19 January 2026

Consumer Products

Overweight (Maintained)

Consumer Sentiment To Improve; Still O/W

Stocks Covered	18
Rating (Buy/Neutral/Sell):	15 / 3 / 0
Last 12m Earnings Revision Trend:	Neutral

Top Picks	Target Price
Nestle (NESZ MK) – BUY	MYR135.00
Farm Fresh (FFB MK) – BUY	MYR3.26
Eco-Shop (ECOSHOP MK) – BUY	MYR1.81
AEON (AEON MK) – BUY	MYR1.46
Mynews (MNHB MK) – BUY	MYR0.80

Analyst

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- **Still OVERWEIGHT; Top Picks: Nestle (M) (NESZ), Farm Fresh (FFB), Eco-Shop Marketing, AEON Co M, and Mynews.** The positive bias on the sector is in line with RHB Research's market strategy, which is to lean towards names with defensive qualities and domestic-centric earnings, in order to avoid prevailing external risks. Improving liquidity should buoy the bullish sector sentiment and support a further valuation rerating. We raise valuations for NESZ, 99 Speed Mart Retail (99SMART), and FFB, as we expect their promising growth outlook to continue garnering investor interest.
- **The sector will continue to provide a defensive shelter** by offering earnings visibility amidst market volatilities, thanks to their domestic-centric earnings bases and resilient consumption. Fundamentally, the rising prominence of the Sumbangan Asas Rahmah (SARA) initiative as a fiscal support tool should direct more spending to the sector, whilst the inclusive petrol subsidy rationalisation approach has removed a major overhang and cooled down inflationary risks. In addition, the stronger MYR, healthy wage growth and the Visit Malaysia Year 2026 (VMY2026) campaign are other sector catalysts. Meanwhile, easing commodity price trends and MYR strength should translate to lower input costs for food manufacturers going forward. On the other hand, the recent announcement of the Sales & Service Tax (SST) rate for rental services being decreased to 6% from 8% is a relief for consumer retail companies.
- **Sector strategy.** The main beneficiaries of the Government's fiscal policy will continue to be favoured by investors, including 99SMART and NESZ. Meanwhile, FFB's robust growth momentum and expansion headroom in regional markets should keep investors excited. Other than that, we highlight that a few quality consumer retail players – Eco-Shop Marketing, Mr DIY Group, AEON Co M and Focus Point – are trading at more reasonable or undemanding valuations. This is compelling, as we believe discretionary spending could pick up in tandem with the improving consumer sentiment ahead. Lastly, Mynews and two brewery stocks are the sector proxies under our coverage to capitalise on the VMY2026 theme.
- **Sector developments.** 3Q25 sector results were broadly in line, with consumer sentiment showing signs of improvement or normalisation from trade tariff-induced jitters in 2Q25. We expect to see a sequential pick-up in 4Q25 sales, while earnings should be driven by favourable year-end seasonal factors. Most of the companies under our coverage should deliver healthy YoY net profit growth, to reflect resilient private consumption on the back of stable employment and economic growth.
- **Downside risks to our outlook** include weaker-than-expected consumer sentiment, a major slowdown in the domestic economy, and a sharp surge in commodity prices

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
99 Speed Mart Retail Holdings	Neutral	4.06	5.4	43.6	16.3	39.5	1.6
AEON Co M	Buy	1.46	33.6	9.9	0.7	7.6	5.1
Carlsberg Brewery	Buy	20.00	15.6	14.1	18.5	132.2	7.0
CCK Consolidated	Buy	1.62	20.8	11.0	1.3	12.0	2.7
DXN Holdings	Buy	0.70	37.9	6.7	1.6	25.4	7.5
Eco-Shop Marketing	Buy	1.81	13.6	32.0	7.6	25.2	1.6
Farm Fresh	Buy	3.26	16.5	31.9	5.9	19.8	1.1
Farm Price	Buy	0.52	30.0	10.9	1.7	16.4	1.8
Focus Point	Buy	0.74	51.0	7.6	1.7	24.5	6.6
Guan Chong	Buy	1.50	100.0	6.8	0.8	12.4	3.7
Heineken Malaysia	Buy	26.50	15.7	14.5	12.6	87.1	6.8
Leong Hup International	Buy	0.98	28.6	6.9	0.9	13.9	4.3
Mr DIY Group	Buy	1.87	8.1	22.4	7.5	34.3	3.8
Mynews	Buy	0.80	25.7	16.9	1.7	10.6	1.8
Nestle (M)	Buy	135.00	16.4	40.0	48.6	122.2	2.5
Padini	Buy	2.16	13.6	11.0	1.4	13.4	4.1
Power Root	Neutral	1.21	(0.9)	15.6	1.7	10.9	5.3
QL Resources	Neutral	3.94	(4.4)	33.0	4.1	13.0	1.2

Source: Company data, RHB

Top Picks

NESZ. Its robust forecasted 3-year earnings CAGR of 17% should be driven by a normalisation in sentiment towards its brands, margin recovery on moderating input costs and favourable FX rates, as well as growing export sales.

FFB. Its regional expansion brings about enormous long-term growth potential, as Farm Fresh leverages on its brand equity and quality product offerings. Near-term earnings prospects will be anchored by its new ice cream production capacity in 2026 and elevated GPM.

Eco-Shop Marketing. The rapid growth of the dollar store industry will provide a long expansion runway for the company to expand its network and market share. Its elevated GPM and accelerating expansion pace should underpin robust near-term earnings growth.

AEON Co M. Improved consumer sentiment in 2026 should bode well for the firm, given its well-established network throughout the country. In addition, the lower SST rate on rental services, utilities cost savings as a result of the new tariff structure, and relatively smaller scale of store renovations in 2026 (lower initial costs and operation disruption) are other earnings growth drivers.

Mynews. Its earnings growth ahead should be exciting, supported by the robust growth of the Mynews brand, as well as the sustainable turnaround of CU and the food processing centre operations. WH Smith is expected to see promising earnings prospects spurred by higher tourist arrivals and new outlet openings.

Rising prominence of the SARA initiative

The higher federal budget allocation for SARA handouts is positive, as it helps to pivot more consumer spending into the consumer sector. This should be well captured by the producers and distributors of grocery and daily necessities, primarily 99SMART and NESZ, given their large operational networks and strong brand equity. To a lesser extent, retailers under our coverage that have participated in the initiative are Eco-Shop Marketing (160 outlets activated so far), Mr DIY Group (targeting 300 outlets by 1Q26), and Mynews (all of its >40 SuperValue outlets are enabled).

That said, we highlight that there could be more competition for SARA-related market shares going forward, considering the Government's plan to enrol more independent/smaller-scale retailers into the initiative. In addition, the possibility of fresh produce (vegetables, fruits and etc) being included into the list of products that the SARA initiative will cover cannot be discounted, given the lobbying and public demand.

Figure 1: Sumbangan Tunai Rahmah (STR, a cash handout initiative) and SARA budget allocations under Budget 2026

Kategori	Pendapatan Bulanan	# Anak	STR (setahun)	SARA (setahun)	JUMLAH (STR + SARA)
Isi rumah Tiada Had umur	< RM2,500	0	RM700	RM1,200	**RM1,900**
		1-2	RM1,200	RM1,200	**RM2,400**
		3-4	RM1,700	RM1,200	**RM2,900**
		≥ 5	RM2,200	RM1,200	**RM3,400**
	RM2,501 – RM5,000	0	RM200	RM1,200	**RM1,400**
		1-2	RM450	RM1,200	**RM1,650**
		3-4	RM700	RM1,200	**RM1,900**
		≥ 5	RM950	RM1,200	**RM2,150**
Warga emas tiada pasangan ≥ 60 tahun	< RM5,000	0	RM600	RM600	**RM1,200**
Bujang 21 - 59 tahun	< RM2,500	0	-	RM600	**RM600**

Source: Ministry of Finance (MoF)

Figure 2: STR and SARA budget allocations under Budget 2025

Kategori Penerima & Had Umur	Kategori Bantuan/ Pendapatan Bulanan	Bilangan Anak	Jumlah Bantuan STR	Penerima STR Layak SARA (RM100/RM50 untuk 9 bulan)	Jumlah STR & SARA
Isi Rumah (Tiada had umur)	RM2,500 dan ke bawah (3.1 juta penerima)	Tiada Anak	RM1,000	RM900	RM1,900
		Anak 1-2	RM1,500	RM900	RM2,400
		Anak 3-4	RM2,000	RM900	RM2,900
		Anak ≥ 5	RM2,500	RM900	RM3,400
	RM2,501 - RM5,000 (1.0 juta penerima)	Tiada Anak	RM500	RM900	RM1,400
		Anak 1-2	RM750	RM900	RM1,650
		Anak 3-4	RM1,000	RM900	RM1,900
		Anak ≥ 5	RM1,250	RM900	RM2,150
Warga Emas Tiada Pasangan (≥ 60 tahun)	RM5,000 dan ke bawah (1.3 juta penerima)	Tiada Anak	RM600	RM450	RM1,050
Bujang (21 – 59 tahun)	RM2,500 dan ke bawah (3.4 juta penerima)	Tiada Anak	RM600	-	RM600

Source: MoF

Figure 3: RHB's estimates on budget allocations for government social assistance programmes

		2025				2026			
		STR		SARA		STR		SARA	
Categories	**Number of recipients (m)**	**Amount (MYR)**	**Allocation (MYRm)**	**Amount (MYR)**	**Allocation (MYRm)**	**Amount (MYR)**	**Allocation (MYRm)**	**Amount (MYR)**	**Allocation (MYRm)**
Household Category 1	3.1	1,750*	5,425	900	2,790	1,450*	4,495	1,200	3,720
Household Category 2	1	875*	875	900	900	575*	575	1,200	1,200
Senior citizen	1.3	600	780	450	585	600	780	600	780
Single	3.4	600	2,040	-	-	-	-	600	2,040
All Malaysian adults	22	-	-	100	2,200	-	-	100	2,200
Total			**9,120**		**6,475**		**5,850**		**9,940**

*Note: *Average*
Source: MoF, RHB

Consumer sentiment could bottom out in 2026

By and large, the companies under our coverage observed a subdued consumer sentiment in 2025, chiefly dampened by inflationary pressures and uncertainties that arose from the US' tariff actions. That said, we believe consumer sentiment may improve in 2026, considering the clarity on the US' tariff policy, continuous fiscal support from the Government, healthy wage growth (second phase of civil servant salary increments, of 3-7%, takes effect in Jan 2026), strengthening of the MYR, mild inflation, and effects of the Overnight Policy Rate cut in 2025. Meanwhile, the Government's pledge to not reduce the subsidised fuel quota based on income levels is positive in containing the inflationary pressures.

Visit Malaysia Year 2026

This tourism campaign, which targets to achieve 47m visitor arrivals vs 38m as of 11M25, should bring about a direct positive impact in lifting the footfall of the retail industry, as well as drive consumption and boost spillover effects to broader economy. Amongst the stocks under our coverage, we expect Mynews (outlets in tourist-heavy locations, WHSmith exposure) and the breweries (higher consumption) – Heineken Malaysia and Carlsberg Brewery to benefit from the anticipated rising number of tourist arrivals.

Reduction of SST rate and raise in exemption threshold

On 5 Jan, Prime Minister Dato' Seri Anwar Ibrahim announced the lowering of the SST rate on rental services to 6% from 8%, and the higher exemption threshold of MYR1.5m from MYR1m in annual sales. This is positive for the retailers under our coverage – particularly those that have high network exposure in shopping malls, like Padini, Mynews, AEON and Focus Point. The reduction will translate to 25% savings from the incremental rental expenses from the SST expansion that took effect on Jul 2025. Meanwhile, AEON will stand to benefit as a landlord as well, when it comes to rental reversion with tenants.

Figure 4: Valuations of consumer stocks under our coverage

	FYE	Mkt Cap (MYRm)	P/E (x) FY26F	P/E (x) FY27F	EPS Growth (%) FY26F	EPS Growth (%) FY27F	P/BV (x) FY26F	P/CF (x) FY26F	ROE (%) FY26F	DY (%) FY26F
99 Speed Mart	Dec	32,676	44.2	41.7	17.2	6.0	16.4	31.3	39.3	1.6
Nestle	Dec	27,202	40.0	37.6	19.2	6.5	48.6	27.2	122.2	2.5
Mr DIY Group	Dec	16,301	22.2	20.6	11.9	7.8	7.4	14.8	34.3	3.8
Eco-Shop^	May	9,034	29.1	24.9	23.8	16.9	7.1	19.3	26.0	1.7
Heineken Malaysia	Dec	6,912	14.5	13.6	2.0	6.6	12.6	12.0	86.7	6.8
Carlsberg	Dec	5,283	14.1	13.5	1.9	4.2	18.5	11.9	132.2	7.0
Farm Fresh^	Mar	5,181	30.3	26.8	15.8	13.1	5.6	20.7	19.9	1.2
Leong Hup International	Dec	2,615	6.9	6.7	(6.6)	3.0	0.9	4.1	13.9	4.3
DXN^	Feb	2,561	6.5	5.8	26.1	12.2	1.6	5.4	25.8	7.7
Guan Chong	Dec	2,083	6.9	5.1	15.3	35.8	0.8	2.1	12.4	3.6
Padini	Jun	1,845	10.6	10.1	4.5	4.5	1.4	4.6	13.6	4.1
CCK Consolidated	Dec	826	1.9	1.7	7.0	12.0	0.2	1.2	12.0	15.9
Mynews Holdings	Oct	473	17.2	14.5	42.9	18.8	1.7	2.8	10.4	1.7
Focus Point	Dec	301	7.6	6.9	11.5	9.4	1.7	3.1	24.5	6.6
Farm Price	Dec	183	11.0	9.2	34.4	19.5	1.7	11.0	16.4	1.8
QL Resources^	Mar	14,638	33.3	31.8	(3.6)	5.0	4.0	18.5	12.9	1.3
Power Root^	Mar	514	14.6	12.9	34.1	13.9	1.7	11.5	11.6	5.8
Aeon Co (M)	Dec	1,544	10.0	9.3	4.8	7.2	0.7	2.0	7.6	5.0
Sector Simple Avg			**21.9**	**20.3**	**15.0**	**6.6**				

Note: ^FY26-27 valuations refer to those of FY27-28
Source: RHB, Bloomberg

19 January 2026

Consumer Non-cyclical | Food & Beverage Products

Nestle (M) (NESZ MK)

Buy (Maintained)

Resurgence Continues; Stay BUY

Target Price (Return):	MYR135 (+16%)
Price (Market Cap):	MYR116 (USD6,703m)
ESG score:	3.4 (out of 4)
Avg Daily Turnover (MYR/USD)	13.9m/3.35m

- **Maintain BUY, TP rises to MYR135 from MYR120, 16% upside with c.3% FY26F yield.** Growing market liquidity and sustained interest in the sector as a defensive shelter should drive a further valuation rerating for Nestle (M), following its solid share price rally in 2025. Hence, we upgrade our valuation, as we believe consumer stocks that offer earnings visibility – supported by resilient consumption and a domestic-centric earnings base – will continue to be favoured by investors to avoid prevailing external risks.
- **We raise our DCF-derived TP to MYR135** after revising the risk assumptions to reflect the abovementioned valuation rerating drivers. Our TP, which includes an 8% ESG premium, implies 46x FY26F P/E, or +1SD from the stock's 5-year mean. This is justified by its robust earnings growth outlook and positive investor sentiment on the consumer sector.
- **Outlook.** We view NESZ's ongoing resurgence as sustainable, premised on its effective marketing engagement efforts to stimulate consumer spending and normalise sentiment on its varied brands. On top of that, the fall in key commodity prices including that of cocoa, wheat, milk powder and sugar should propel its margin recovery, further bolstered by a stronger MYR. The higher budget allocation for the Sumbangan Asas Rahmah or SARA initiative bodes well for NESZ, in light of its entrenched market shares and brand equity, as well as its extensible range of staple product offerings. Overall consumption of staple food products should remain resilient, underpinned by wage growth and stable employment markets. This, together with NESZ;'s quality product offerings and entrenched distribution channels, should provide earnings visibility – notwithstanding the global economic challenges.
- **Downside risks to our recommendation** include sharp spikes in commodity prices and weaker-than-expected market shares of its brands.

Analyst

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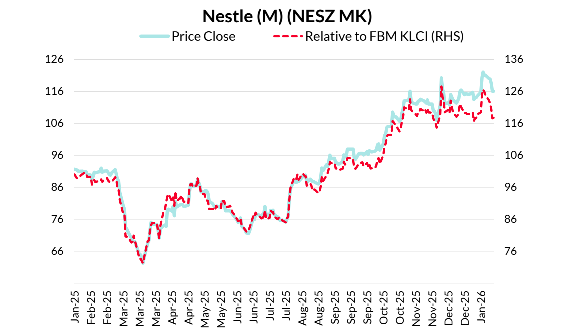
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.8	2.7	10.8	53.4	25.4
Relative	(0.1)	(1.2)	4.6	40.1	15.3
52-wk Price low/high (MYR)					62.2 – 122



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	7,051	6,225	6,909	7,393	7,689
Recurring net profit (MYRm)	750	452	570	680	724
Recurring net profit growth (%)	21.0	(39.8)	26.2	19.2	6.5
Recurring P/E (x)	36.25	60.20	47.69	40.00	37.56
P/B (x)	40.3	49.7	49.2	48.6	48.0
P/CF (x)	21.31	48.78	30.99	27.16	25.99
Dividend Yield (%)	2.3	1.5	2.1	2.5	2.6
EV/EBITDA (x)	24.26	33.82	26.78	23.39	22.16
Return on average equity (%)	101.4	68.0	103.6	122.2	128.5
Net debt to equity (%)	105.0	199.7	179.9	165.8	159.9

Source: Company data, RHB

Overall ESG Score: 3.4 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.7 (EXCELLENT)
G Score: 3.7 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

There was a material YoY reduction in NESZ's emissions in 2024, largely thanks to the ongoing operation of its biomass boiler and a series of targeted efficiency improvements across its operations.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	59,920	52,073	42,186	na
Scope 2	na	662	1,961	na
Scope 3	10,913	20,515	16,208	na
Total emissions	70,833	73,250	60,355	na

Source: Company data, RHB

Latest ESG-Related Developments

NESZ has progressed ahead of its commitment to reduce 50% of total emissions by 2030.

It remains actively engaged in reforestation efforts through Project RELead, having >2m trees planted as of 2024 vs its target of 3m trees by 2025.

It has also provided employment opportunities to 386 young professionals, while training and engaging nearly 25,000 youths through various initiatives.

ESG Unbundled

Overall ESG Score: 3.4 (out of 4)

Last Updated: April 2025

E Score: 3.0 (GOOD)

NESZ has been able to achieve key milestones, as it works towards long-term targets: Achieving plastic neutrality by 2025, reducing GHG emissions by at least 50% from its 2018 baseline by 2030, and ensuring that 95% of its plastic packaging is designed for recycling by 2025.

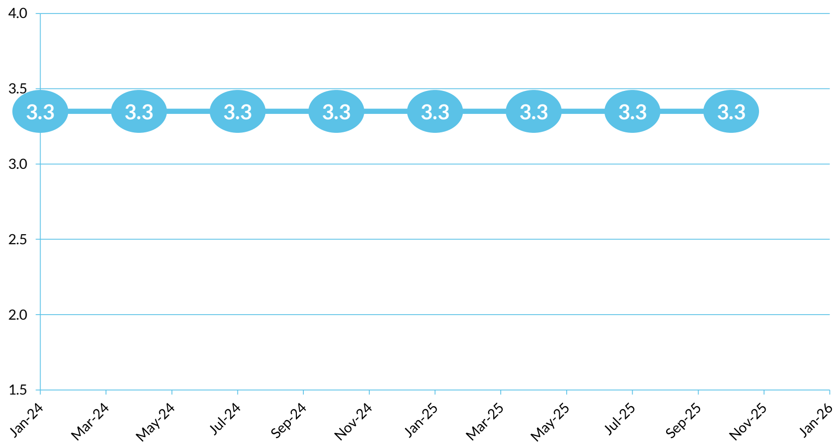
S Score: 3.7 (EXCELLENT)

NESZ continues to champion healthier lifestyles by introducing innovative products, further expanding its portfolio of products certified with the Ministry of Health's Healthier Choice Logo (HCL). As of 2024, 49 of its products or 25% of its entire product range are HCL-certified.

G Score: 3.7 (EXCELLENT)

A comprehensive governance framework ensures transparency, accountability and trust across its operations and value chain, from sourcing raw materials to delivering products to consumers.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Non-cyclical
Nestle (M)
NESZ MK
Buy

Valuation basis

DCF

Key drivers

i. Buoyant consumer sentiment;
ii. Market share gains.

Key risks

i. Sharp rise in production costs;
ii. Intense competition.

Company Profile

Nestle (M) markets and sells powdered milk and drinks, liquid milk and juices, instant coffee, and instant noodles. The company also manufactures and provides packaging for culinary and chocolate-based food products and trades flavouring ingredients.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	3.20	1.93	2.43	2.90	3.09
DPS	2.68	1.79	2.41	2.87	3.06
BVPS	2.88	2.33	2.36	2.39	2.42
Return on average equity (%)	101.4	68.0	103.6	122.2	128.5

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	36.25	60.20	47.69	40.00	37.56
P/B (x)	40.3	49.7	49.2	48.6	48.0
FCF Yield (%)	3.4	1.0	2.7	2.9	2.7
Dividend Yield (%)	2.3	1.5	2.1	2.5	2.6
EV/EBITDA (x)	24.26	33.82	26.78	23.39	22.16
EV/EBIT (x)	29.71	46.46	34.59	29.41	27.79

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	7,051	6,225	6,909	7,393	7,689
Gross profit	2,231	1,885	2,142	2,336	2,460
EBITDA	1,150	837	1,053	1,203	1,268
Depreciation and amortisation	(211)	(228)	(238)	(246)	(257)
Operating profit	939	609	815	956	1,012
Net interest	(61)	(64)	(65)	(62)	(59)
Pre-tax profit	879	544	750	895	953
Taxation	(219)	(129)	(180)	(215)	(229)
Reported net profit	660	415	570	680	724
Recurring net profit	750	452	570	680	724

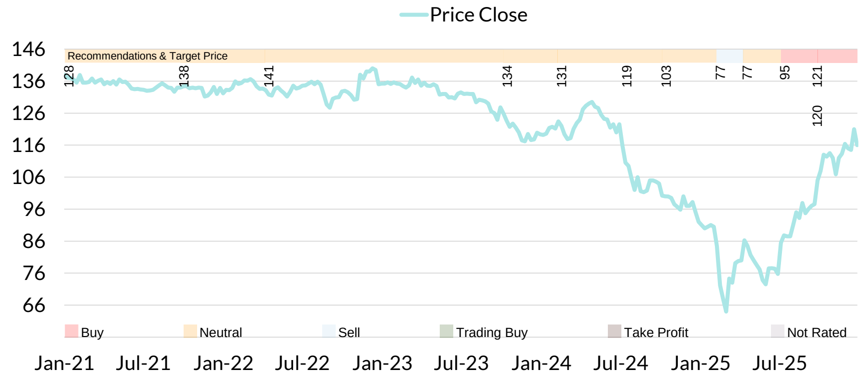
Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	213	(72)	5	14	8
Cash flow from operations	1,276	558	878	1,002	1,047
Capex	(353)	(280)	(150)	(200)	(300)
Cash flow from investing activities	(350)	(295)	(150)	(200)	(300)
Dividends paid	(628)	(420)	(565)	(673)	(717)
Cash flow from financing activities	(605)	(497)	(684)	(785)	(826)
Cash at beginning of period	8	11	11	55	72
Net change in cash	321	(235)	44	17	(79)
Ending balance cash	329	(224)	55	72	(7)

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	11	11	55	72	43
Tangible fixed assets	1,750	1,810	1,722	1,675	1,669
Total assets	3,569	3,650	3,729	3,789	3,807
Short-term debt	420	805	750	700	650
Total long-term debt	300	300	300	300	300
Total liabilities	2,894	3,102	3,175	3,229	3,240
Total equity	675	548	553	560	567
Total liabilities & equity	3,569	3,650	3,729	3,789	3,807

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	5.8	(11.7)	11.0	7.0	4.0
Recurrent EPS growth (%)	21.0	(39.8)	26.2	19.2	6.5
Gross margin (%)	31.6	30.3	31.0	31.6	32.0
Operating EBITDA margin (%)	16.3	13.4	15.2	16.3	16.5
Net profit margin (%)	9.4	6.7	8.3	9.2	9.4
Dividend payout ratio (%)	95.3	101.0	99.0	99.0	99.0
Capex/sales (%)	5.0	4.5	2.2	2.7	3.9
Interest cover (x)	15.5	9.5	12.6	15.6	17.3

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-10-28	Buy	120	107
2025-10-17	Buy	121	105
2025-07-25	Buy	95	86
2025-04-29	Neutral	77	84
2025-02-26	Sell	77	88
2024-10-25	Neutral	103	100
2024-07-26	Neutral	119	116
2024-02-28	Neutral	131	124
2023-10-26	Neutral	134	125
2023-07-27	Neutral	141	132
2023-04-25	Neutral	141	137
2023-02-21	Neutral	141	135
2022-10-26	Neutral	141	133
2022-04-26	Neutral	141	133
2022-02-22	Neutral	138	136

Source: RHB, Bloomberg

19 January 2026

Consumer Non-cyclical | Food Products

Farm Fresh (FFB MK)

Buy (Maintained)

Multiple Growth Levers Driving Sustainable Growth

Target Price (Return):	MYR3.26 (+17%)
Price (Market Cap):	MYR2.80 (USD1,300m)
ESG score:	3.3 (out of 4)
Avg Daily Turnover (MYR/USD)	21.7m/5.26m

- **Maintain BUY, new TP of MYR3.26 from MYR3.03, 17% upside with c.1% FY26F (Mar) yield.** Growing market liquidity and sustained interest in the consumer sector as a defensive shelter will drive a further valuation rerating, following solid share price rallies in 2025. Hence, we turn more aggressive with our valuation for Farm Fresh, as we believe consumer stocks that offer earnings visibility – supported by resilient consumption and a domestic-centric earnings base – will remain favoured by investors to avoid prevailing external risks.
- **We raise our DCF-derived TP to MYR3.26** after revising the risk assumptions to reflect the abovementioned valuation rerating drivers. Our TP, which has a 6% ESG premium built in, implies 36x FY27F P/E, which is at a 20% discount to the valuations ascribed to FFB's larger-cap consumer peers. This is justified by the company's robust earnings growth outlook and positive investor sentiment on the sector.
- **Outlook.** FFB's deepening market penetration of new products to leverage on its brand equity and new ice cream production lines should continue to sustain its growth. Margins should remain elevated, with stable input costs and an improving product mix. We look forward to the completion of its Bandar Enstek, Negeri Sembilan ice cream plant (3x capacity), which is expected to contribute commercially by mid-2026. On the other hand, the group is making inroads into the Cambodia market, capitalising on the geopolitical tensions there – and the initial results are encouraging. This, together with the positive progress of its expansion in the Philippines, as well as its potential foray into the populous Indonesia market, should diversify and underpin FFB's longer-term earnings growth prospects.
- **Downside risks to our recommendation** include major delays in fleshing out its expansion plans and a sharp rise in input costs.

Analyst

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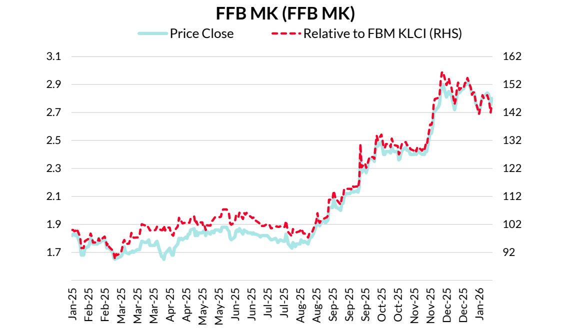
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(1.4)	1.4	16.7	58.2	54.7
Relative	(3.3)	(2.5)	10.5	44.9	44.6
52-wk Price low/high (MYR)					1.65 –2.93



Source: Bloomberg

Forecasts and Valuation	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Total turnover (MYRm)	810	981	1,186	1,364	1,524
Recurring net profit (MYRm)	63	107	146	169	191
Recurring net profit growth (%)	9.8	70.2	36.2	15.8	13.1
Recurring P/E (x)	82.67	48.58	35.67	30.80	27.24
P/B (x)	7.8	7.4	6.5	5.8	5.1
P/CF (x)	38.53	33.26	25.62	21.03	19.71
Dividend Yield (%)	0.4	0.7	1.0	1.1	1.3
EV/EBITDA (x)	39.72	27.95	20.27	16.93	14.63
Return on average equity (%)	9.8	15.6	19.5	19.9	19.8
Net debt to equity (%)	35.8	37.8	33.6	28.2	25.8

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.3 (EXCELLENT)
G Score: 3.7 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

FFB's emissions have been rising in tandem with its business expansion and the ramp-up in production activities.

Emissions (tCO2e)	Mar-23	Mar-24	Mar-25	Mar-26
Scope 1	52,358	61,513	na	na
Scope 2	15,156	25,829	na	na
Scope 3	1,378	2,514	na	na
Total emissions	68,892	89,856	na	na

Source: Company data, RHB

Latest ESG-Related Developments

FFB expanded its reach into the growing-up milk segment with the launch of Farm Fresh Grow, complemented by an educational campaign to emphasise its commitment to delivering milk that only contains necessary nutrition.

In Jun 2023, FFB commenced and invested MYR1m in multi-dimensional human capital development programmes to support hardcore poor students in the areas of education, nutrition and living standards.

From Sep 2022 to Jun 2023, its Milk On Tap initiative has contributed to the reduction in usage of 140,000 plastic bottles, simultaneously avoiding the usage of more than 7,300kg of plastic for packaging.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: May 2025

E Score: 3.0 (GOOD)

FFB has completed a group-wide carbon footprint inventory exercise based on Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, and aims to reduce 25% of its GHG emissions in five years. It also uses sustainable packaging for its ultra-high temperature or UHT products, and has regenerative agriculture processes and efficient water management in place.

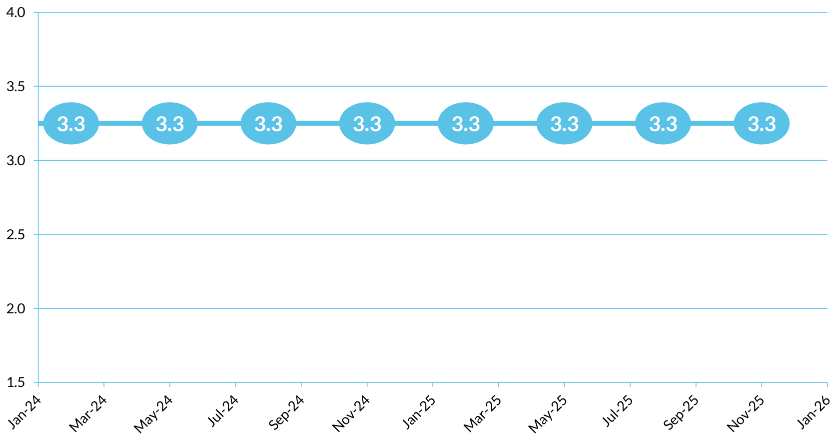
S Score: 3.3 (EXCELLENT)

Practices drafted by the Safety, Health and Environment Committee are reviewed and guidelines abided with. It also empowers local communities through the employment of rural demographics and engaging in internship programmes with local universities. Its farms have also attained the Certified Humane Raised and Handled Human certification.

G Score: 3.7 (EXCELLENT)

FFB has adopted the recommendations of the Malaysian Code on Corporate Governance, with independent directors comprising more than 50% of the Board. Women make up about 40% of board members.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Non-cyclical
Farm Fresh
FFB MK
Buy

Valuation basis

DCF

Key drivers

i. Market share gains;
ii. Expansion into new overseas markets;
iii. Growing health consciousness amongst consumers

Key risks

i. Sharp hike in raw material costs;
ii. Intense competition;
iii. Major delay in expansion plans.

Company Profile

Farm Fresh operates a fast-growing vertically integrated dairy group engaged in farming, manufacturing and distributing various dairy and plant-based products.

Financial summary (MYR)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Recurring EPS	0.03	0.06	0.08	0.09	0.10
DPS	0.01	0.02	0.03	0.03	0.04
BVPS	0.36	0.38	0.43	0.49	0.55
Return on average equity (%)	9.8	15.6	19.5	19.9	19.8

Valuation metrics	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Recurring P/E (x)	82.67	48.58	35.67	30.80	27.24
P/B (x)	7.8	7.4	6.5	5.8	5.1
FCF Yield (%)	(1.2)	1.0	1.2	2.1	2.8
Dividend Yield (%)	0.4	0.7	1.0	1.1	1.3
EV/EBITDA (x)	39.72	27.95	20.27	16.93	14.63
EV/EBIT (x)	62.45	40.34	27.30	22.75	19.75

Income statement (MYRm)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Total turnover	810	981	1,186	1,364	1,524
Gross profit	216	315	395	461	521
EBITDA	133	190	263	314	362
Depreciation and amortisation	(49)	(58)	(68)	(80)	(94)
Operating profit	85	132	195	233	268
Net interest	(16)	(17)	(17)	(17)	(17)
Pre-tax profit	69	115	178	217	251
Taxation	(6)	(8)	(20)	(28)	(35)
Reported net profit	64	106	146	169	191
Recurring net profit	63	107	146	169	191

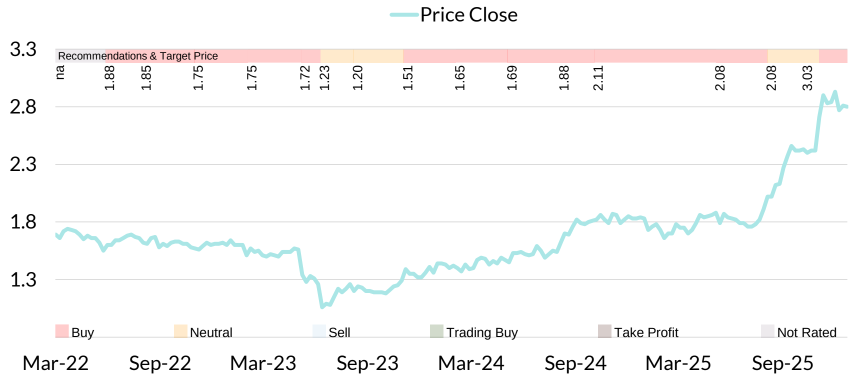
Cash flow (MYRm)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Change in working capital	3	(62)	(27)	(19)	(37)
Cash flow from operations	135	156	203	247	264
Capex	(197)	(107)	(140)	(140)	(120)
Cash flow from investing activities	(197)	(107)	(140)	(140)	(120)
Dividends paid	(22)	(37)	(51)	(59)	(67)
Cash flow from financing activities	25	(68)	(46)	(76)	(83)
Cash at beginning of period	23	58	59	78	92
Net change in cash	(38)	(18)	18	31	61
Ending balance cash	(15)	40	76	110	152

Balance sheet (MYRm)	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Total cash and equivalents	158	123	142	156	153
Tangible fixed assets	495	513	586	666	732
Total investments	176	188	188	188	188
Total assets	1,280	1,348	1,478	1,606	1,721
Short-term debt	68	68	70	70	70
Total long-term debt	338	330	350	350	350
Total liabilities	587	620	653	669	684
Total equity	693	728	825	937	1,037
Total liabilities & equity	1,280	1,348	1,478	1,606	1,721

Key metrics	Mar-24	Mar-25	Mar-26F	Mar-27F	Mar-28F
Revenue growth (%)	28.7	21.1	20.8	15.0	11.8
Recurrent EPS growth (%)	9.8	70.2	36.2	15.8	13.1
Gross margin (%)	26.7	32.1	33.3	33.8	34.2
Operating EBITDA margin (%)	16.5	19.4	22.1	23.0	23.7
Net profit margin (%)	7.8	10.8	12.3	12.4	12.5
Dividend payout ratio (%)	35.1	35.1	35.0	35.0	35.0
Capex/sales (%)	24.4	10.9	11.8	10.3	7.9
Interest cover (x)	5.03	7.47	10.59	12.35	14.17

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-11-27	Buy	3.03	2.70
2025-08-28	Neutral	2.08	1.93
2025-05-29	Buy	2.08	1.88
2024-10-28	Buy	2.11	1.83
2024-08-29	Buy	1.88	1.62
2024-05-30	Buy	1.69	1.49
2024-02-28	Buy	1.65	1.42
2023-11-29	Buy	1.51	1.36
2023-09-01	Neutral	1.20	1.20
2023-07-05	Neutral	1.23	1.10
2023-05-31	Buy	1.72	1.34
2023-02-26	Buy	1.75	1.51
2022-11-24	Buy	1.75	1.55
2022-08-25	Buy	1.85	1.63
2022-06-21	Buy	1.88	1.55

Source: RHB, Bloomberg

19 January 2026

Consumer Non-cyclical | Retail - Staples

99 Speed Mart Retail Holdings
(99SMART)

Positive Outlook In The Price; D/G To NEUTRAL

Neutral (from Buy)

Target Price (Return):	MYR4.06 (+5%)
Price (Market Cap):	MYR3.85 (USD7,969m)
ESG score:	3.0 (out of 4)
Avg Daily Turnover (MYR/USD)	34.8m/8.41m

- **Cut to NEUTRAL from Buy, new TP of MYR4.06 from MYR3.56, 5% upside with c.2% FY26F yield.** We raise our valuation in view of the growing market liquidity, and think that consumer stocks that offer earnings visibility (supported by resilient consumption and domestic-centric earnings) will continue to be favoured by investors to avoid prevailing external risks. Whilst we acknowledge 99 Speed Mart Retail's strategic market position to capitalise on fiscal support programmes and capture the steady consumer spending, its lofty valuation may have largely priced in the positives.
- **We raise our DCF-derived TP to MYR4.06** after revising the risk assumptions to reflect the abovementioned valuation rerating drivers. The TP incorporates no ESG adjustments and implies 46x FY26F P/E, which is in line with the valuation we ascribed to its peer, Nestle (M) (NESZ MK, BUY, TP: MYR136). This is justified by its robust earnings growth outlook and the positive sentiment on the consumer sector.
- **Outlook.** The Government's fiscal policy to increase the budget allocation for the Sumbangan Asas Rahmah or SARA initiative in 2026 is positive for 99SMART, considering its established market position and brand equity. It now has more than 2,000 outlets activated for initiative, and targets to add more participating stores. 99SMART is well-positioned to benefit from the rise in disposable income of the lower-income groups, as well as the downtrading consumption trends as a result of elevated inflationary pressures – given its extensive store network and consumers' preference for mini-markets to shop for groceries. Meanwhile, we believe its longer-term earnings growth should be sustained by strategies to expand its addressable markets. These include diversifying its sourcing options to enhance its product offerings, developing its bulk sales platform, and expanding beyond the Malaysian market.
- **Downside risks to our recommendation** include reputational or brand risks, and unfavourable changes to the SARA initiative. The opposite of these would constitute upside risks.

Analyst

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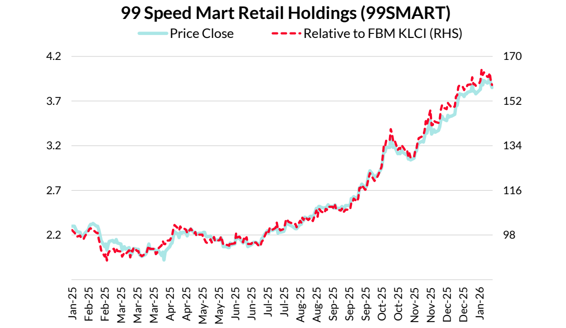
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	1.0	5.5	23.0	73.4	68.9
Relative	(0.9)	1.6	16.8	60.1	58.8
52-wk Price low/high (MYR)					1.92 –3.96



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	9,214	9,982	11,310	12,500	13,500
Recurring net profit (MYRm)	401	517	629	741	812
Recurring net profit growth (%)	150.6	28.8	21.7	17.9	9.5
Recurring P/E (x)	80.62	62.58	51.42	43.62	39.83
P/B (x)	59.7	20.5	18.3	16.3	14.5
P/CF (x)	43.60	66.54	36.40	30.85	27.95
Dividend Yield (%)	1.5	0.3	1.4	1.6	1.8
EV/EBITDA (x)	39.13	32.41	25.96	22.39	20.42
Return on average equity (%)	69.2	46.2	37.6	39.5	38.4
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.0 (out of 4)

E Score: 3.1 (EXCELLENT)
S Score: 3.0 (GOOD)
G Score: 2.7 (GOOD)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis
N/A

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	na	na	13,443	na
Scope 2	na	na	183,487	na
Scope 3	na	na	19,038	na
Total emissions	na	na	215,968	na

Source: Company data, RHB

Latest ESG-Related Developments

99SMART started tracking and reporting its Scope 1, 2 and 3 greenhouse gas emissions in FY24.

It has also installed solar photovoltaic systems at 15 distribution centres and 65 outlets, achieving a 34% energy replacement rate.

It has recruited 100% local employees at the branch level, and 130 differently-abled individuals. 99SMART has a local product sourcing rate of 99%.

ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

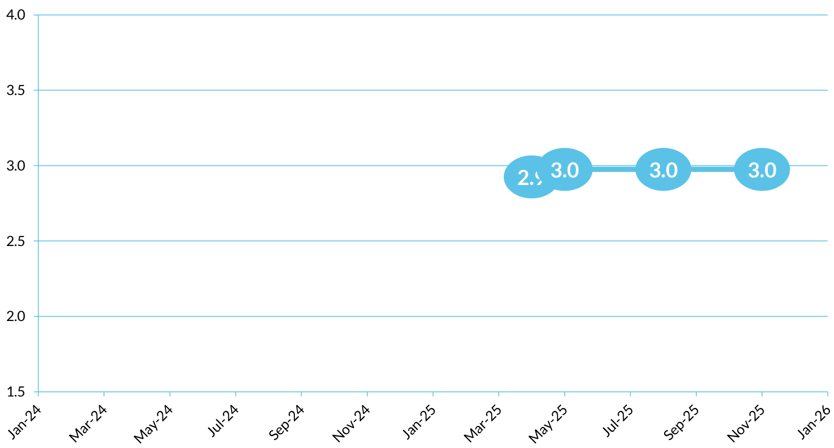
Last Updated: May 2025

E Score: 3.0 (GOOD)
99SMART follows ISO 14001 guidelines to reduce carbon dioxide emissions and monitors energy emissions, including noise and smoke. Since May 2023, its "Say No to Plastic Bags" campaign aims to eliminate plastic bags in its West Malaysia outlets, and it plans to extend this to East Malaysia.

S Score: 3.0 (GOOD)
With over 20,000 Malaysian employees, the company prioritises local hires – especially in rural areas. Approximately 95% of the workforce comprises Malaysians, with a balanced gender distribution. It actively engages in community support through direct donations, goods distribution, and collaboration with non-governmental organisations.

G Score: 2.7 (GOOD)
It adheres to high standards of corporate governance, guided by the Malaysian Code on Corporate Governance. Over 50% of its board members are independent directors.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Consumer Non-cyclical
99 Speed Mart Retail Holdings
99SMART
Neutral

Valuation basis

DCF

Key drivers

i. Outlet network expansion;
ii. Strong growth in disposable income;
iii. Positive traction of its bulk sales platform.

Key risks

Downside risks are:
i. Reputational or brand risks;
ii. Intense competition;
iii. Sharp rise in opex.

The opposite circumstances would constitute upside risks.

Company Profile

99 Smart Mart Retail operates the well-known 99 Speedmart chain of mini-markets involved in retailing fast-moving consumer goods across Malaysia.

Financial summary (MYR)	**Dec-23**	**Dec-24**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Recurring EPS	0.05	0.06	0.07	0.09	0.10
DPS	0.06	0.01	0.05	0.06	0.07
BVPS	0.06	0.19	0.21	0.24	0.27
Return on average equity (%)	69.2	46.2	37.6	39.5	38.4

Valuation metrics	**Dec-23**	**Dec-24**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Recurring P/E (x)	80.62	62.58	51.42	43.62	39.83
P/B (x)	59.7	20.5	18.3	16.3	14.5
FCF Yield (%)	1.8	1.0	2.3	2.7	3.1
Dividend Yield (%)	1.5	0.3	1.4	1.6	1.8
EV/EBITDA (x)	39.13	32.41	25.96	22.39	20.42
EV/EBIT (x)	54.07	43.74	34.27	29.11	26.52

Income statement (MYRm)	**Dec-23**	**Dec-24**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Total turnover	9,214	9,982	11,310	12,500	13,500
Gross profit	1,030	1,104	1,289	1,450	1,593
EBITDA	804	950	1,181	1,363	1,488
Depreciation and amortisation	(222)	(246)	(286)	(315)	(342)
Operating profit	582	704	895	1,049	1,145
Net interest	(44)	(45)	(45)	(47)	(48)
Pre-tax profit	538	659	850	1,002	1,097
Taxation	(138)	(168)	(221)	(260)	(285)
Reported net profit	400	490	629	741	812
Recurring net profit	401	517	629	741	812

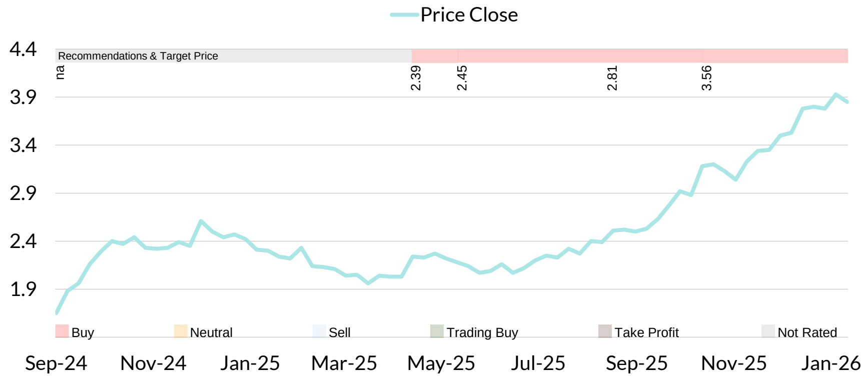
Cash flow (MYRm)	**Dec-23**	**Dec-24**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Change in working capital	244	(328)	(84)	(47)	(42)
Cash flow from operations	742	486	888	1,048	1,157
Capex	(160)	(171)	(153)	(165)	(165)
Cash flow from investing activities	(159)	(363)	(153)	(165)	(165)
Dividends paid	(391)	(200)	(440)	(519)	(568)
Cash flow from financing activities	(530)	238	(684)	(786)	(856)
Cash at beginning of period	85	138	698	750	847
Net change in cash	53	361	52	97	136
Ending balance cash	138	498	750	847	983

Balance sheet (MYRm)	**Dec-23**	**Dec-24**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Total cash and equivalents	138	698	750	847	983
Tangible fixed assets	479	576	643	713	776
Total investments	774	866	928	970	993
Total assets	2,666	3,561	3,920	4,293	4,648
Short-term debt	5	3	5	5	5
Total long-term debt	47	0	0	0	0
Total liabilities	2,125	1,982	2,153	2,303	2,414
Total equity	542	1,579	1,768	1,990	2,234
Total liabilities & equity	2,666	3,561	3,920	4,293	4,648

Key metrics	**Dec-23**	**Dec-24**	**Dec-25F**	**Dec-26F**	**Dec-27F**
Revenue growth (%)	14.1	8.3	13.3	10.5	8.0
Recurrent EPS growth (%)	150.6	28.8	21.7	17.9	9.5
Gross margin (%)	11.2	11.1	11.4	11.6	11.8
Operating EBITDA margin (%)	8.7	9.5	10.4	10.9	11.0
Net profit margin (%)	4.3	4.9	5.6	5.9	6.0
Dividend payout ratio (%)	122.6	20.4	70.0	70.0	70.0
Capex/sales (%)	1.7	1.7	1.3	1.3	1.2
Interest cover (x)	13.2	15.6	19.9	22.3	23.8

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-10-17	Buy	3.56	3.18
2025-08-19	Buy	2.81	2.45
2025-05-16	Buy	2.45	2.18
2025-04-17	Buy	2.39	2.18

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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