

Consumer sector

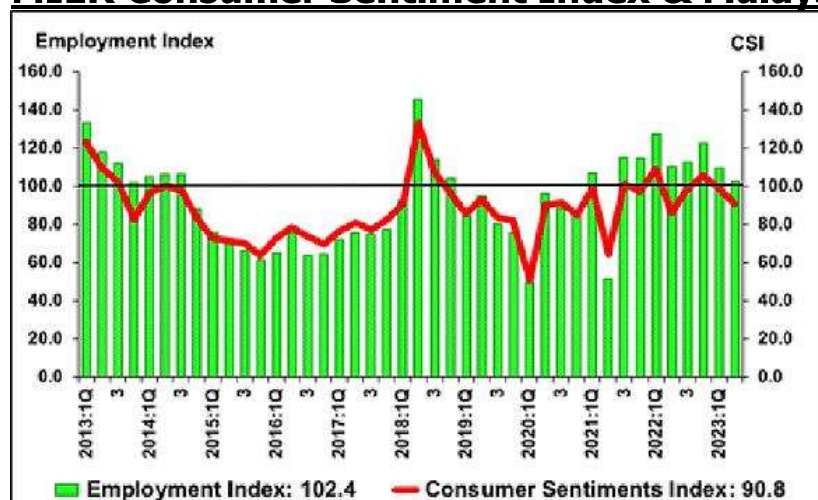
Aiman Kamil

aiman@apexsecurities.com.my

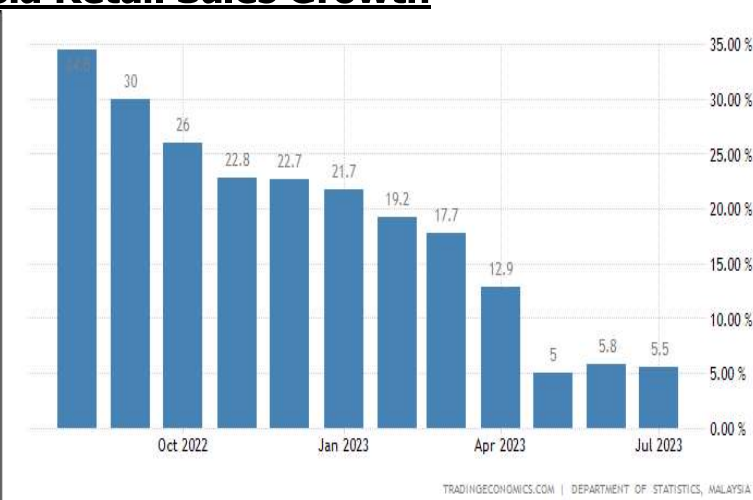
Expecting a rebound in the final chapter

- Review.** Stocks within our coverage have maintained a positive trajectory in the recent quarter, despite a seasonal dip in purchasing power and the stabilisation of the OPR. Additionally, there has been an improvement in topline figures which triumph over the rising CPI that expanded 2.0% YoY in August 2023, while the OPR remains steady at 3.00%. We gather that private consumption recorded slower growth from 5.9% to 4.3%, compared to the previous quarter. Interestingly, the unemployment rate shown signs of improvement, shifting from 3.5% to the 3.4% range according to the latest data from DOSM. Nevertheless, the Consumer Sentiment Index, as per MIER's latest available data declined to 90.8 pts, down from 99.2 pts in the previous quarter. However, the Bursa Malaysia Consumer Product and Services Index has witnessed 0.9% QoQ increase in 3Q23, possibly driven by festive occasions such as Merdeka Day.

MIER Consumer Sentiment Index & Malaysia Retail Sales Growth



Source: Malaysian Institute of Economic Research



Source: Trading Economics ~ DOSM

- Outlook.** Looking into 4Q23, we anticipate a more favourable performance in the consumer product sector. We believe several factors, including the upcoming school holidays towards the year-end, various festive seasons like Deepavali and Christmas, and the expectation of increased domestic and international tourist arrivals may buoy the aforementioned sector. This improved outlook expectations also aligns with the expectations of the newly appointed DG of Tourism Malaysia. Despite the weakening of the Malaysian Ringgit against the Greenback, we believe that it could serve as an attraction for international tourists visiting Malaysia. Furthermore, the consumer product sector is expected to benefit from the lower unemployment rate, attributed to the Madani Economy and other government initiatives. Additionally, retail sales growth is starting to show initial signs of improvement and rebounded to 5.5% in July 2023. Noteworthy that Paynet will be implementing transaction fees for DuitNow QR payments on merchants. This move may potentially exert pressure on the profit margins of these merchants. There is also a possibility that these merchants may opt to pass on some of these costs to consumers, which could result in higher prices for goods and services.
- Valuation & Recommendation.** We remained optimistic on our coverage with the top pick would be **Padini Bhd (BUY, RM4.67)** underpinned by more festive season and their value-for-money products and **CCK Consolidated Holdings Bhd (BUY, RM0.96)**, thanks to its well-established retail network and its strong market share in Borneo as well as its presence in Indonesia. The average forward PE for the consumer is at 15.2x and 13.7x for 2024F and 2025F which is below its 2Y historical average PE of 18.8x.
- Key Risk.** i) Increasing raw materials, ii) weak consumer sentiment, iii) new policy from the government.

- Summary.** To encapsulate, the consumer product sector is expected to maintain its competitiveness, despite the challenges posed by the normalisation of the OPR and inflationary pressures. Nevertheless, we anticipate that the positive impact of various festive seasons and increased tourist arrivals in Malaysia could help offset these challenges. In conclusion, we hold a cautiously optimistic view on the consumer product sector for the upcoming quarter and are **Overweight** in our position within this sector

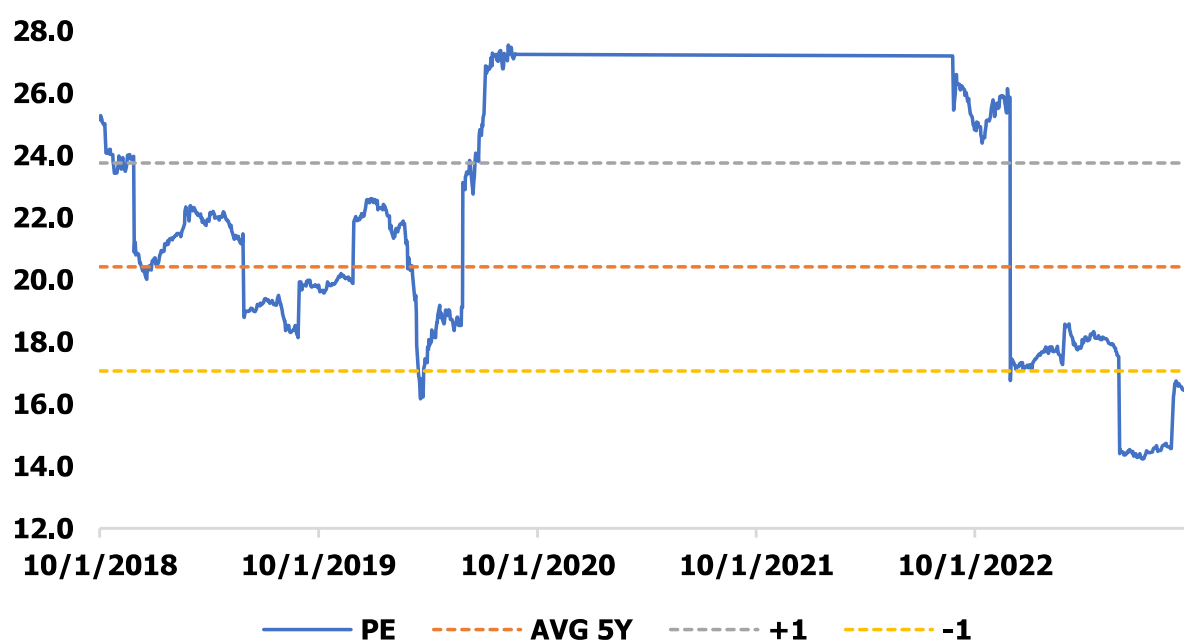
Top Picks

Company	Price (RM)		P/E (x)			Dividend Yield (%)	Target Price (RM)	Potential Upside / Downside
	as at 29Sep23	2022	2023F	2024F				
Padini Holdings Bhd#	3.95	11.70	11.50	11.20	3.42	4.67	18.23%	
CCK Consolidated Bhd	0.805	6.80	8.00	7.30	3.98	0.96	19.25%	
Yenher Holdings Bhd	0.85	11.80	10.40	4.90	4.00	1.03	21.18%	

Padini Holdings Bhd data based on FYE Jun

Source: Apex Securities Bhd, Bloomberg

Bursa Malaysia Consumer Product and Services Index 5Y PER



Source: Bloomberg, Apex Securities