Consumer

OVERWEIGHT

(MAINTAINED)

Rationale for report: Sector Update

Analyst (s)

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The Chinese flood

"The worst in the last 10 years, the best in the next 10" is a sentiment surfacing amongst China's consumer-dependent merchants. As economic growth and retail sales slow to their weakest levels in decades (ex-Covid), Chinese consumers are starting to embrace what Accenture calls 'considered consumption, favouring practicality and value propositions over branding resulting in the weakening influence of brands and conventional marketing strategies. Facing intense competition at home, Chinese merchants are looking overseas for growth, leveraging excess manufacturing capacity and hyper-aggressive pricing tactics to flood markets at a time where elevated input cost are squeezing margins. Against this backdrop, we advocate a selective approach, favouring defensive, value-driven names with resilient demand profiles and limited exposure to competitive displacement risk.

- **Remain OVERWEIGHT on essentials and value.** We remain constructive on Malaysia's essentials and value segment, which we expect to demonstrate greater earnings resilience amid subdued consumer sentiment and rising Chinese competition. Defensive demand profiles, value-for-money positioning, and government support measures should continue to underpin spending. By contrast, discretionary names face heightened risks from an extended Chinese-led price war, exacerbating margin pressures against a backdrop of elevated costs and intensifying competition.
- **Changing the playing field.** Chinese entrants have raised the bar on price, assortment, and convenience, forcing local players to compete against highly efficient operators supported by deep manufacturing ecosystems, scale advantages, and superior sourcing capabilities. At the same time, ultra-low-cost cross-border logistics through platforms such as PDD have enabled manufacturers and brands to reach consumers directly, reducing the role of traditional intermediaries. We expect competition to become increasingly price-led, eroding pricing power and keeping margins across discretionary consumer categories structurally compressed.
- **Defensive essentials and value-oriented names remain our preferred exposure.** We expect staples demand to remain resilient, supported by government assistance measures, stable consumption patterns, and preference for trusted brands and value. Our top picks are 99SMART (BUY) for its strong affordability proposition and leverage to cash-aid distributions; NESTLÉ (BUY) for its dominant portfolio of trusted household brands, ongoing operational turnaround, and recovering sales trends; and ECOSHOP (BUY) for its direct exposure to the growing value-hunting segment, underpinned by low store saturation and defensive staples mix that accounts for ~35% of revenue.
- **Weak sentiment has not translated into weaker spending.** Despite a softer consumer backdrop, retail sales have remained resilient as spending patterns evolve. Consumers are increasingly prioritising value amid rising living costs, while greater e-commerce adoption has improved price transparency and product access. At the same time, the rapid emergence of independent brands and low-cost Chinese merchants has expanded consumer choice and challenged incumbent brands. Collectively, these shifts are accelerating value-oriented consumption, weakening brand loyalty, and constraining the ability of retailers and brand owners to pass through cost inflation.

Top picks

Sorted by market cap

99 Speed Mart Retail
BUY, TP: RM4.25 (+39%)
Market cap: RM26.0bil

Nestle (Malaysia)
BUY, TP: RM135.00 (+54%)
Market cap: RM21.0bil

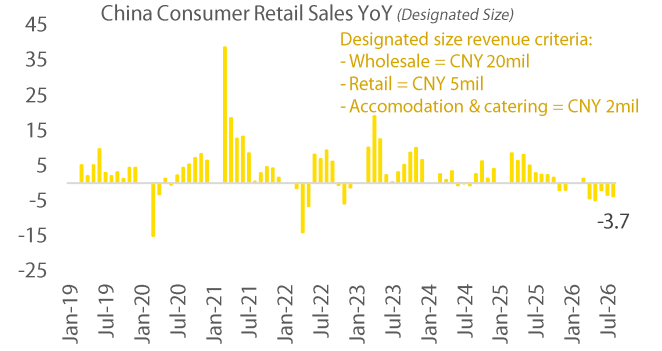
Eco-Shop Marketing
BUY, TP: RM1.80 (+28%)
Market cap: RM8.2bil

EXHIBIT 1. China's retail sales growth is at decade-lows



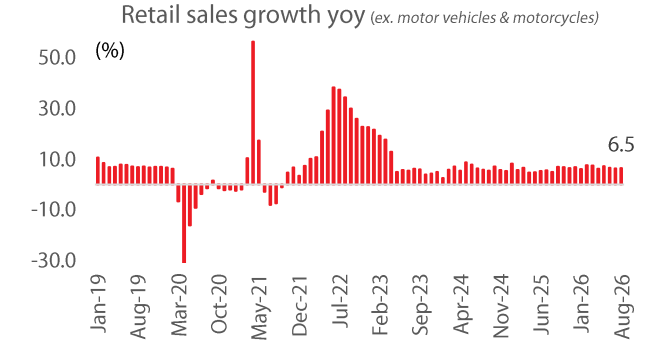
Source: National Bureau of Statistics of China , AmInvestment Bank Bhd.

EXHIBIT 2. China's retail market is turning increasingly fragmented



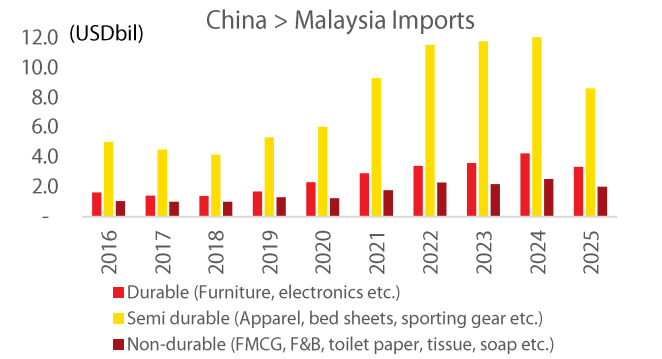
Source: National Bureau of Statistics of China, AmInvestment Bank Bhd.

EXHIBIT 3. Malaysia retail sales growth remains healthy



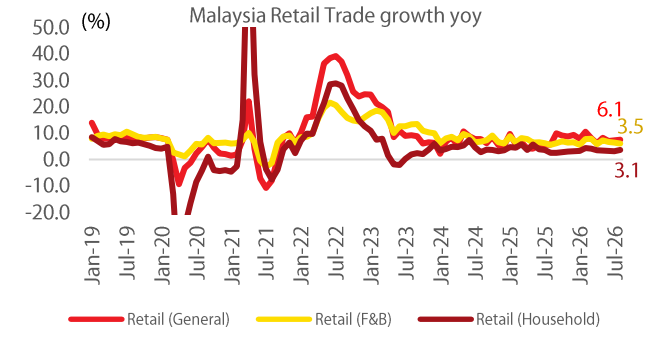
Source: DOSM, AmInvestment Bank Bhd.

EXHIBIT 4. The pandemic has accelerated Malaysia's consumer imports from China



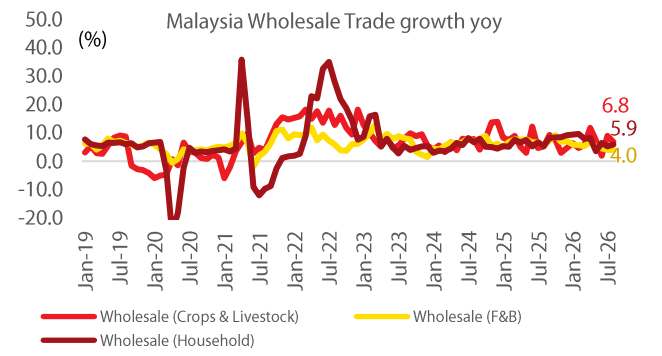
Source: DOSM, AmInvestment Bank Bhd.

EXHIBIT 5. Essentials spending remains resilient



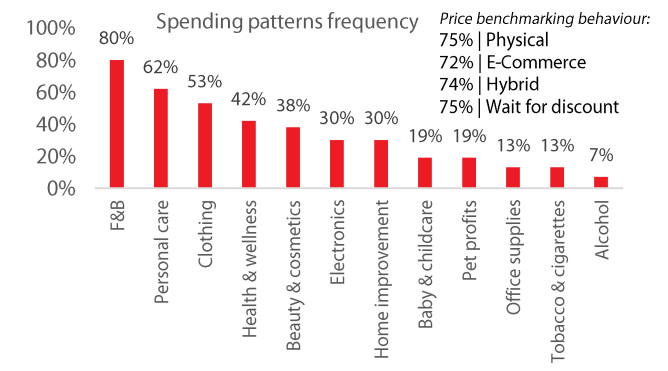
Source: DOSM, AmInvestment Bank Bhd.

EXHIBIT 6. Weak sentiment has yet to translate into slower purchasing activity



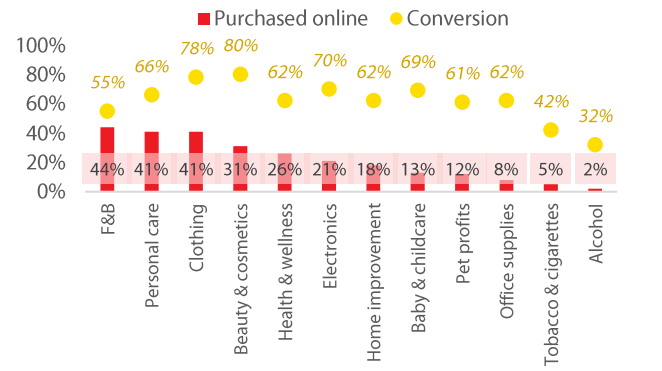
Source: DOSM, AmInvestment Bank Bhd.

EXHIBIT 7. Essentials remain key priority in discretionary spending (Malaysia)



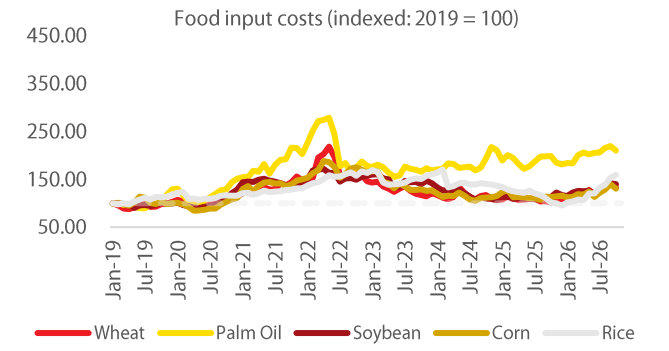
Source: Vodus Research, AmInvestment Bank Bhd.

EXHIBIT 8. Hybrid shopping is the new default (Malaysia)



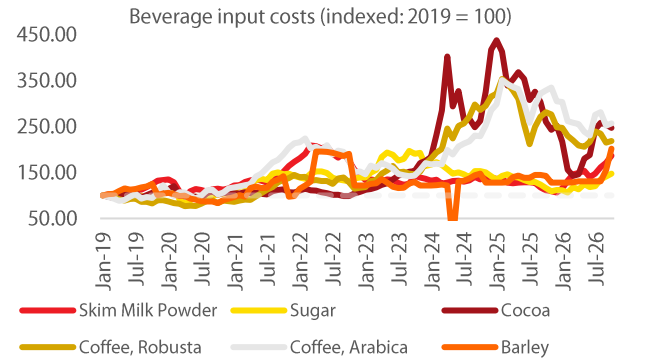
Source: Vodus Research, AmInvestment Bank Bhd.

EXHIBIT 9. Food input costs remain relatively contained



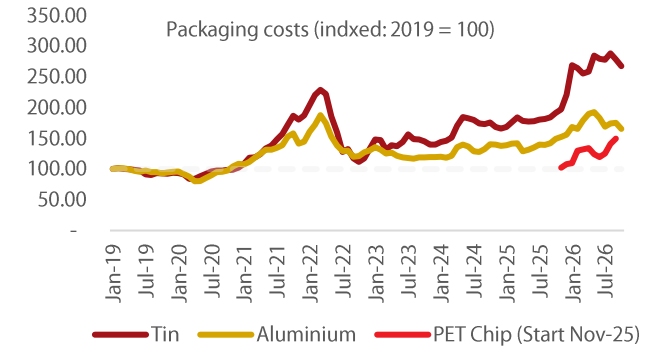
Source: Bloomberg, AmInvestment Bank Bhd.

EXHIBIT 10. Beverage input costs are structurally elevated



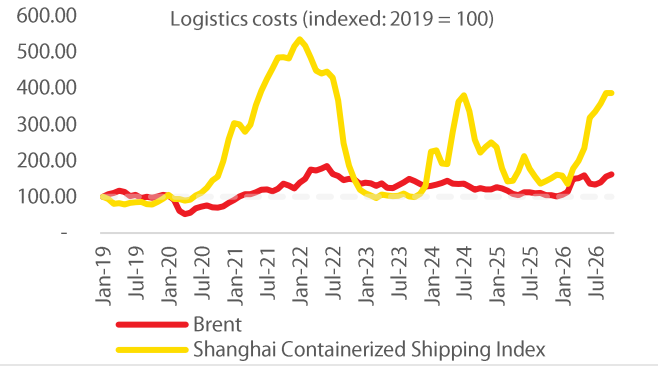
Source: Bloomberg, AmInvestment Bank Bhd.

EXHIBIT 11. Packaging costs (indexed, 2019=100)



Source: Bloomberg, AmInvestment Bank Bhd.

EXHIBIT 12. Logistics costs have surpassed mid-2024's Red Sea Crisis



Source: Bloomberg, AmInvestment Bank Bhd.

EXHIBIT 13. Who is at most risk?

Home-Improvement & Value Retail	**Comments**
MRDIY	All products are easily replicable and Chinese counterparts on e-commerce platforms are meaningfully cheaper
ECOSHOP *(low exposure)*	Flat RM2.60 model positions the retailer as a value format, products still competitively priced; while >35% F&B sales mix reduces discretionary exposure
Department stores (General Merch)	
AEON *(rental contributes >90% of profits)*	General merch, own brands and Daiso are most exposed; though property mgmt service contributes >90% of profits
PARKSON	Ongoing fragmentation reduces relevance of traditional department stores, especially for general merch & discretionary products
Fashion & Lifestyle	
PADINI	Chinese e-commerce platfoms: SHEIN, Taobao, PDD, supported by free-return policies and vast product selections; combined with rise of independent fashion brands an D2C channels from OEMs. Consumers now have access to comparable/better products at significantly lower prices
BONIA	Rising acceptance of Chinese / Independent brands / unbranded products weaken Bonia's (and associated brands') brand equity
PANAMY	China is the world's largest consumer electronics manufacturer, Chinese brands and manufacturers can produce comparable/better products at a fraction of cost
YOCB	Intense competition in bedding, which is a category characterized by limited differentiation and high price transparency. Consumers can access comparable products from domestic and international competitors at a fraction of the price, eroding pricing power and brand premium

Source: AmInvestment Bank Bhd.

EXHIBIT 14. Valuation matrix (coverage universe)

Company	Current Price	TP	Call	Forward PE		12M Forward PE		EPS growth (%)		LTM Operating ROIC	12M Forward ROE
	(RM)	(RM)		CY26	CY27	3Y Avg	5Y Avg	CY26	CY27	(%)	(%)
99SMART	3.09	4.25	BUY	35.3	32.1	36.4	36.4	25.0	16.0	24.3	36.8
MRDIY	1.19	1.60	HOLD	17.0	15.8	23.4	26.0	4.3	5.0	25.6	35.0
ECOSHOP	1.43	1.80	BUY	35.0	26.4	29.2	29.2	14.0	24.0	24.9	24.0
NESZ	90.7	135.00	BUY	32.9	30.9	38.8	42.2	39.0	3.0	26.5	50.0

Source: AmInvestment Bank Bhd.

NESTLE (MALAYSIA)

(NESZ MK EQUITY, NESM.KL)

BUY

(MAINTAINED)

Price: RM89.54

Target Price (% return): RM135.00 (+54%)

52-week High/Low: RM122.20/RM88.70

Consumer

Rationale for report: Company Update

Underappreciated restructuring program

We believe the market is overpricing input cost risks from the prolonged Middle East conflict and El Niño. While supply disruptions remain a concern, global supplies are still sufficient to absorb shocks, with cocoa, coffee and sugar prices trading well below their 2024-25 peaks. Meanwhile, easing boycott-related pressures and Nestlé's ongoing restructuring efforts, including automation, headcount rationalisation and non-core divestments, should support margins.

- **Maintain BUY with a street-high TP of RM135,** based on an unchanged 42.0x target PE, in line with its 5- and 10-year historical averages, applied to FY27-28F EPS to better reflect Nestle's defensive demand profile on an ex-boycott basis. Our FY27F and FY28F EPS forecasts are 4% and 10% above consensus, respectively, driven by stronger profitability from continued non-core divestments, accelerated white-collar workforce rationalisation, and ongoing automation initiatives. Moreover, a thin free-float (ex. SWF) will continue to cap downside swings.
- **Brand equity remains a key moat.** With boycott-related pressures largely behind it, Nestlé's entrenched brands portfolio should regain reassert their strength. Domestic spending on staples remains resilient, further supported by government cash assistance and the defensive nature of Nestle's longer shelf-life products. Meanwhile, export sales remain structurally above historical levels, offering an incremental growth driver alongside its strong domestic presence.
- **Global restructuring remains the key catalyst for margin expansion.** We expect accelerated white-collar headcount optimisation in Malaysia under Nestlé's global restructuring programme, supporting margin expansion. At the same time, non-core divestments should improve portfolio quality, allowing the group to redirect capital and resources towards faster-growing and more profitable categories.
- **Margins pressured, but risks are manageable.** While commodity prices remain elevated, key beverage input costs such as cocoa, coffee and sugar continue to trade below their 2024-25 peaks, supported by adequate inventory buffers despite the prolonged Middle East conflict and intensifying El Niño. Meanwhile, food ingredients, packaging and logistics costs remain on an upward trajectory. As such, we maintain a conservative gross margin outlook, forecasting margins >1.0ppt below consensus.

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	6,880.8	7,224.9	7,586.1	7,965.4
Core net profit (RM mil)	494.0	687.6	705.3	803.4
FD Core EPS (sen)	210.7	293.2	300.8	342.6
FD Core EPS growth (%)	(25.2)	1.5	76.4	62.6
Consensus Net Profit (RM mil)	-	637.0	675.3	732.6
DPS (sen)	220.0	293.2	300.8	342.6
PE (x)	42.4	30.5	29.7	26.1
EV/EBITDA (x)	17.2	22.7	22.2	19.5
Div yield (%)	2.5	3.3	3.4	3.8
ROE (%)	84.6	108.0	106.9	108.8
Net Gearing (%)	165.9	93.3	75.3	46.8

Source: Nestle (Malaysia) , AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	234.5
Market Cap (RMmil)	20,945.5
Book Value (RM/Share)	245.88
P/BV (x)	0.4
ROE (%)	84.6
Net Gearing (%)	165.9
Free Float	26.6
Avg Daily Value (RMmil)	7.7

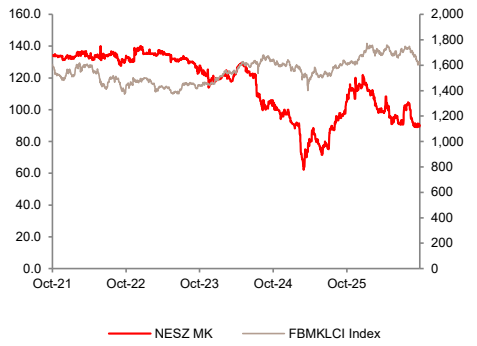
Major Shareholders

Nestla SA	(72.6%)
EPF	(14.9%)
Vanguard Group Inc	(1.4%)

Price performance	3mth	6mth	12mth
Absolute(%)	(4.4)	(9.8)	(14.9)
Relative(%)	2.9	(4.9)	(15.0)

Source: Nestle (Malaysia) , AmInvestment Bank Bhd.

Price Chart



ECO-SHOP MARKETING BHD

(ECOSHOP MK EQUITY, ECOSHOP.KL)

BUY

(MAINTAINED)

Price: RM1.43

Target Price (% return): RM1.80 (+28%)

52-week High/Low: RM1.67/RM1.20

Consumer

Rationale for report: Company Update

Headwinds well managed

We believe the market is fixated on cost pressures while underestimating Eco-Shop's structural growth story. As Malaysia's least saturated value retailer, Eco-Shop is well positioned to benefit from both rising disposable income (higher tax relief, lower tax rate for M40, and higher minimum wage) and persistent downtrading among B40 and M40 consumers. With shoppers increasingly prioritising affordability and value, its RM2.60 price point remains a powerful competitive advantage, driving footfall, market share gains and continued store productivity.

- **Maintain BUY with an unchanged TP of RM1.80,** based on a 27.5x target PE, in line with its long-term trading average and applied to FY28F EPS. We assume the company's internal minimum wage is aligned with the national RM2,000 minimum wage from FY28F, with limited impact on basket sizes and transaction volumes. We see scope for a re-rating if Eco-Shop demonstrates its ability to sustain strong SSSGs while executing its targeted rollout of 100 gross new stores annually.
- **Clear expansion runway intact.** Eco-Shop's store network remains the least saturated amongst major listed retailers, our latest store-density work points to an average population per store of c.~67k *(from 70k)* while total dollar stores nationwide ran at c.~52k *(from 54k)*, still comfortably below developed peers. Moreover, Eco-Shop's store overlap remains well-controlled at c.~39% *(within 3km of each other)*.
- **Capturing Malaysia's value-seekers.** Rising disposable income and ongoing downtrading continue to favour value retailers. At the same time, greater price benchmarking and weakening brand loyalty are shifting spending towards affordability and convenience. This plays directly into Eco-Shop's strengths as a value retailer serving both B40 and M40 consumers.
- **Margins may soften, but downside appears manageable.** Higher plastics and logistics costs and the minimum wage hike are expected to create near-term pressure on profitability. We estimate the wage increase could reduce earnings by c.RM12-15m, ~c.4%, and therefore model gross margins conservatively at the lower end of management's 33-34% guidance range.

Analyst (s)

Heng Yii Paul

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Key Changes

Target Price:	⇔
EPS:	↓

Stock and Financial Data

Shares Outstanding (million)	5,742.1
Market Cap (RMmil)	8,211.3
Book Value (RM/Share)	0.20
P/BV (x)	7.2
ROE (%)	24.9
Net Gearing (%)	37.3
Free Float	17.0
Avg Daily Value (RMmil)	12.2

Major Shareholders

Lee Kar Whatt	(73.8%)
Khim Pang Kueh	(4.5%)
KWAP	(2.1%)

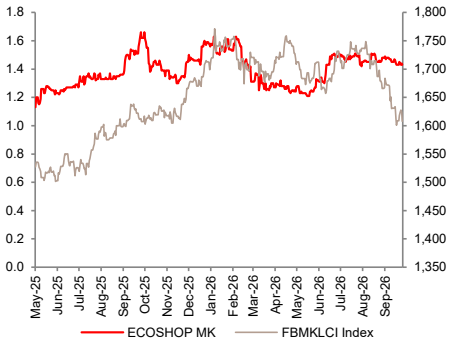
Price performance	3mth	6mth	12mth
Absolute(%)	(4.0)	10.0	(11.7)
Relative(%)	3.4	16.0	(11.8)

Source: Eco-Shop Marketing Bhd, AmInvestment Bank Bhd.

YE to May	FY26	FY27F	FY28F	FY29F
Revenue (RM mil)	2,915.8	3,567.9	4,275.5	4,897.9
Core net profit (RM mil)	259.0	301.2	374.4	450.0
FD Core EPS (sen)	4.5	5.3	6.5	7.8
FD Core EPS growth (%)	25.1	16.3	24.3	20.2
Consensus Net Profit (RM mil)		312.25	373.5	432.9
DPS (sen)	6.2	7.1	7.8	8.5
PE (x)	31.7	27.2	21.9	18.2
EV/EBITDA (x)	16.4	14.2	11.8	9.9
Div yield (%)	4.2	4.9	5.4	5.9
ROE (%)	24.9	24.9	27.2	28.4
Net Gearing (%)	37.3	43.6	34.9	21.3

Source: Eco-Shop Marketing Bhd, AmInvestment Bank Bhd.

Price Chart



99 SPEEDMART

(99SMART MK EQUITY, 99SMRT.KL)

BUY

(MAINTAINED)

Price: RM3.10

Target Price (% return): RM4.25 (+39%)

52-week High/Low: RM4.15/RM3.01

Consumer

Rationale for report: Company Result

Policy-supported value compounder

Budget 2027 reinforced our positive view on 99SMART' Higher minimum wages and expanded cash-aid allocations should support spending on daily essentials, particularly among lower-income consumers. While we have increased our government cash-aid assumptions from FY27 onwards, we also lower 99SMART's capture rate to account for broader redemption options and a growing merchant base. More importantly, persistent downtrading and value-conscious purchasing behaviour continue to play directly into 99SMART's strengths as Malaysia's leading staples-led value retailer.

- **Maintain BUY with a TP of RM4.25,** pegged to a lower 40x CY27/28F PE, 1SD above its since-listing average. The premium valuation reflects its position as a key beneficiary of government cost-of-living cash aids, resilient demand profile, and a tight free float (<9%), which reduces the likelihood of meaningful de-rating. Following a >25% correction from its Feb-26, we believe the recent weakness presents an attractive opportunity to accumulate a high-quality defensive growth name.
- **Revised assumptions, unchanged catalyst.** We raise our government cash-aid assumptions to reflect larger-than-expected allocations, while reducing 99SMART's share of one-off transfers due to a broader participating merchant base and expanded product eligibility. Our forecasts assume continued cash-aid support but no further step-ups beyond announced measures, providing potential upside from CY27 onwards. However, a shift from MyKad-linked credits to direct cash transfers could dilute 99SMART's capture of cash-aid spending.
- **Defensive value compounder.** Despite operating >3k stores nationwide, 99SMART continues to deliver resilient SSSG. Meanwhile, cost-saving from its utility efficiency programme are beginning to flow through. We also see scope for further basket-size expansion from its Midea partnership and bulk-sales initiative, which could potentially emerge as the next earnings catalyst.
- **Thin free float limits de-rating risk.** With free float at <9% (ex. Management and SWF holdings), investable float remains exceptionally tight. At the same time, SWF cash balances continue to grow on the back of recurring contributions. We believe this supply-demand imbalance supports a scarcity premium and should help cushion valuation downside, even during periods of broader market weakness.

YE to May	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	11,433.2	13,006.4	14,523.8	15,385.3
Core net profit (RM mil)	607.1	757.1	880.2	908.2
FD Core EPS (sen)	7.2	9.0	10.5	10.8
FD Core EPS growth (%)	28.4	24.7	16.3	3.2
Consensus Net Profit (RM mil)		731.2	811.1	884.0
DPS (sen)	4.5	4.5	5.2	5.4
PE (x)	43.0	34.5	29.7	28.8
EV/EBITDA (x)	23.9	19.4	16.9	16.1
Div yield (%)	1.5	1.5	1.7	1.7
ROE (%)	38.8	40.5	38.6	33.3
Net Gearing (%)	9.9	nm	nm	nm

Source: 99 Speedmart, AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	8,400.0
Market Cap (RMmil)	26,124.0
Book Value (RM/Share)	0.20
P/BV (x)	15.5
ROE (%)	38.8
Net Gearing (%)	9.9
Free Float	17.0
Avg Daily Value (RMmil)	11.3

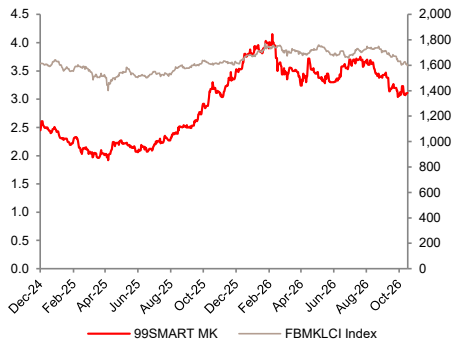
Major Shareholders

Lee LYG Holdings Sdn Bhd	(51.5%)
Lee Thiam Wah	(28.2%)
EPF	(7.4%)

Price performance	3mth	6mth	12mth
Absolute(%)	(15.7)	(16.4)	(2.1)
Relative(%)	(8.6)	(11.2)	(1.4)

Source: 99 Speedmart, AmInvestment Bank Bhd.

Price Chart



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