

05 February 2026

Fraser & Neave Holdings

Weak Start on Indochina Drag

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F&N's 1QFY26 results came in below expectations, mainly due to weaker-than-expected performance in F&B Indochina and a higher effective tax rate. Near-term performance should be anchored by resilient momentum in F&B Malaysia, supported by festive-driven demand, wider distribution of its Magnolia fresh milk and stronger out-of-home beverage consumption under Visit Malaysia 2026, which should help cushion ongoing softness in Indochina as conditions normalise and supply continuity improves going into FY26. We lower our FY26F earnings by 6% but keep FY27F earnings largely unchanged. We reiterate **OUTPERFORM** with a lower SoP-derived TP of RM37.70 (from RM39.40).

Below expectations. F&N's 1QFY26 core net profit, adjusted for forex, of RM112m came in at 21% of both our full-year forecast and the street's estimate. We deem the results to be below expectations, as 1Q is typically stronger due to seasonal factors, contributing an average of ~30% of full-year earnings in recent years. The key variance against our forecast came largely from weaker-than-expected performance in F&B Indochina, and higher-than-expected taxes. As expected, no dividend was declared during the quarter.

YoY, 1QFY26 revenue declined 6% as a sharp contraction in F&B Indochina (-21%), driven by softer conditions in Thailand and prolonged Thai-Cambodia border closures disrupting exports, more than offset 6% growth in F&B Malaysia, supported by broad-based domestic improvement and strong export momentum, particularly across Africa. Core net profit, adjusted for forex, fell a steeper 23% mainly due to: (i) weaker operating profit in Indochina (-32%), and (ii) higher effective tax rate (+6.9 pts YoY) from unrecognised deferred tax assets related to dairy farm losses and higher foreign withholding tax. Notably, F&B Malaysia's operating profit was broadly stable ex-forex as volume growth offset softer margins from its strategic shift towards market share capture.

QoQ, 1QFY26 turnover rose 6% led by higher sales from F&B Malaysia on the back of festive sell-in activities and a recovery in East Malaysia, while F&B Indochina remained flat amid ongoing border closures. Its bottom line, however, dipped 3% due to higher festive-related marketing spend, as well as higher effective tax rate mainly from increased foreign withholding tax.

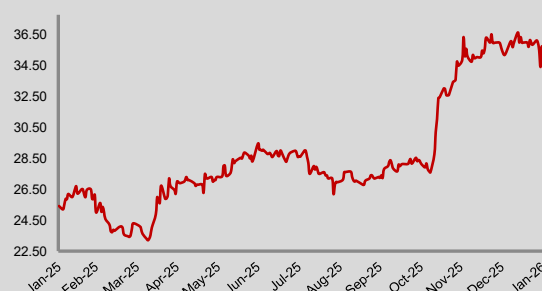
Outlook. F&N's near-term performance should be anchored by stable momentum in F&B Malaysia, underpinned by overlapping Chinese New Year and Hari Raya sell-in cycles in 2QFY26, wider distribution of Magnolia fresh milk and continued brand-building initiatives. We believe F&N is well-positioned to benefit from rising tourist arrivals under Visit Malaysia 2026, which should support stronger out-of-home beverage consumption. Meanwhile, productivity at the F&N AgriValley integrated dairy farm, now housing over 6,000 cattle, is expected to improve progressively following the commencement of commercial operations at the on-site dairy plant in Jan 2026, while supporting BEAR BRAND exports to Cambodia.

These factors should help cushion ongoing softness in F&B Indochina as management expects a gradual recovery on the back of normalising economic activity and inventory replenishment across Thai trade channels, with sales in Cambodia further supported by exports from Malaysia and the ramp-up of the new dairy manufacturing facility in Cambodia expected to be operational by end-March 2026.

OUTPERFORM ↔

Price: **RM35.36**
Target Price: **RM37.70** ↓

Share Price Performance



KLCI	1,742.82
YTD KLCI chg	3.7%
YTD stock price chg	-0.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	FNH MK EQUITY
Market Cap (RM m)	12,969.3
Shares Outstanding	366.8
52-week range (H)	36.82
52-week range (L)	22.40
3-mth avg. daily vol.	458,283
Free Float	34%
Beta	0.6

Major Shareholders

Fraser and Neave Ltd	55.5%
Employees Provident Fund Board	16.2%
Amanah Saham Nasional Bhd	6.1%

Summary Earnings Table

FYE Sep (RM m)	2025A	2026F	2027F
Turnover	5,197	5,488	5,812
EBIT	747	775	833
PBT	731	732	786
Net Profit (NP)	511	530	590
Consensus (NP)	-	564	621
Earnings Revision	-	-6%	-
Core EPS (sen)	139	144	161
Core EPS Growth (%)	-6	4	11
NDPS (sen)	65.0	70.0	70.0
BVPS (RM)	10.5	11.3	12.2
Core PER (x)	25.4	24.5	22.0
PBV (x)	3.4	3.1	2.9
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	1.8	2.0	2.0

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Forecasts. We cut our FY26F earnings estimates by 6% to reflect weaker performance in F&B Indochina, with a gradual recovery expected thereafter, while keeping our FY27F numbers largely unchanged.

Valuations. Post-earnings revision, we fine-tune our SoP-derived TP to RM37.70 (from RM39.40) while keeping an unchanged 24x CY26F PER for its core F&B segment, which is at a premium to the industry's average forward PER of 20x. The higher multiple reflects our view that beverage names including F&N are likely to benefit from rising out-of-home beverage consumption during Visit Malaysia 2026, as well as improved visibility on the earnings trajectory of its upstream dairy venture. We keep our valuation assumption for its dairy farm business, based on WACC of 6.8% with TG of 2%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see page 5).

Investment case. We continue to like F&N for: (i) its defensive earnings given the stable demand for essential food and beverage items despite high inflation and an uncertain global economic outlook, (ii) the rising popularity of ready-to-drink products where F&N has a strong presence, and (iii) its long-term growth prospects driven by its investment in a sizeable dairy farm in Gemas, Negeri Sembilan. Reiterate **OUTPERFORM**.

Risks to our call include: (i) an uptick in food commodity prices, (ii) sustained high inflation eating into consumer spending power, (iii) downtrading by consumers i.e. opting for more affordable alternatives, and (iv) unforeseen and sustained challenges in ramping up the dairy business.

Results Highlights

FYE Sep (RM m)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg
Revenue	1,303.4	1,227.0	6%	1,389.7	-6%
GP	422.7	400.2	6%	454.5	-7%
EBIT	181.0	173.8	4%	243.0	-25%
PBT / (LBT)	175.8	169.1	4%	240.5	-27%
Taxation	(63.5)	(51.1)	24%	(70.1)	-9%
Minority Interest	(0.1)	(3.7)	-96%	(1.4)	-90%
Net Profit	112.2	114.3	-2%	169.0	-34%
Core Net Profit	116.8	120.7	-3%	152.0	-23%
Core EPS (sen)	31.8	32.9	-3%	41.4	-23%
DPS (sen)	0.0	35.0	-100%	0.0	N.A.
GP Margin (%)	32.4	32.6		32.7	
EBIT Margin (%)	13.9	14.2		17.5	
PBT Margin (%)	13.5	13.8		17.3	
CNP Margin (%)	9.0	9.8		10.9	
Effective Tax Rate (%)	36.1	30.2		29.2	

Source: Company, Kenanga Research

Segment Breakdown

FYE Sep (RM m)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg
Revenue					
F&B Malaysia	812.4	731.6	11%	769.3	6%
F&B Indochina	490.2	494.6	-1%	619.6	-21%
Property	0.2	0.2	2%	0.2	17%
Others	0.6	0.7	-10%	0.7	-8%
Total	1,303.4	1,227.0	6%	1,389.7	-6%
Reported Operating Profit					
F&B Malaysia	86.6	79.9	8%	101.4	-15%
F&B Indochina	91.0	106.6	-15%	133.3	-32%
Property	(0.2)	(1.6)	-85%	(0.3)	-21%
Others	3.7	(11.1)	-133%	8.5	-56%
Total	181.0	173.8	4%	243.0	-25%
Operating Margin					
F&B Malaysia	10.7%	10.9%		13.2%	
F&B Indochina	18.6%	21.6%		21.5%	
Property	->100%	->100%		->100%	
Others	>100%	->100%		>100%	
Total	13.9%	14.2%		17.5%	

Source: Company, Kenanga Research

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F&N's Sum-of-Parts Valuation

Segment	Valuation	Valuation Basis
	(RM m)	
Core F&B	13,305	24x CY26 PER
Integrated Dairy Farm	511	DCF @ WACC of 6.8%
Total	13,816	
Paid-up Capital (m shares)	367	
SoP per share / TP (RM)	37.70	

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
CONSUMER																	
AEON CO. (M) BHD	OP	1.25	1.40	12.0%	1,755.0	Y	12/2025	9.2	10.3	-14.7%	13.0%	13.7	12.1	0.9	6.5%	5.0	4.0%
FARM FRESH BHD	MP	2.90	2.70	-6.9%	5,463.9	Y	03/2026	7.5	9.0	29.2%	20.4%	38.8	32.2	6.6	18.2%	3.0	1.0%
FRASER & NEAVE HOLDINGS BHD	OP	35.36	37.70	6.6%	12,969.3	Y	09/2026	144.2	160.7	3.6%	11.4%	24.5	22.0	3.1	13.2%	70.0	2.0%
MR D.I.Y. GROUP (M) BHD	OP	1.81	1.80	-0.6%	17,154.2	Y	12/2025	7.0	7.5	14.5%	7.9%	26.0	24.1	8.2	33.6%	5.8	3.2%
NESTLE (MALAYSIA) BHD	MP	111.90	99.20	-11.3%	26,240.6	Y	12/2025	217.7	251.3	27.6%	15.5%	51.4	44.5	48.4	93.7%	220.0	2.0%
PADINI HOLDINGS BHD	OP	1.97	2.35	19.3%	1,944.1	Y	06/2026	17.4	18.2	6.0%	4.5%	11.3	10.8	1.5	14.0%	9.1	4.6%
POWER ROOT BHD	MP	1.22	1.12	-8.2%	513.8	Y	03/2026	6.0	7.5	-20.3%	25.1%	20.2	16.2	1.7	8.6%	5.0	4.1%
QL RESOURCES BHD	MP	4.16	4.26	2.4%	15,185.1	Y	03/2026	12.2	13.4	-2.0%	9.5%	34.0	31.1	4.3	14.1%	5.0	1.2%
KAREX BHD	OP	0.640	0.850	32.8%	674.2	Y	06/2026	2.3	3.5	11950.0%	51.0%	28.0	18.5	1.4	5.2%	2.0	3.1%
SECTOR AGGREGATE					81,900.2					10.0%	11.6%	31.1	27.8	5.4	17.4%		2.8%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	★		
SPECIFIC	Energy Efficiency	★	★	★		
	Food Safety & Quality	★	★	★	★	
	Migrant Workers Welfare	★	★	★		
	Supply Chain Management	★	★	★		
	Use of Biodegradable Materials	★	★	★		
	Waste Disposal/Pollution Control	★	★	★		
	Water Efficiency	★	★	★		
	Work Site Safety	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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