Corporate Update

# Fraser & Neave Holdings Berhad

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

SHARIAH Compliant

ESG 4 Stars

# 3QFY26 Results Review

## Indochina Weakness Continues

Maintain **NEUTRAL**

Revised Target Price **RM25.71**
(from RM28.43)

**Maintain NEUTRAL with a lower TP of RM25.71.** We maintain our **NEUTRAL** call on F&N with a lower **TP of RM25.71** (previously: RM28.43). We cut our FY26F/FY27F/FY28F earnings forecasts by -23.2%/-18.1%/-16.1%, respectively, after weaker-than-expected 9MFY26 results, mainly due to prolonged weakness in Indochina, higher integrated dairy farm start-up costs and a less favourable earnings base. We roll forward our valuation to 20x PER pegged to FY27F EPS of 128.5 sen, from FY26F previously, despite this, we lower our **TP** to **RM25.71** following the earnings revision.

**Below expectations.** F&N posted 3QFY26 revenue of RM1.20b (-3.8%yoy; -2.7%qoq) and core PATANCI of RM92.9m (-6.1%yoy; -8.8%qoq). For 9MFY26, revenue declined to RM3.73b (-5.9%yoy), while core PATANCI fell to RM316.5m (-20.0%yoy), accounting for only 61% of our full-year forecast and 68% of consensus, as the drag from Indochina, dairy farm scale-up costs and FX headwinds was more pronounced than expected. No dividend was declared for the quarter.

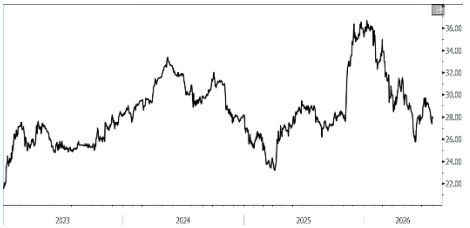
**Malaysia resilient, but Indochina remains the key drag.** Group revenue fell -3.8%yoy in 3QFY26, dragged by F&B Thailand/Indochina revenue declining -18.4%yoy to RM461.8m, due to softer market conditions and prolonged Thailand-Cambodia border closures. This was partly cushioned by F&B Malaysia, where revenue rose +8.4%yoy to RM736.2m, supported by stronger channel execution, market share gains, higher export sales, accelerated Magnolia expansion and continued momentum across beverage and dairy categories. Sequentially, group revenue declined -2.7%qoq, mainly due to post-festive normalisation in Malaysia, while Indochina revenue was broadly stable +0.8%qoq.

**Earnings pressured by Indochina and dairy farm costs.** Group EBIT rose +1.8%yoy in 3QFY26 to RM139.4m, but declined -7.1%qoq, reflecting lower revenue and ongoing dairy farm scale-up costs. F&B Malaysia operating profit improved +64.7%yoy to RM42.2m, supported by product mix optimisation, disciplined cost management and cost-to-serve efficiencies. However, on a 9MFY26 basis, F&B Malaysia operating profit still declined -5.5%yoy to RM185.0m, mainly due to higher integrated dairy farm operating costs and FX headwinds. F&B Thailand/Indochina operating profit fell -18.7%yoy in 3QFY26 to RM93.0m, while 9M operating profit declined -17.7%yoy to RM276.6m, dragged by weaker Cambodia-related sales and overheads from the new Cambodia dairy plant set-up.

**Margins mixed.** Group GPM improved +0.4ppts yoy to 30.5% in 3QFY26, but declined -0.2ppts qoq, while core PATANCI margin eased to 7.8% (-0.2ppts yoy; -0.5ppts qoq). For 9MFY26, GPM contracted -0.4ppts yoy to 31.2%, operating margin fell -1.8ppts yoy to 12.6%, and core PATANCI margin declined -1.5ppts yoy to 8.5%. The margin compression reflects weaker Indochina contribution, higher dairy farm scale-up costs, FX headwinds and a higher effective tax rate.

| RETURN STATISTICS | |
|---|---|
| Price @ 31st Jul 2026 (RM) | 27.90 |
| Expected share price return (%) | -7.9 |
| Expected dividend yield (%) | +2.3 |
| Expected total return (%) | -5.5 |

**SHARE PRICE CHART**




| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | -0.7 | -3.4 |
| 3 months | -0.1 | -11.0 |
| 12 months | -2.5 | -13.3 |

**INVESTMENT STATISTICS**

| FYE SEPT (RM'm) | 2026F | 2027F | 2028F |
|---|---|---|---|
| Revenue | 4,980.4 | 5,210.4 | 5,454.7 |
| EBITDA | 719.1 | 775.0 | 1,057.0 |
| PBT | 638.6 | 694.5 | 976.4 |
| Core PATANCI | 401.2 | 472.3 | 664.0 |
| Core EPS (sen) | 109.2 | 128.5 | 180.7 |
| DPS (sen) | 65.0 | 65.0 | 85.0 |
| Dividend Yield (%) | 2.3 | 2.3 | 3.0 |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,724.90 |
| Issued shares (m) | 366.78 |
| Estimated free float (%) | 89.39 |
| Market Capitalisation (RM'm) | 10,233.12 |
| 52-wk price range | RM25.5 - RM36.8 |
| 3-mth average daily volume (m) | 0.10 |
| 3-mth average daily value (RM'm) | 2.92 |
| Top Shareholders (%) | |
| Employees Provident Fund Board | 16.54 |
| Amanah Saham Nasional Bhd | 6.29 |
| Kumpulan Wang Persaraan Diperbadan | 3.23 |

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**Outlook.** We remain cautious on F&N's near-term earnings outlook. While Malaysia continues to show resilient demand, supported by 100PLUS Zero, Magnolia, liquid milk, UHT milk and stronger route-to-market execution, the recovery in Indochina remains uncertain due to prolonged border closures, subdued market conditions and start-up costs from the Cambodia dairy plant. Management expects the Cambodia dairy plant to be commercialised by end-4QFY26, which should improve local manufacturing capability and supply continuity over time, but earnings contribution may take time to scale. Cost pressures are expected to remain manageable, supported by disciplined trade spend, supply chain optimisation and cost-to-serve efficiencies, while price adjustments will be implemented gradually and only as a last resort. Overall, we maintain **NEUTRAL** with a lower **TP of RM25.71**, as the stronger Malaysia franchise is offset by weak Indochina earnings visibility and near-term dairy farm cost drag.

## Fraser & Neave Holdings: 3QFY26 Results Summary

| FYE SEPT (RM'm) | Quarterly results | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 3QFY26 | 2QFY26 | 3QFY25 | YoY (%) | QoQ (%) | 9MFY26 | 9MFY25 | YoY (%) |
| Revenue | 1,198.8 | 1,232.4 | 1,245.8 | (3.8) | (2.7) | **3,734.7** | **3,969.6** | **(5.9)** |
| Cost of Sales | (833.3) | (853.7) | (871.5) | (4.4) | (2.4) | **(2,567.7)** | **(2,712.3)** | **(5.3)** |
| Gross Profit | **365.5** | **378.7** | **374.3** | **(2.3)** | **(3.5)** | **1,166.9** | **1,257.3** | **(7.2)** |
| Other income | 3.8 | 6.6 | 5.7 | (32.9) | (41.6) | **16.7** | **41.6** | **(59.8)** |
| Operating expenses | (230.0) | (235.3) | (240.2) | (4.3) | (2.3) | **(712.9)** | **(724.3)** | **(1.6)** |
| Other expenses | (0.0) | 0.1 | (2.8) | (99.9) | (104.7) | **(0.3)** | **(2.8)** | **(90.3)** |
| Operating profit (EBIT) | **139.4** | **150.1** | **137.0** | **1.8** | **(7.1)** | **470.5** | **571.7** | **(17.7)** |
| Net finance income/(cost) | (4.9) | (4.3) | (5.5) | (9.7) | 13.2 | **(14.5)** | **(10.1)** | **42.9** |
| Profit before tax (PBT) | **134.5** | **145.8** | **131.5** | **2.2** | **(7.8)** | **456.0** | **561.6** | **(18.8)** |
| Profit After tax (PAT) | 96.2 | 94.6 | 86.3 | 11.5 | 1.6 | **303.2** | **396.7** | **(23.6)** |
| PATANCI | 93.6 | 96.3 | 84.8 | 10.4 | (2.8) | **302.0** | **394.1** | **(23.4)** |
| Core PATANCI | **92.9** | **101.8** | **98.9** | **(6.1)** | **(8.8)** | **316.5** | **395.9** | **(20.0)** |
| Core EPS (sen) | 25.4 | 27.8 | 27.0 | (6.1) | (8.8) | **86.4** | **108.1** | **(20.1)** |
| DPS (sen) | 0.0 | 30.0 | 0.0 | n.m. | (100.0) | **30.0** | **30.0** | **0.0** |
| **Growth & Margin (%)** | | | | *+/(-) ppts* | *+/(-) ppts* | | | ***+/(-) ppts*** |
| Gross Profit Margin | 30.5 | 30.7 | 30.0 | 0.4 | (0.2) | **31.2** | **31.7** | **(0.4)** |
| Operating Profit Margin | 11.6 | 12.2 | 11.0 | 0.6 | (0.6) | **12.6** | **14.4** | **(1.8)** |
| Core PATANCI Margin | 7.8 | 8.3 | 7.9 | (0.2) | (0.5) | **8.5** | **10.0** | **(1.5)** |
| **Ratios & Valuation** | | | | *+/(-) ppts* | *+/(-) ppts* | | | ***+/(-) ppts*** |
| Effective tax rate (%) | 28.5 | 35.1 | 34.4 | (6.0) | (6.6) | **33.5** | **29.4** | **4.1** |

*Source: Company, MBSBR*

## Fraser & Neave Holdings: Breakdown by operating segment

| FYE SEPT (RM'm) | Quarterly results | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 3QFY26 | 2QFY26 | 3QFY25 | YoY (%) | QoQ (%) | 9MFY26 | 9MFY25 | YoY (%) |
| **Revenue (RM'm):** | | | | | | | | |
| F&B Malaysia | 736.2 | 773.5 | 679.1 | 8.4 | (4.8) | **2,322.0** | **2,230.1** | **4.1** |
| F&B Thailand | 461.8 | 458.2 | 565.7 | (18.4) | 0.8 | **1,410.2** | **1,736.9** | **(18.8)** |
| Property | 0.2 | 0.2 | 0.2 | 4.9 | 0.0 | **0.6** | **0.6** | **8.7** |
| Others | 0.6 | 0.6 | 0.7 | (14.5) | (2.9) | **1.8** | **2.0** | **(10.8)** |
| Total | **1,198.8** | **1,232.4** | **1,245.8** | **(3.8)** | **(2.7)** | **3,734.7** | **3,969.6** | **(5.9)** |
| **Operating Profit (RM'm):** | | | | | | | | |
| F&B Malaysia | 42.2 | 56.2 | 25.6 | 64.7 | (24.8) | **185.0** | **195.8** | **(5.5)** |
| F&B Thailand | 93.0 | 92.6 | 114.4 | (18.7) | 0.4 | **276.6** | **336.1** | **(17.7)** |
| Property | (0.3) | (0.3) | (1.2) | (72.3) | 22.5 | **(0.9)** | **(1.5)** | **(43.8)** |
| Others | 4.5 | 1.6 | (1.9) | (334.6) | 181.2 | **9.8** | **9.4** | **3.7** |
| Total | **139.4** | **150.1** | **137.0** | **1.8** | **(7.1)** | **470.5** | **539.8** | **(12.8)** |
| **Operating profit margin (%):** | | | | | | | | |
| F&B Malaysia | 5.7 | 7.3 | 3.8 | 2.0 | (1.5) | **8.0** | **8.8** | **(0.8)** |
| F&B Thailand | 20.1 | 20.2 | 20.2 | (0.1) | (0.1) | **19.6** | **19.4** | **0.3** |
| Property | (156.5) | (127.8) | (592.2) | 435.8 | (28.7) | **(132.4)** | **(256.4)** | **124.0** |
| Others | 772.4 | 266.8 | (281.5) | 1,053.9 | 505.6 | **546.4** | **469.9** | **76.4** |
| Total | **11.6** | **12.2** | **11.0** | **0.6** | **(0.6)** | **12.6** | **13.6** | **(1.0)** |

*Source: Company, MBSBR*

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Revenue | 5,245.6 | 5,196.6 | 4,980.4 | 5,210.4 | 5,454.7 |
| Gross Profit | 1,651.0 | 1,657.5 | 1,559.3 | 1,660.0 | 1,938.5 |
| EBITDA | 847.8 | 896.0 | 719.1 | 775.0 | 1,057.0 |
| EBIT | 709.5 | 745.5 | 661.3 | 717.2 | 999.3 |
| PBT | 697.0 | 730.7 | 638.6 | 694.5 | 976.4 |
| Taxation | (152.7) | (216.1) | (204.3) | (222.2) | (312.5) |
| PATANCI | 542.8 | 508.5 | 434.2 | 472.3 | 664.0 |
| Core PATANCI | 542.5 | 515.7 | 401.2 | 472.3 | 664.0 |
| Core EPS (sen) | 147.7 | 140.4 | 109.2 | 128.5 | 180.7 |
| PER (x) | 18.8 | 19.9 | 23.6 | 21.7 | 15.4 |
| DPS (sen) | 63.0 | 65.0 | 65.0 | 65.0 | 85.0 |
| Dividend Yield (%) | 2.3 | 2.3 | 2.3 | 2.3 | 3.0 |

| Cash Flow (RM'm) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| PBT | 697.0 | 730.7 | 638.6 | 694.5 | 976.4 |
| Operating cash flow | 732.7 | 111.1 | 735.7 | 547.1 | 630.6 |
| Investing cash flow | (253.7) | (231.1) | (227.9) | (234.7) | (241.8) |
| Financing cash flow | (365.5) | (397.3) | (151.7) | (267.0) | (341.0) |
| Net cash flow | 113.6 | (517.4) | 254.8 | 22.2 | 23.4 |
| Beginning cash flow | 1,031.5 | 1,134.9 | 625.9 | 880.6 | 902.9 |
| Ending cash flow | 1,134.9 | 625.9 | 880.6 | 902.9 | 926.3 |

| Growth (%) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Revenue Growth (%) | 4.9 | (0.9) | (4.2) | 4.6 | 4.7 |
| Gross Profit Growth (%) | 15.1 | 0.4 | (5.9) | 6.5 | 16.8 |
| EBITDA Growth (%) | 7.2 | 5.7 | (19.7) | 7.8 | 36.4 |
| Core PATANCI Growth (%) | (6.1) | (4.9) | (22.2) | 17.7 | 40.6 |

| Profitability Ratios (%) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Gross Profit Margin | 31.5 | 31.9 | 31.3 | 31.9 | 35.5 |
| EBITDA Margin | 16.2 | 17.2 | 14.4 | 14.9 | 19.4 |
| EBIT Margin | 13.5 | 14.3 | 13.3 | 13.8 | 18.3 |
| Core PATANCI Margin | 10.3 | 9.9 | 8.1 | 9.1 | 12.2 |

| Balance Sheet (RM'm) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Property, plant, and equipment | 1,727.7 | 2,220.8 | 2,010.5 | 2,144.1 | 2,282.6 |
| Intangible assets | 430.3 | 423.8 | 433.3 | 453.3 | 474.6 |
| Total Non-current assets | 2,741.5 | 3,301.2 | 3,174.7 | 3,385.0 | 3,604.2 |
| Inventories | 745.0 | 744.1 | 803.7 | 834.1 | 826.1 |
| ST - Trade and other receivables | 852.9 | 899.0 | 791.3 | 827.9 | 866.7 |
| Cash and cash equivalents | 1,134.9 | 625.9 | 880.6 | 902.9 | 926.3 |
| Total current assets | 2,733.0 | 2,270.7 | 2,475.7 | 2,564.9 | 2,619.1 |
| Total Assets | 5,474.5 | 5,571.8 | 5,650.5 | 5,949.8 | 6,223.2 |
| Total Equity | 3,586.9 | 3,879.1 | 3,897.3 | 4,049.3 | 4,317.0 |
| LT Loans and borrowings | 592.0 | 338.0 | 595.4 | 601.3 | 607.3 |
| Total Non-current liabilities | 777.9 | 561.9 | 795.9 | 809.4 | 823.5 |
| ST Trade and other payables | 825.9 | 763.0 | 689.0 | 715.0 | 708.1 |
| ST Loans and borrowings | 114.0 | 254.0 | 114.6 | 115.8 | 117.0 |
| Total Current Liabilities | 1,109.7 | 1,130.8 | 1,125.1 | 1,194.4 | 1,090.2 |
| Total Liabilities | 1,887.6 | 1,692.7 | 1,753.2 | 1,900.6 | 1,906.2 |

*Source: Bloomberg, MBSBR*

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### MBSB 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