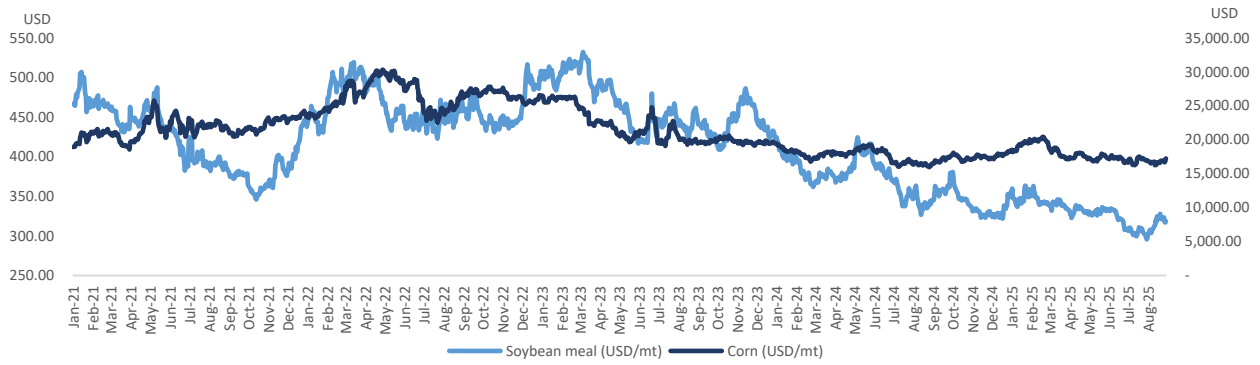
Feed cost softness underpins poultry margin recovery. Feed prices showed a mixed trend in August 2025, with soybean meal averaging USD316/mt (-7.5%yoy; +3.9%mom) and corn at USD16,683/mt (+2.0%yoy; -1.5%mom). The year-on-year softness in soybean meal continues to anchor a relatively supportive cost backdrop, even as near-term volatility pushed monthly prices higher. Corn remained broadly stable, with marginal declines on a monthly basis offsetting its firmer annual comparison. Overall, the benign feed environment provides meaningful margin relief for poultry players, underpinning earnings visibility. Within our coverage, **QL Resources (NEUTRAL, TP: RM4.33)** and **Leong Hup International (BUY, TP: RM0.90)** remain well placed to benefit, with lower feed costs sustaining profitability across both poultry and feedmill segments.

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

Commodities	Aug-25	Jul-25	Aug-24	YoY (%)	MoM (%)	Remarks
Soybean meal (USD/mt)	316	304	342	-7.5	3.9	**YoY:** Prices remained lower as expectations of a bumper U.S. harvest and uncertain Chinese demand pressured benchmarks, with ample global supply continuing to weigh on the market.
						MoM: Prices edged higher, supported by stronger U.S. export data and a rebound in futures, though gains were capped by limited downstream buying interest.
Corn (USD/mt)	16,683	16,933	16,357	2.0	-1.5	**YoY:** Prices held modestly higher, supported by steady feed and ethanol demand alongside stronger U.S. export inspections, even as crop conditions improved versus last
						MoM: Prices eased slightly as ample U.S. supply and favorable crop progress tempered earlier support from disease risks and speculative positioning.

Sources: Bloomberg, USDA, MBSBR

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



Sources: Bloomberg, USDA, MBSBR

Currency: MYR appreciation in August reinforces cost stability

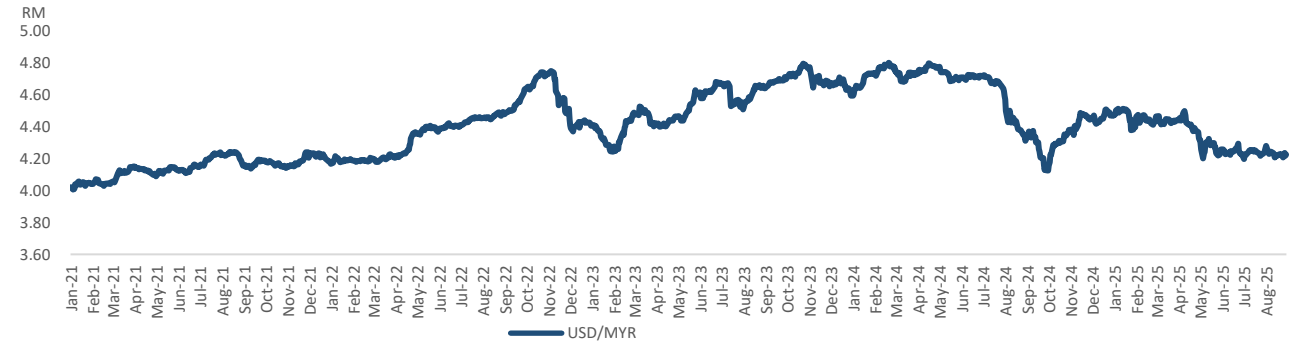
Ringgit stability continues to support import costs. The Malaysian Ringgit (MYR) averaged 4.23/USD in August 25, appreciating both on a year-on-year basis (+4.2%yoy) and sequentially (+0.2%mom). This sustained firmness underscores a stable currency backdrop, contrasting with prior periods of depreciation pressure. For import-reliant consumer companies, particularly those exposed to USD-denominated inputs such as raw materials and packaging, the stronger MYR helps temper cost volatility and protect margins. If current levels are maintained, currency resilience should continue to reinforce earnings visibility and provide a supportive operating environment for domestic players.

Table 5: USD/MYR Monthly statistics for August 2025

Currency	Aug-25	Jul-25	Aug-24	YoY (%)	MoM (%)
USD/MYR	4.23	4.24	4.41	-4.2	-0.2

Sources: Bloomberg, MBSBR

Chart 6: Price Trend of USD/MYR



Sources: Bloomberg, MBSBR

Maintain POSITIVE on the Consumer Sector. Our **POSITIVE** outlook on the consumer sector remains intact, supported by firm macro fundamentals, pro-consumer policies, and structural demand drivers. Under the 13MP and Ekonomi MADANI framework, featuring higher minimum wages, enforcement of a living wage for GLC/GLIC employees, broad-based subsidies for RON95 fuel, and deferred toll hikes, together with the earlier -25bps OPR cut, household spending power should stay well supported. At the same time, stable labour market dynamics, a mild inflation environment, and a sustained rebound in tourism, particularly from ASEAN and Chinese visitors, continue to underpin demand across retail, F&B, and discretionary categories. On the margin side, a stronger

ringgit and softer input costs should ease cost pressures and strengthen earnings visibility. With the sector's defensive profile providing resilience through staples, consumer names are well placed to deliver, even against a volatile global market backdrop.

Our **top picks** in the sector are **F&N (BUY, TP: RM32.08), AEON (BUY, TP: RM1.77), and Life Water (BUY, TP: RM1.11)**. We favour F&N for its dominant position in the RTD and RTG beverage categories, which continue to benefit from rising mobility trends and tourism-led consumption. The group's upstream dairy investments in Gemas and new capacity in Cambodia are set to reinforce long-term earnings visibility. AEON remains well placed to capture mass-market demand via its extensive retail footprint, while steady contributions from its Property Management Services segment, coupled with opportunities from tenant mix optimisation and rental reversions, provide additional support. We maintain **BUY** on **Life Water** with a **higher TP of RM1.11 (from RM1.03)**, now based on a revised PER of 13x pegged to its FY26F EPS of 8.56 sen. The upward revision better reflects sector, as well as its own average trading multiples, while also recognising Life Water's strong fundamentals, underpinned by ongoing capacity expansion, deepening regional presence, and a track record of strategic acquisitions. We continue to see the stock offering attractive upside, supported by both earnings' visibility and structural growth drivers.

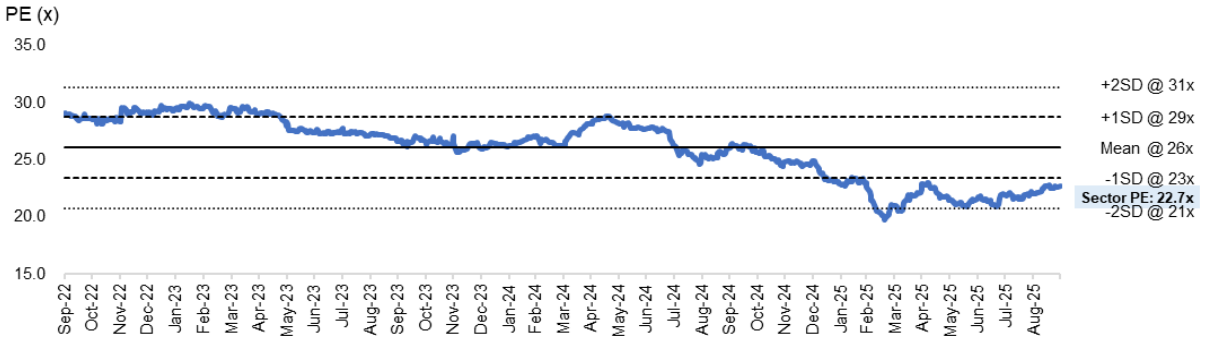
Conversely, we **downgrade Spritzer to NEUTRAL (TP: RM2.13)**, while revising **Nestlé Malaysia (TP: RM77.90)** and **Oriental Kopi (TP: RM1.03) to SELL**, as recent share price rallies have already priced in much of the near-term optimism for all three, leaving valuations less compelling. As such, we believe that it is a good opportunity for investors to lock in the gains.

Table 6: Peers Comparison Table

Stocks	Rec.	Price @	TP	Mkt. Cap (RM'm)	Core EPS (sen)				PER (x)	
		29-Sep-25			CY25F	CY26F	CY25F	CY26F	CY24F	CY25F
Consumer Staples:										
Fraser & Neave Holdings	BUY	27.30	32.08	10,013.1	148.8	157.6	18.4	17.3	2.7	2.8
Leong Hup International	BUY	0.63	0.90	2,299.5	12.4	13.1	5.1	4.8	3.9	4.2
QL Resources	NEUTRAL	4.37	4.33	15,952.6	13.8	14.6	31.7	29.8	1.2	1.3
Spritzer	NEUTRAL	2.03	2.13	1,292.6	13.0	14.4	15.6	14.1	1.9	2.1
Hup Seng Industries	NEUTRAL	1.00	0.92	800.0	5.6	6.0	17.9	16.6	5.1	5.6
Nestle Malaysia	SELL	97.10	77.90	22,770.0	232.1	249.1	41.8	39.0	2.3	2.4
Life Water	BUY	1.00	1.11	470.8	6.3	7.6	15.9	13.1	0.8	1.9
Weighted Avg.					**131.5**	**140.7**	**31.6**	**29.6**	**2.1**	**2.3**
Consumer Discretionary:										
Aeon Co M	BUY	1.32	1.77	1,853.3	11.4	12.1	11.6	10.9	3.5	3.7
Padini Holdings	BUY	2.00	2.49	1,972.3	16.2	18.4	12.4	10.8	5.3	5.4
Oriental Kopi	SELL	1.38	1.03	2,760.0	2.9	3.9	47.7	35.5	0.5	0.8
Weighted Avg.					**9.3**	**10.6**	**27.0**	**21.2**	**2.8**	**3.0**

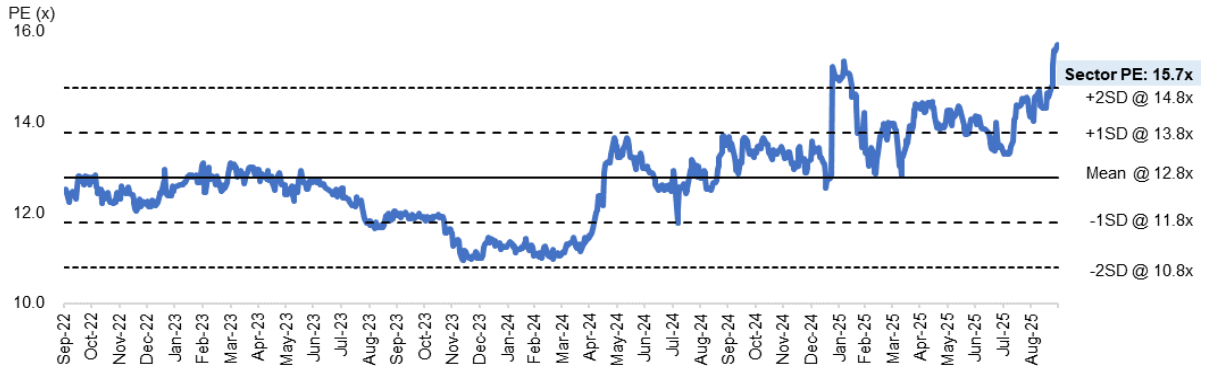
Sources: MBSBR

Chart 7: 3-Year Forward P/E Band – Consumer Staple



Sources: MBSBR

Chart 8: 3-Year Forward P/E Band – Consumer Discretionary



Sources: MBSBR

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MBSB INVESTMENT BANK (formerly known as 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