CONSUMER

***Maintain* POSITIVE**

Sanguine Outlook

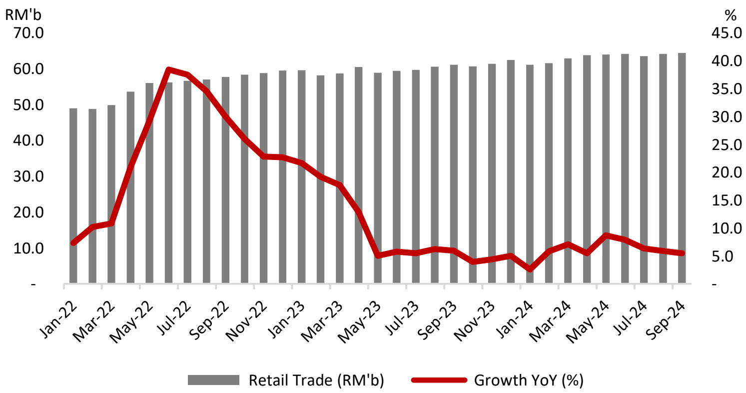
KEY INVESTMENT HIGHLIGHTS

- **Retail: Solid Domestic Retail Trade and a Tourism Boom Propel Growth**
- **F&B: Commodity price declines to boost margins despite cocoa price pressures**
- **Poultry: Lower Poultry Products Price and Lower feed costs**
- **Currency: Weakening MYR in October 2024.**
- **Maintain POSITIVE on Consumer Sector with F&N (BUY, TP: RM36.77), and AEON (BUY, TP: RM1.67) as our top picks**

Retail: Solid Domestic Retail Trade and a Tourism Boom Propel Growth

Retail spending sustains strong growth. Malaysia's retail trade maintained a robust pace, growing +5.5%yoy in September 2024 to RM64.4b, bringing cumulative consumption to RM569.3b in 9MCY24, up from RM536.4b in the same period of 2023. This expansion was mainly supported by strong demand in food & beverage (F&B), tobacco, and non-specialized stores. Resilient labour market conditions further supported retail sales, with the unemployment rate steady at 3.2% and the labour force participation rate inching up from 70.4% in August 2024 to 70.5% in September 2024. Additionally, headline inflation moderated to +1.8%yoy in September 2024, which bodes well for consumer purchasing power. Moving into CY25, we expect the upward momentum in retail sales to persist, aided by stable employment, easing inflation, and increases in disposable income from government measures such as enhanced cash handouts, minimum wage hike, and salary increments for civil servants. Additionally, the gradual tourism recovery is anticipated to further fuel retail demand, benefiting consumer staples and general merchandise retailers. We see **Aeon (BUY, TP: RM1.67)** as particularly well-positioned to capture this growth, with resilient domestic consumption likely to support strong top-line expansion in CY25.

Chart 1: Malaysia's Monthly Retail Trade



DOSM, MIDFR

COMPANY IN FOCUS

Fraser & Neave Holdings Berhad
Maintain **BUY** | Unchanged Target Price: RM36.77
Price @ 18th Nov 2024: RM28.30

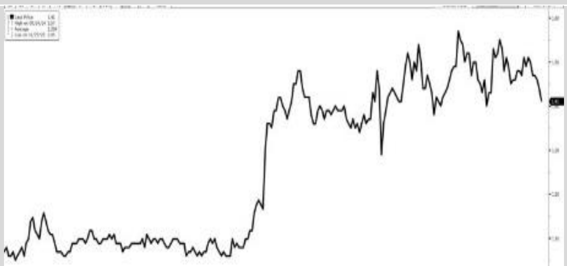
- Capitalize on the robust OOH beverages consumption.
- Benefit from the high temperatures prevalent across SEA and the return of tourists' arrivals.
- Integration of Sri Nona and Cocoaland to expand food pillar businesses

Share price chart

Aeon Co. (M) Berhad
Maintain **BUY** | Unchanged Target price: RM1.67
Price @ 18th Nov 2024: RM1.41

- 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

Share price chart



Analyst(s)
Eunice Ng Qing Rong
Eunice.ng@midf.com.my

Table 1: Malaysia's monthly key statistics for Sep 2024

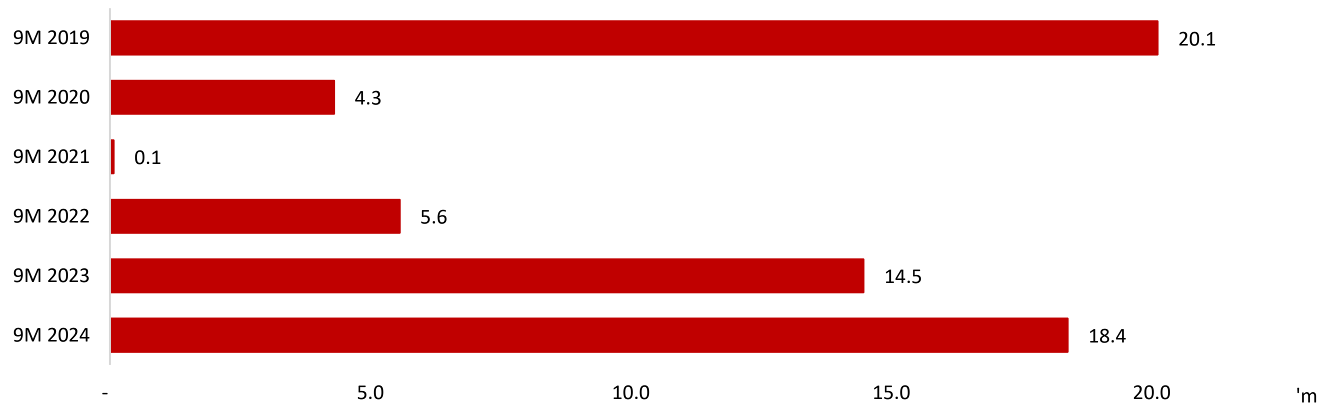
Data	Monthly Data					Cumulative		
	Sep-24	Aug-24	Sep-23	YoY	MoM	9MCY24	9MCY23	YoY
Retail Trade (RM'b)	**64.42**	**64.12**	**61.07**	**5.5%**	**0.5%**	**569.33**	**536.40**	**6.1%**
Non-specialized Stores	24.65	24.77	23.21	6.2%	-0.5%	219.23	204.79	7.1%
F&B and Tobacco	4.10	4.05	3.83	7.2%	1.2%	36.00	33.44	7.6%
Household Equipment	7.44	7.31	7.18	3.8%	1.9%	65.52	62.70	4.5%
Others in Specialized Stores	13.43	13.22	12.71	5.7%	1.6%	119.24	109.89	8.5%
Unemployment rate (%)	3.20	3.20	3.40	-0.2ppt	0.0			

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 revival fuels consumer sector growth. Malaysia's consumer sector continues to experience strong tailwinds from the recovery in tourism, which has driven a significant increase in consumer demand. According to Tourism Malaysia, international tourist arrivals surged to 18.4m in the first nine months of 2024, compared to 14.5m in the same period of 2023, underscoring the robust momentum following eased travel restrictions. We believe this sustained rise in visitor numbers will continue to fuel growth in tourism-related spending, which has been a crucial driver for consumer-facing industries, particularly within the F&B and retail segments. This positive trend should benefit companies in these sectors under our coverage, especially **Spritzer (NEUTRAL, TP: RM2.78),** as higher tourist footfall is likely to maintain strong demand for bottled water. As Malaysia continues to attract high volumes of tourists, we expect consumer activity tied to travel and hospitality to provide enduring support for growth across the sector.

Chart 2: Tourist Arrivals to Malaysia



Sources: Tourism Malaysia, MIDFR

Strong growth prospects for Malaysia's consumer sector in 2025. The consumer sector in Malaysia is poised for solid growth in 2025, driven by a combination of favourable economic conditions and strategic policy measures. Key factors supporting this growth include (1) a strong labour market with positive income prospects, (2) continued demand for essential goods, (3) targeted consumer support measures in Budget 2025, and (4) a steady rise in tourist arrivals, all of which will support consumer spending across various segments. As households benefit from enhanced financial support, both essential and discretionary sectors are expected to thrive. Companies like **QL Resources and F&N**, which provide everyday necessities, are well-positioned to capture stable demand. Meanwhile, retailers such as **Padini (BUY, TP: RM4.30)** and **Aeon (BUY, TP: RM1.67),** known for its affordable yet quality offerings, will likely see increased foot traffic and sales volumes. This combination of factors will provide a strong tailwind for the entire consumer sector, driving growth and heightened retail activity throughout 2025.

F&B: Commodity Price Declines to Boost Margins Despite Cocoa Price Pressures

Mixed Commodity Trends Provide Varied Cost Implications for Food Producers. October 2024 commodity trends present a mixed outlook for Malaysia's food producers, with notable price fluctuations across key inputs. Cocoa, arabica, and robusta prices continued its upward trend as of October 2024, rising +71.5%yoy, +60.6%yoy, and +95.8%yoy, respectively, which could exert cost pressure on chocolate and coffee producers. However, other critical inputs like wheat, sugar, and PET resin have seen declines of approximately -0.2%yoy, -19.8%yoy, and -8.3%yoy, respectively, potentially lowering input costs for staple goods and packaging. This overall softening in select commodity prices is expected to help food producers like **Hup Seng Industries (NEUTRAL, TP: RM1.04)** and **Nestle Malaysia (NEUTRAL, TP: RM101.90)** balance cost pressures. Nestle, in particular, benefits from its strong brand equity and pricing power, enabling it to manage increased cocoa costs without significantly impacting demand.

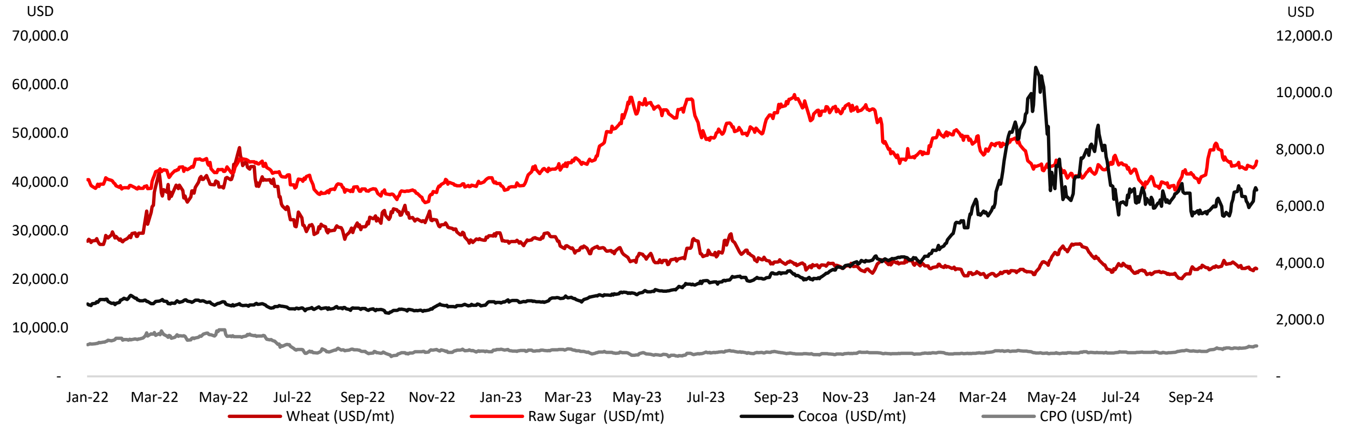
Table 2: October 2024 Average Commodities Futures Prices for F&B Producers

Commodities	Oct-24	Sep-24	Oct-23	YoY (%)	MoM (%)	Remarks
Wheat (USD/mt)	22,703	22,266	22,741	(-0.2)	2.0	Year-on-year: Lower prices were due to improved supply conditions from key wheat-producing regions like the EU and North America. The easing of extreme weather conditions and better yields have contributed to higher stockpiles globally. Month-on-month: Increased prices due to ongoing geopolitical tensions between Russia and Ukraine, which continue to disrupt export routes.
Cocoa (USD/mt)	6,186	5,895	3,607	71.5	4.9	Year-on-year: Prices soared due to anticipated supply disruptions in Western Africa caused by extreme rainfall and the cocoa swollen shoot virus. Month-on-month: Higher prices was due to the expectation of low production yield ahead due to the reason mentioned above.
Raw Sugar (USD/mt)	43,541	43,522	54,302	(-19.8)	0.0	Year-on-year: Prices reduced due to record sugarcane crushing in Brazil and better-than-expected sugar production in India and Thailand, despite adverse weather in major producing countries. Month-on-month: Price remains flat as the market anticipates stable weather.
CPO (USD/mt)	1,010	916	782	29.1	10.3	Year-on-year: Prices peaked due to near-term tightness in palm oil inventory and concerns over lower supplies. Month-on-month: Prices surge mom due to local supply concerns and increased SBO demand, driven by short-term risks of La Niña impacts.
White Sugar (USD/mt)	831	809	931	(-10.7)	2.7	Year-on-year: Lower prices aligned with reduced raw sugar prices as the market saw higher sugar production from major producing countries. Month-on-month: Higher prices mainly driven by expectations of tight supplies.
Arabica (USD/mt)	5,103	5,138	3,177	60.6	(-0.7)	Year-on-year: Higher prices due to concerns about global supply shortages in most exporting countries, shrinking inventories, and continuously strong demand for Arabica coffee beans. Month-on-month: Prices dropped reflecting a short-term correction after prices surged early this year.
Robusta (USD/mt)	4,501	4,687	2,299	95.8	(-4.0)	Year-on-year: High prices were mainly due to market concerns about supply impacted by drier weather in Vietnam, affecting crops. Month-on-month: Prices dropped reflecting a short-term correction after prices surged early this year.
PET Resin (USD/mt)	903	907	985	(-8.3)	(-0.4)	Year-on-year: Decreased prices reflect stabilized crude oil prices and a recovery in raw material supply chains, which have eased production costs. Month-on-month: Lower price due to lower crude oil prices providing a consistent cost base for producers.

Sources: Bloomberg, USDA, MIDFR

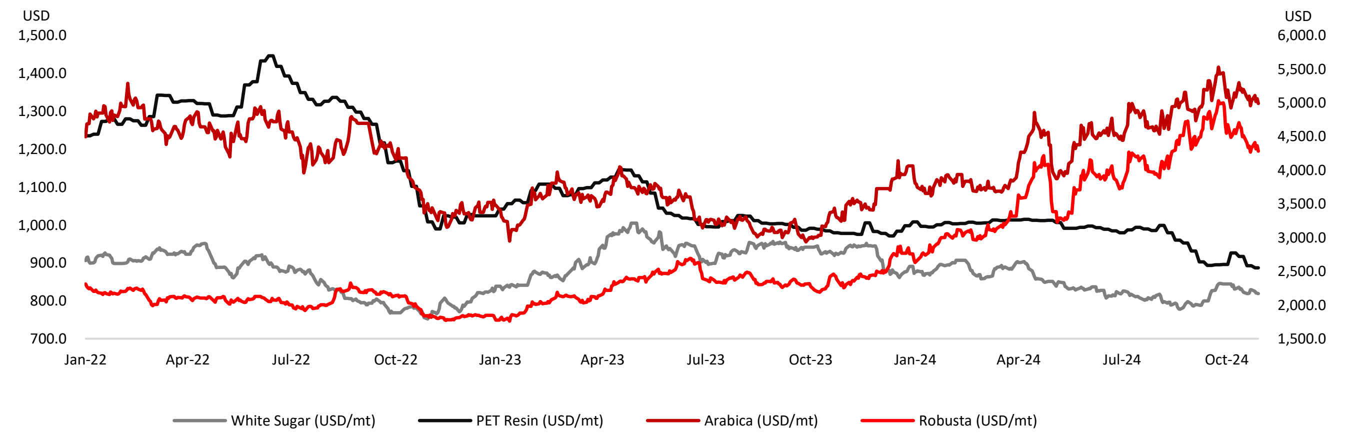
****Pet resin = Polyethylene terephthalate*

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



Sources: Bloomberg, MIDFR

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



Sources: Bloomberg, MIDFR

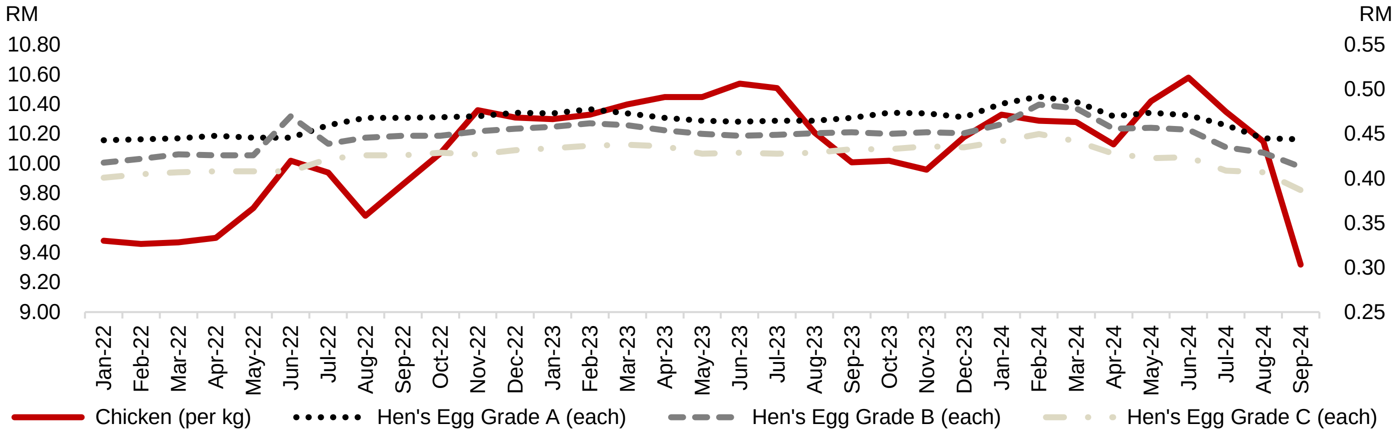
Poultry: Lower Poultry Product Price and Lower Feed Costs

Decline in egg and chicken prices in September 2024. In September 2024, the prices of chicken and eggs showed a notable decline compared to the previous month and year. The average price of chicken fell to RM9.32 per kg, marking a decrease of -6.9%yoy and a more significant drop of -8.2%mom. Similarly, egg prices also saw a decrease across all grades, with Grade A eggs averaging RM0.44 each, down -5.1%yoy and -0.2%mom. Grade B eggs dropped by -8.6%yoy to RM0.41 each, and Grade C eggs fell -10.6%yoy to RM0.39 each, with both grades also experiencing month-on-month declines of -3.7% and -4.9%, respectively. The decline in both chicken and egg prices can be attributed to reduced input costs, including lower feed costs which have contributed to a moderation in food price inflation.

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

Data	Monthly Data				
	Sep-24	Aug-24	Sep-23	YoY	MoM
Hen's Egg Grade A (each)	0.44	0.45	0.47	-5.1%	-0.2%
Hen's Egg Grade B (each)	0.41	0.43	0.45	-8.6%	-3.7%
Hen's Egg Grade C (each)	0.39	0.41	0.43	-10.6%	-4.9%
Chicken (per kg)	9.32	10.15	10.01	-6.9%	-8.2%

Chart 5: Malaysia's Price Trend for Chicken and Egg



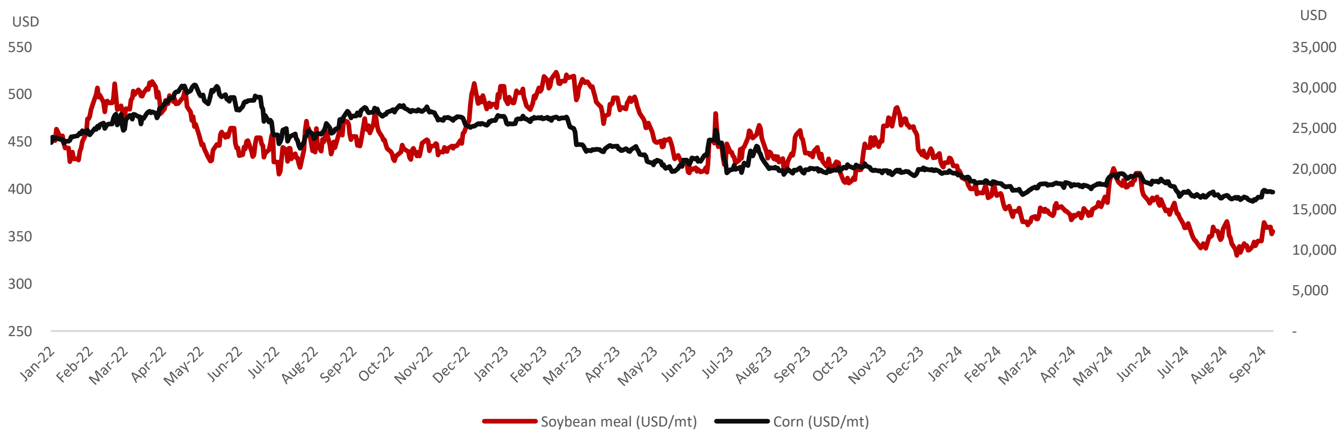
Declining feed costs provide tailwinds for poultry sector. Feed costs, a major component of poultry production expenses, have been steadily falling since early 2024, largely due to stable prices for key ingredients like corn and soybean meal. As of Oct 2024, average soybean prices have declined by -18%yoy to USD350/mt, while corn prices have dropped by -14%yoy to USD17,319/mt. This is encouraging for poultry producers, as feed typically comprises 65-75% of production costs, with corn accounting for 55-69% and soybean meal for 19-32% of poultry feed formulations. Lower feed costs are set to improve profit margins across the poultry industry, and we remain optimistic that prices for these commodities will stay low in 2025, thanks to ample supply from leading exporters. This reduction in input costs is expected to bolster margins for key industry players, such as **QL Resources (NEUTRAL, TP: RM4.83)** and **Leong Hup International (BUY, TP: RM0.80),** who are well-positioned to capitalize on these cost efficiencies alongside ongoing government support, lending a positive outlook to the poultry sector.

Table 4: Average Monthly Soybean meal, and corn futures prices for October 2024

Commodities	Oct-24	Sep-24	Oct-23	YoY (%)	MoM (%)	Remarks
Soybean Meal (USD/mt)	350	360	429	(18.4)	(2.8)	Year-on-year: Lower prices due to the expectation of higher global soybean supplies as production from key exporters such as Argentina, the U.S., and China improves. This reflects an increase in anticipated yields, which has softened the market. Month-on-month: Lower prices due to the expectation of high production ahead due to the reason mentioned above.
Corn (USD/mt)	17,319	17,263	20,122	(13.9)	0.3	Year-on-year: Lower prices due to higher global corn stocks driven by increased production in key regions, including the U.S., China, the European Union, and Ukraine. Month-on-month: Prices rose modestly due to adverse weather conditions in Brazil, weakening market sentiment about the possibility of weaker production expectations. Yet overall global market production remained intact.

Sources: Bloomberg, USDA, MIDFR

Chart 6: Raw Material Futures Price Trend for Poultry Producer (USD/mt)



Sources: Bloomberg, MIDFR

Currency: Weakening MYR in Oct 2024

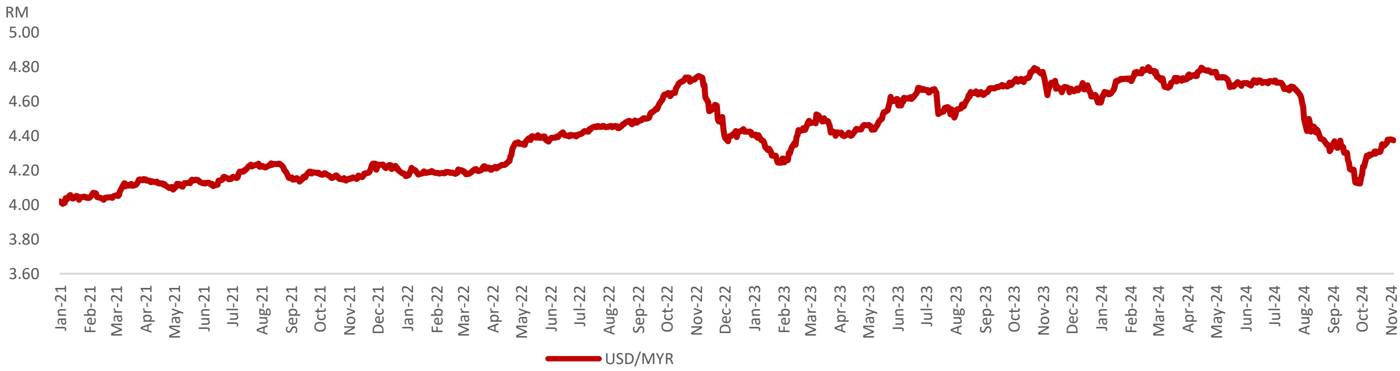
Weakening MYR in October 2024. In October 2024, the average exchange rate stood at USD 1.00: RM 4.30, indicating a weaker MYR compared to September 2024 (USD 1.00: RM 4.26). The volatility in the MYR exchange rate against USD poses a risk to all F&B and poultry players who source commodities in USD. While the MYR's depreciation heightens cost pressures, we anticipate this impact will be mitigated by recent global commodity price normalization, which has helped stabilize input costs. Looking forward, our economists project the ringgit to strengthen in the coming months, ending the year around RM4.03/USD according to the Economic Review: Oct-24 Monthly Currency Review. Hence, we expect the anticipated appreciation should favour F&B and poultry players, as stronger MYR would reduce USD-denominated input costs. Conversely, a firmer ringgit could challenge export-focused companies like **Asia File (NEUTRAL, TP: RM2.05)** and **Rhong Khen International (BUY, TP: RM1.60),** as MYR strength would dampen USD revenue upon conversion.

Table 6: USD/MYR Monthly statistics for October 2024

Data	Average monthly data				
	Oct-24	Sep-24	Oct-23	YoY (%)	MoM (%)
USD/MYR	**4.30**	4.26	4.75	(9.4)	0.9

Sources: Bloomberg, MIDFR

Chart 7: Price Trend of USD/MYR



Sources: Bloomberg, MIDFR

Maintain POSITIVE on the Consumer Sector. Overall, we remain optimistic for consumer sector, supported by several key factors: (1) a stable labour market that continues to drive domestic consumption, (2) sustained growth in consumer spending, buoyed by favourable private consumption and GDP growth, (3) a strong domestic consumption outlook, bolstered by various incentives introduced in Budget 2025, and (4) improved margins for food and beverage producers, benefiting from declining global commodity prices and a stronger ringgit.

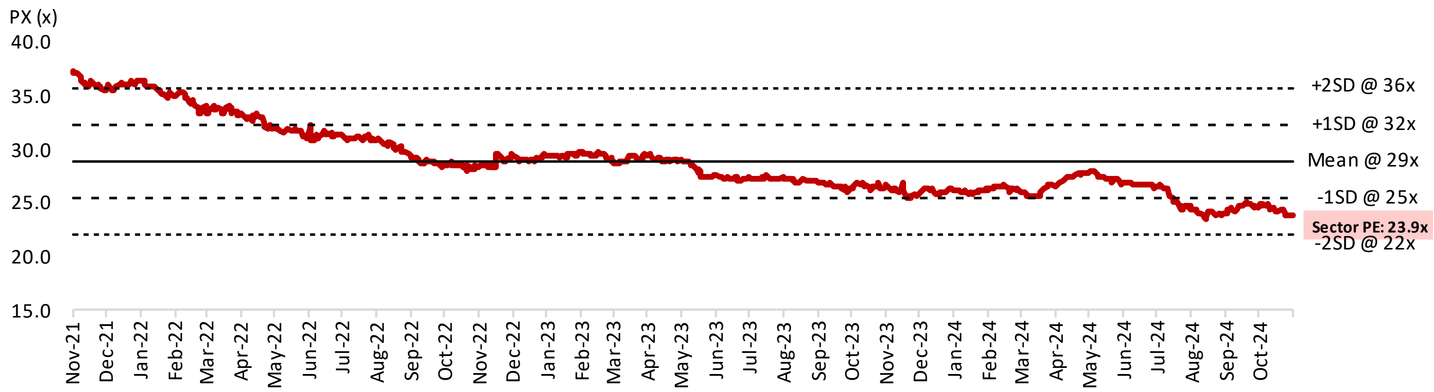
Our top pick for consumer sector remains **F&N (BUY, TP: RM36.77)** and **AEON (BUY, TP: RM1.67).** F&N is well positioned to capitalize on the growing trend of out-of-home consumption, with its strategic entry into integrated dairy farming expected to diversify and enhance its revenue streams. AEON is well-positioned to capitalize on robust domestic demand, particularly for essential goods, which continues to drive sales in its general merchandise stores and supermarkets. In addition, AEON's Property Management Services (PMS) segment is expected to thrive, benefiting from better rental renewal rates, supported by an optimized tenant mix and successful brand repositioning efforts.

Table 9: Peer comparison table

Stocks	Rec.	Price (RM) @ 18-Nov-24	TP (RM)	Mkt. Cap (RM'm)	Core EPS (sen)		PER (x)		Div. Yield (%)		Net Gearing
					CY24F	CY25F	CY24F	CY25F	CY24F	CY25F	
Consumer Staples:											
Fraser & Neave Holdings	BUY	28.30	36.77	10,379.8	160.8	172.9	17.6	16.4	2.6	2.7	Net Cash
Leong Hup International	BUY	0.68	0.80	2,482.0	10.3	11.7	6.6	5.8	6.0	6.6	0.6
QL Resources	NEUTRAL	4.79	4.83	17,485.8	16.5	18.8	29.1	25.5	1.9	2.1	0.2
Spritzer	NEUTRAL	2.91	2.78	929.2	19.3	19.7	15.1	14.8	2.0	2.0	0
Hup Seng Industries	NEUTRAL	1.14	1.04	912.0	7.8	8.1	14.6	14.1	5.4	5.7	Net Cash
Nestle Malaysia	NEUTRAL	99.30	101.90	23,285.9	281.8	306.4	35.2	32.4	2.7	2.9	0.8
Weighted Avg.					**154.5**	**167.9**	**28.1**	**25.4**	**2.6**	**2.8**	
Consumer Discretionary:											
Aeon Co M	BUY	1.41	1.67	1,980	10.8	11.2	13.1	12.6	3.1	3.2	0.2
Padini Holdings	BUY	3.50	4.30	2,303	28.1	31.3	12.5	11.2	3.4	3.4	Net Cash
Asia File Corp	NEUTRAL	1.83	2.05	358	21.7	22.6	8.5	8.1	4.6	4.8	Net Cash
Rhong Khen International	BUY	1.23	1.60	240	9.3	12.3	13.2	10.0	2.3	3.0	Net Cash
Weighted Avg.					**19.7**	**21.6**	**12.4**	**11.5**	**3.3**	**3.4**	

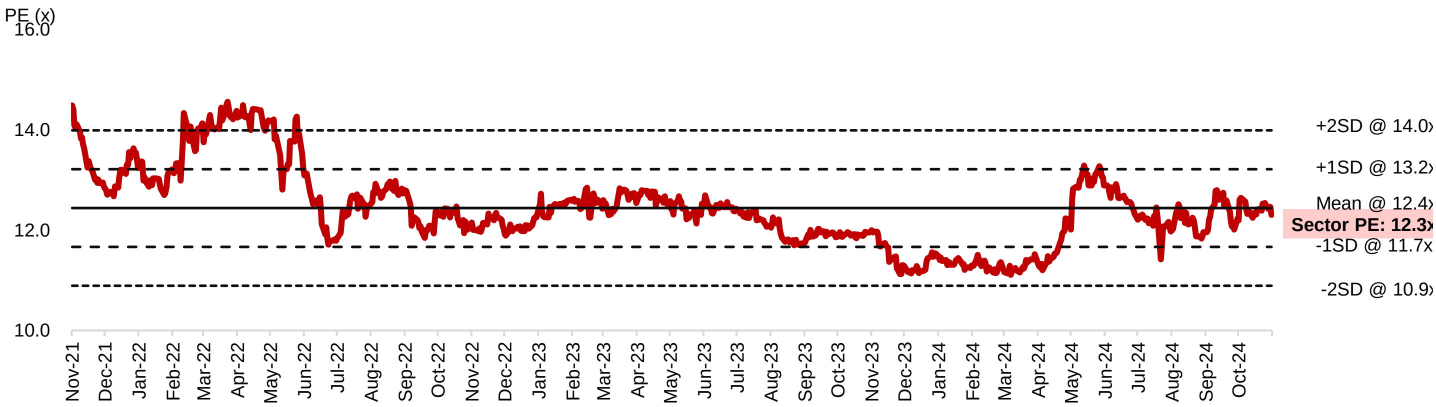
Sources: Bloomberg, MIDFR

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



Source: MIDFR

Chart 9: 3-Year Forward P/E Band – Consumer Discretionary



Source: 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	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	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
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