

Fraser & Neave Holdings Berhad

(3689 | FNH MK) Main | Consumer Products & Services



Upgrade to **NEUTRAL**
(from SELL)

Unchanged Target Price **RM32.08**

1QFY26 Results Review

Indochina Weakness Persists, Malaysia Steady

Upgrade to NEUTRAL with unchanged TP of RM32.08. F&N began FY26 on a softer footing, with earnings pressured by weaker Indochina contributions and unfavourable forex movements, partly offset by cost efficiency gains, easing input prices and stable operations in Malaysia. Following the recent share price pullback, valuation has become more balanced, prompting us to upgrade F&N to **NEUTRAL** (from SELL) while maintaining our **TP** of **RM32.08**, based on an unchanged 20x PER applied to FY26F EPS of 160.4

Within expectations. F&N recorded 1QFY26 revenue of RM1.3b (-6.2%yoy; +6.2%qoq) and core PATANCI of RM135.8m (-11.9%yoy; +13.4%qoq). Results came in within expectations, accounting for ~23% of our FY26 forecast and ~22% of consensus. Performance reflected resilient contributions from F&B Malaysia, partially offset by continued weakness in Indochina and unfavourable forex effects. No dividend was declared for the quarter.

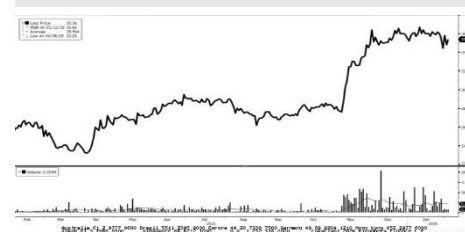
Mixed revenue performance amid regional divergence. F&N reported 1QFY26 revenue of RM1.3b (-6.2%yoy; +6.2%qoq), reflecting a clear divergence between Malaysia and Indochina operations. F&B Malaysia delivered resilient growth, with revenue rising +5.6%yoy (+11.1%qoq) to RM812.4m, supported by stronger domestic demand, recovery in East Malaysia, improved HORECA penetration, and solid export momentum. In contrast, F&B Thailand/Indochina revenue declined -20.9%yoy (-0.9%qoq) to RM490.2m, weighed down by weak economic conditions in Thailand, reduced trade stocking, flooding in southern regions, and prolonged border closures disrupting exports to Cambodia. Overall, the Group's topline resilience in Malaysia helped partially offset persistent regional headwinds in Indochina.

Profitability pressured by forex and tax effects. Group profitability weakened in 1QFY26, with core PATANCI of RM135.8m declining -11.9%yoy, though improving +13.4%qoq, translating into a core PATANCI margin of 10.4%. Operating performance was weighed by unfavourable forex movements due to a weaker USD and a higher effective tax burden, while underlying margins were partly supported by easing input costs and cost discipline. At the segment level, F&B Malaysia operating profit fell -10.7%yoy to RM86.6m (+8.3%qoq), as volume growth and favourable input costs were offset by higher brand investments and forex impact. F&B Thailand/Indochina operating profit declined -10.3%yoy to RM91.0m (-14.7%qoq), in line with weaker revenue, forex losses, and higher overheads from new manufacturing set-ups. Overall, margins remained under pressure from external factors, although sequential recovery suggests underlying operations remain stable.

RETURN STATISTICS

Price @ 4 Feb 2026 (RM)	35.36
Expected share price return (%)	-9.3
Expected dividend yield (%)	+1.8
Expected total return (%)	-7.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.2	-4.7
3 months	-0.4	18.3
12 months	36.6	23.4

INVESTMENT STATISTICS

FYE SEPT (RM'm)	2026F	2027F	2028F
Revenue	5,755.7	6,043.4	6,353.2
EBITDA	910.0	944.7	1,266.6
PBT	818.5	853.1	1,174.7
Core PATANCI	589.3	614.2	845.8
Core EPS (sen)	160.4	167.2	230.2
DPS (sen)	65.0	65.0	85.0
Dividend Yield (%)	1.8	1.8	2.4

KEY STATISTICS

FBM KLCI	1742.82
Issue shares (m)	366.78
Estimated free float (%)	34.11
Market Capitalisation (RM'm)	12969.29
52-wk price range	RM22.4 - RM36.8
3-mth average daily volume (m)	0.46
3-mth average daily value (RM'm)	15.80224
Top Shareholders (%)	
Fraser and Neave Ltd	55.48
Employees Provident Fund Board	16.16
Amanah Saham Nasional Bhd	6.09

Analyst

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Outlook. We take a balanced view on F&N's outlook, recognising the group's solid fundamentals and diversified operating base, while near-term performance remains influenced by regional and currency-related headwinds. F&B Malaysia is expected to provide stability, supported by steady domestic demand, export momentum and the normalisation of festive sell-in activities in 2QFY26, alongside ongoing brand-building initiatives. Conditions in F&B Indochina should gradually stabilise as economic activity improves and trade channels normalise, with the new dairy manufacturing facility in Cambodia expected to support supply continuity from FY26 onwards. While forex volatility and macro uncertainties persist, their impact is likely to moderate with continued cost discipline, operational efficiencies and hedging. Overall, F&N's strong balance sheet and focus on operational execution should help anchor earnings resilience into FY26, even as recovery remains uneven across markets.

Fraser & Neave Holdings: 1QFY26 Results Summary

FYE SEPT (RM'm)	Quarterly results					3MFY26	3MFY25	YoY (%)
	1QFY26	4QFY25	1QFY25	YoY (%)	QoQ (%)			
Revenue	1,303.4	1,227.0	1,389.7	(6.2)	6.2	1,303.4	1,389.7	(6.2)
Cost of Sales	(880.7)	(826.8)	(935.2)	(5.8)	6.5	(880.7)	(935.2)	(5.8)
Gross Profit	422.7	400.2	454.5	(7.0)	5.6	422.7	454.5	(7.0)
Other income	6.3	0.2	29.0	(78.3)	3,044.5	6.3	29.0	(78.3)
Operating expenses	(247.6)	(227.9)	(241.1)	2.7	8.6	(247.6)	(241.1)	2.7
Other expenses	(0.4)	1.3	0.4	(179.6)	(126.7)	(0.4)	0.4	(179.6)
Operating profit (EBIT)	181.0	173.8	243.0	(25.5)	4.2	181.0	243.0	(25.5)
Net finance income/(cost)	8.9	(4.7)	(2.5)	(458.6)	(288.7)	8.9	(2.5)	(458.6)
Profit before tax (PBT)	189.9	169.1	240.5	(21.1)	12.3	189.9	240.5	(21.1)
Profit After tax (PAT)	126.4	118.0	170.4	(25.8)	7.1	126.4	170.4	(25.8)
PATANCI	126.2	114.3	169.0	(25.3)	10.5	126.2	169.0	(25.3)
Core PATANCI	135.8	119.7	154.1	(11.9)	13.4	135.8	154.1	(11.9)
Core EPS (sen)	37.1	32.7	42.1	(11.9)	13.4	37.1	42.1	(11.9)
DPS (sen)	0.0	35.0	0.0	n.m.	(100.0)	0.0	0.0	n.m.
Growth & Margin (%)				+ /(-) ppts	+ /(-) ppts			+ /(-) ppts
Gross Profit Margin	32.4	32.6	32.7	(0.3)	(0.2)	32.4	32.7	(0.3)
Operating Profit Margin	13.9	14.2	17.5	(3.6)	(0.3)	13.9	17.5	(3.6)
Core PATANCI Margin	10.4	9.8	11.1	(0.7)	0.7	10.4	11.1	(0.7)
Ratios & Valuation				+ /(-) ppts	+ /(-) ppts			+ /(-) ppts
Effective tax rate (%)	33.4	30.2	29.2	4.3	3.2	33.4	29.2	4.3

Source: Company, MBSBR

Fraser & Neave Holdings: Breakdown by operating segment

FYE SEPT (RM'm)	Quarterly results					3MFY26	3MFY25	YoY (%)
	1QFY26	4QFY25	1QFY25	YoY (%)	QoQ (%)			
Revenue (RM'm):								
F&B Malaysia	812.4	731.6	769.3	5.6	11.1	812.4	769.3	5.6
F&B Thailand	490.2	494.6	619.6	(20.9)	(0.9)	490.2	619.6	(20.9)
Property	0.2	0.2	0.2	16.8	1.9	0.2	0.2	16.8
Others	0.6	0.7	0.7	(8.2)	(9.6)	0.6	0.7	(8.2)
Total	1,303.4	1,227.0	1,389.7	(6.2)	6.2	1,303.4	1,389.7	(6.2)
Operating Profit (RM'm):								
F&B Malaysia	86.6	79.9	96.9	(10.7)	8.3	86.6	96.9	(10.7)
F&B Thailand	91.0	106.6	101.4	(10.3)	(14.7)	91.0	101.4	(10.3)
Property	(0.2)	(1.6)	(0.3)	(20.8)	(85.1)	(0.2)	(0.3)	(20.8)
Others	3.7	(11.1)	13.0	(71.5)	(133.4)	3.7	13.0	(71.5)
Total	181.0	173.8	211.1	(14.2)	4.2	181.0	211.1	(14.2)
Operating profit margin (%):								
F&B Malaysia	10.7	10.9	12.6	(1.9)	(0.3)	10.7	12.6	(1.9)
F&B Thailand	18.6	21.6	16.4	2.2	(3.0)	18.6	16.4	2.2
Property	(113.0)	(771.2)	(166.5)	53.5	658.3	(113.0)	(166.5)	53.5
Others	604.2	(1,637.6)	1,943.9	(1,339.7)	2,241.9	604.2	1,943.9	(1,339.7)
Total	13.9	14.2	15.2	(1.3)	(0.3)	13.9	15.2	(1.3)

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026F	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	5,245.6	5,196.6	5,755.7	6,043.4	6,353.2	PBT	697.0	730.7	818.5	853.1	1,174.7
Gross Profit	1,651.0	1,657.5	1,837.4	1,925.4	2,257.9	Operating cash flow	732.7	111.1	810.6	569.2	654.8
EBITDA	847.8	896.0	910.0	944.7	1,266.6	Investing cash flow	(253.7)	(231.1)	(263.3)	(272.2)	(281.7)
EBIT	709.5	745.5	839.7	874.3	1,195.9	Financing cash flow	(365.5)	(397.3)	(155.4)	(267.5)	(341.5)
PBT	697.0	730.7	818.5	853.1	1,174.7	Net cash flow	113.6	(517.4)	391.8	29.5	31.7
Taxation	(152.7)	(216.1)	(229.2)	(238.9)	(328.9)	Beginning cash flow	1,031.5	1,134.9	625.9	1,017.7	1,047.2
PATANCI	542.8	508.5	589.3	614.2	845.8	Ending cash flow	1,134.9	625.9	1,017.7	1,047.2	1,078.9
Core PATANCI	542.5	515.7	589.3	614.2	845.8						
Core EPS (sen)	147.7	140.4	160.4	167.2	230.2						
PER (x)	19.4	20.5	17.9	17.2	12.5						
DPS (sen)	63.0	65.0	65.0	65.0	85.0						
Dividend Yield (%)	1.8	1.8	1.8	1.8	2.4						
Growth (%)	2024A	2025A	2026F	2027F	2028F	Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth (%)	4.9	(0.9)	10.8	5.0	5.1	Gross Profit Margin (%)	31.5	31.9	31.9	31.9	35.5
Gross Profit Growth (%)	15.1	0.4	10.9	4.8	17.3	EBITDA Margin (%)	16.2	17.2	15.8	15.6	19.9
EBITDA Growth (%)	7.2	5.7	1.6	3.8	34.1	EBIT Margin (%)	13.5	14.3	14.6	14.5	18.8
Core PATANCI Growth (%)	(6.1)	(4.9)	14.3	4.2	37.7	Core PATANCI Margin (%)	10.3	9.9	10.2	10.2	13.3
Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F						
Property, plant, and equipment	1,727.7	2,220.8	2,027.2	2,178.7	2,336.6						
Intangible assets	430.3	423.8	500.7	525.8	552.7						
Total non-current assets	2,741.5	3,301.2	3,282.0	3,524.7	3,779.2						
Inventories	745.0	744.1	920.5	967.5	962.1						
ST - Trade and other receivables	852.9	899.0	914.5	960.2	1,009.4						
Cash and cash equivalents	1,134.9	625.9	1,017.7	1,047.2	1,078.9						
Total current assets	2,733.0	2,270.7	2,852.8	2,974.9	3,050.5						
Total Assets	5,474.5	5,571.8	6,134.8	6,499.6	6,829.7						
Total Equity	3,586.9	3,879.1	4,040.1	4,321.0	4,756.7						
LT Loans and borrowings	592.0	338.0	595.4	601.3	607.3						
Total non-current liabilities	777.9	561.9	805.6	820.3	835.6						
ST Trade and other payables	825.9	763.0	789.1	829.3	824.7						
ST Loans and borrowings	114.0	254.0	114.6	115.8	117.0						
Total Current Liabilities	1,109.7	1,130.8	1,289.1	1,358.4	1,237.3						
Total Liabilities	1,887.6	1,692.7	2,094.7	2,178.6	2,073.0						

Source: Bloomberg, MBSBR

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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