



Consumer Products & Services

Robust Demand Amid Rising Cost Pressures

Thematic Report
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Wednesday, September 30, 2026
Stocks Coverage 5
Stocks Rating (Buy/Hold/Sell) (5/0/0)

1HCY26 results across our Consumer Products and Services coverage were broadly in line with expectations, although margin performance and seasonal factors remained the key differentiator. TEOSNG (BUY; TP: RM1.140), MAG (BUY; TP: RM0.180), FOCUSP (BUY; TP: RM0.770) and YENHER (BUY; TP: RM1.000) delivered results within expectations, while YOCB (BUY; TP: RM1.770) came in below expectations on weaker-than-expected core net profit margins despite revenue remaining in line with our FY26 forecast. Looking into 2HCY26, Malaysia's consumer sector is expected to remain relatively resilient, underpinned by sustained household consumption and the defensive nature of essential products. However, the operating environment is becoming more challenging as softer consumer sentiment, higher commodity and energy costs, and greater price sensitivity could weigh on discretionary spending and profitability. Demand is expected to remain differentiated across categories, with essential food and household products likely to be more defensive, while discretionary categories may face greater pressure as consumers become increasingly value-conscious. Against this backdrop, earnings performance will increasingly hinge on pricing power, cost management, product mix and the ability to preserve margins amid a higher-cost environment. Within our coverage, we remain positive on companies with resilient demand exposure, stronger cost control and identifiable avenues for earnings growth.

Macroeconomics Backdrop

Malaysia's Economy Accelerates Through 1H 2026. Malaysia's economy expanded 5.7% in 1H 2026, up from 4.5% in the corresponding period last year, with quarterly growth accelerating from 5.4% in 1Q26 to 6.0% in 2Q26. Private final consumption expenditure (PFCE) remained resilient, growing 4.8% YoY in 2Q26 versus 4.7% in 1Q26, led by restaurants & hotels (+10.9%), transport (+7.1%), food & non-alcoholic beverages (+3.6%) and communication (+3.5%). Meanwhile, services revenue rose 11.2% YoY to RM714.7bn in 2Q26, supported by domestic demand and stronger trade activity, with festive spending and mid-year school holidays benefiting wholesale & retail trade, F&B, accommodation and transportation.

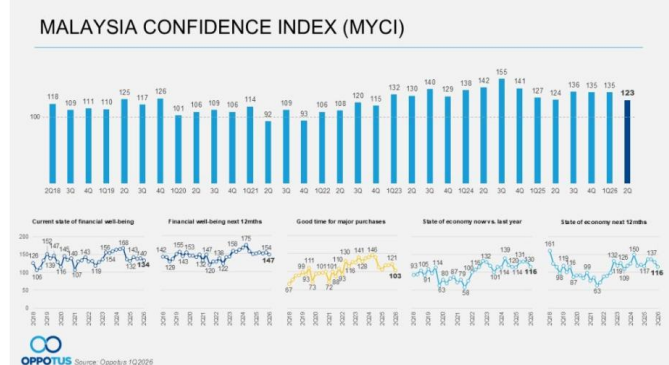
Consumer Sentiment Softened Sharply in 2Q26 Despite Strong Economic Growth. The Malaysian Consumer Confidence Index (MYCI) fell 10% QoQ to 123 points in 2Q26 from 135 points in 1Q26, reversing its strong start to the year. The 1Q26 reading was supported by the convergence of Chinese New Year and Hari Raya Aidilfitri, as well as the RM100 SARA assistance distributed from February. Sentiment subsequently weakened amid geopolitical tensions, higher energy prices and renewed cost-of-living concerns. The disruption to global oil supplies following the closure of the Strait of Hormuz contributed to higher crude oil prices (above USD100/barrel), while the BUDI95 monthly fuel quota was temporarily reduced from 300 litres to 200 litres per individual in April to mitigate the rising subsidy bill to more than tenfold to RM7.5 bn in April from RM700 mil in January. These developments heightened concerns over household purchasing power and likely contributed to the deterioration in consumer sentiment during the quarter.

Figure 1: Malaysia GDP Performance



Source: DOSM, Mercury Securities

Figure 2: Malaysia Confidence Index (MYCI)



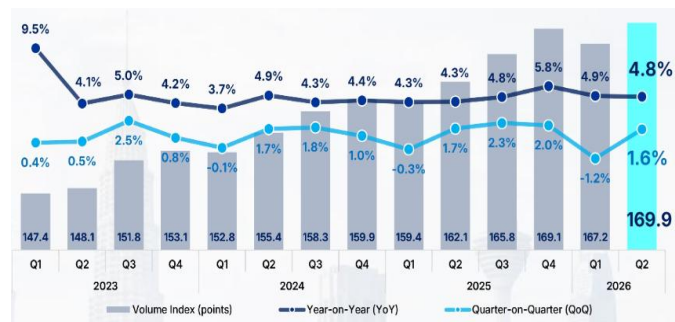
Source: Oppotus, Mercury Securities

Middle East Tensions Keep Cost Pressures in Focus. The escalation of geopolitical tensions in the Middle East and disruptions to global oil supply have introduced renewed cost pressures, with crude oil prices briefly rising above USD100/barrel following the closure of the Strait of Hormuz. Higher fuel and transportation costs could filter through to food distribution, logistics and other operating expenses, while potentially weighing on household disposable income and increasing price sensitivity. Meanwhile, the ringgit strengthened against the US dollar early in 1H26, with USD/MYR declining from around 4.06 in early-January to a low of 3.93 in late-January, before weakening to around 4.15 by end-June. The earlier ringgit strength provided some relief on imported goods and USD-denominated inputs, although the subsequent depreciation could partially offset this benefit.



Resilient Consumption Despite Softer Sentiment. Despite weaker consumer confidence, actual spending activity remained resilient. Malaysia's Wholesale & Retail Trade Volume Index rose 4.8% YoY to 169.9 points in 2Q26, with wholesale and retail trade volumes increasing 4.9% and 4.2% YoY, respectively. On a QoQ basis, the overall volume index rebounded 1.6%, driven primarily by an 8.8% increase in motor vehicles. Headline inflation remained relatively contained at 1.9% YoY in 2Q26, although selected consumer categories recorded higher price increases, including Transport (+3.6%), Insurance & Financial Services (+5.2%) and Personal Care, Social Protection & Miscellaneous Goods & Services (+4.3%). For household-related spending, inflation for Furnishings, Household Equipment & Routine Household Maintenance stood at only 0.4%, suggesting relatively modest price pressures within Yoong Onn's broader product category. **The sustained growth in retail activity therefore provides a supportive backdrop for consumer-facing businesses such as Yoong Onn, where demand for home linen and household products is underpinned by household consumption and replacement needs.** Nevertheless, higher prices in selected categories could increase price sensitivity and encourage consumers to delay non-essential purchases or trade down towards more affordable household products.

Figure 3: Volume Index of Wholesale & Retail Trade in 2Q2026



Source: DOSM, Mercury Securities

Figure 4: Volume Index of Wholesale & Retail Trade



Source: Bloomberg, Mercury Securities

Yoong Onn: Outlook Supported by Household Consumption and Singapore Expansion. Yoong Onn's 12MFY26 (FYE: June) financial results were broadly resilient, with revenue rising 1% YoY to RM299m while core earnings grew 7% YoY to RM23m, supported by higher online and consignment sales. We remain cautiously positive on the outlook, supported by resilient household spending, growing e-commerce and consignment sales, and continued expansion in Singapore. Malaysia's favourable consumption backdrop should support demand for home linen and household products, while Singapore's growing contribution provides an additional avenue for expansion. The Group's planned investment in a new integrated facility in Tampines should strengthen its Singapore operations and provide additional capacity for longer-term growth. However, margin performance remains a key monitorable following the lower-than-expected 8% core net profit margin in FY26. Rising raw material costs, competition and softer consumer spending could limit margin expansion. For FY27E, revenue is expected to grow 3% YoY to RM308m, with core net profit rising to RM28m. While the new Tampines facility should support longer-term growth, its near-term earnings contribution is expected to remain limited.

Poultry Demand Remains Defensive, but Feed Costs Pressure Margins

Resilient Demand Supported by High Domestic Self-Sufficiency. Poultry remains an important component of Malaysia's food-security landscape, supported by high domestic production and stable household demand. The latest Department Veterinary Services (DVS) data shows poultry meat self-sufficiency at 93.8% and egg self-sufficiency at 107.0% in 2024, indicating that domestic production largely meets local requirements, with surplus egg production available for export. DVS continued to highlight poultry as a key pillar of national food security in 2026, while Malaysia's export presence was further reflected in DVS's July 2026 requirement for farm registration numbers for farms exporting live poultry and eggs to Singapore.

Demand for poultry is further supported by its affordability as a source of protein, making chicken and eggs relatively defensive food staples amid higher living costs. This is particularly relevant in the current environment, where consumers are becoming more price-sensitive but have continued to maintain essential food consumption. The resilience in demand is also reflected in Teo Seng's poultry farming segment, which recorded 1H 2026 revenue growth of 4.9% YoY to RM297.7m. Malaysia's high domestic production base also limits reliance on imported poultry products, although the industry remains exposed to external commodity markets through imported feed ingredients.

Structural Demand Drivers Support the Medium-Term Poultry Outlook. Malaysia's poultry industry is expected to benefit from rising protein consumption, population growth, expanding food-service and processed-food industries, and continued preference for affordable and convenient protein sources. The growing adoption of ready-to-cook and ready-to-eat poultry products, alongside automation and smart-farming technologies, could further support industry productivity and product development. Meanwhile, greater investment in cold-chain infrastructure and export opportunities could strengthen the poultry supply chain and support longer-term industry growth.

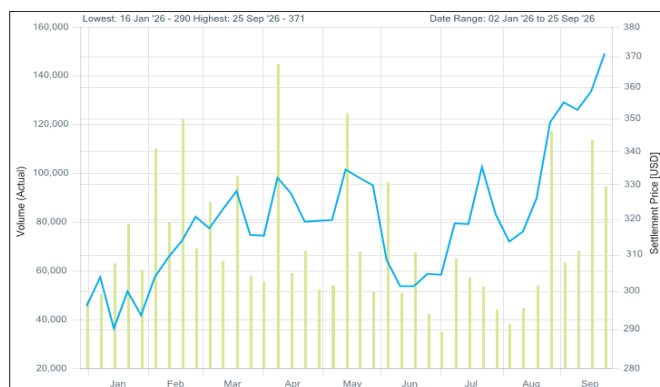
Feed Costs Re-emerge as a Key Margin Risk. While poultry demand remains resilient, profitability remains highly sensitive to feed costs, with corn and soybean meal representing key raw-material inputs for poultry farmers. For Teo Seng, most of these ingredients are sourced from South America, exposing the group to global feed commodity price movements. Since June 2026, global feed commodity prices have strengthened notably with soybean meal prices rising from around USD300/tonnes to nearly USD370/tonnes by September 2026, while



corn prices increased from around USD4.2/bushel to above USD5.3/bushel. This represents an increase of more than 20% for both feed commodities, highlighting renewed cost pressure entering 2H 2026.

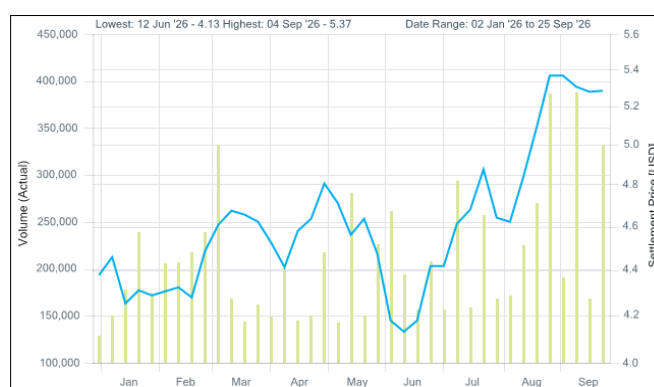
Given that raw materials account for approximately 60–75% of Teo Seng's total costs, sustained increases in feed ingredients could place pressure on margins if higher costs cannot be fully passed through to egg selling prices. However, the near-term impact is partly mitigated by the group's feed procurement strategy, with Teo Seng having secured forward contracts covering the next six months in 1H 2026, providing protection through 3Q26. While this provides some protection against near-term commodity price volatility, sustained increases in global feed prices could place greater pressure on margins as these contracts mature and are renewed.

Figure 5: Soybean Meal (USD/tonnes)



Source: FactSet, Mercury Securities

Figure 6: Corn (USD/bushel)



Source: FactSet, Mercury Securities

Teo Seng: Defensive Demand, but Earnings Remain Feed-Cost Sensitive. 1H26 revenue grew 4.7% YoY to RM356m, supported by higher egg sales volume, although we estimate egg ASPs softened by c.10%.

We remain positive on Teo Seng's 2H26 outlook, underpinned by resilient egg demand and the defensive nature of eggs as an affordable protein source. Following the removal of the egg subsidy scheme, market egg prices have increased as poultry farmers are now able to pass higher production costs through to customers, supporting higher market egg prices and potentially improving Teo Seng's margins. At the same time, higher incidence of chicken diseases could further tighten egg supply, providing additional support to egg ASPs, while potentially driving stronger demand for animal health products. We therefore expect the Group's animal health segment to provide an additional earnings buffer in 2H26.

Teo Seng's vertically integrated operations, including its in-house feedmill, provide greater control over production costs, although earnings remain sensitive to the balance between egg ASPs and feed costs as forward feed contracts mature and are renewed. The Group's expansion into higher-value downstream products such as egg mayo, liquid eggs and hard-boiled eggs also provides additional avenues for revenue diversification.

As of **Teo Seng's 2QFY26** (FYE: December) financial results, PBT and PAT margins of 6.2% and 4.3% remained above the peer averages of 4.6% and 2.9%, respectively, although its EBITDA margin of 6.8% was below the 7.9% peer average. Reported earnings were affected by the withdrawal of the egg subsidy scheme and lower other income. Excluding subsidy-related income and applying the same tax rate as 6MFY25, core earnings more than doubled to RM22m, indicating stronger underlying operations. Going forward, we expect earnings to be driven by the recovery in egg ASPs and stronger animal health demand, while the extent of margin improvement will depend on feed costs and cost pass-through.

Figure 7: Teo Seng's Selected Peers Margins Comparison (as per latest reported quarterly results)

Company	FYE	Revenue from Poultry (%)	Margin (%)			
			GP	EBITDA	PBT	PAT
Cab Cakaran Corp Berhad	Sept	93.5	11.7	9.0	5.6	3.2
LTKM Berhad	Mar	95.4	7.8	5.6	5.4	3.9
TPC Plus Berhad	Dec	n/a	n/a	1.5	(2.7)	(2.4)
QL Resources Berhad	Mar	50.9	n/a	12.7	8.2	5.4
Leong Hup International Berhad	Dec	58.9	n/a	10.9	6.7	4.6
Simple Avg.			9.8	7.9	4.6	2.9
Teo Seng Capital Berhad	Dec	82.8	n/a	6.8	6.2	4.3

Source: Bloomberg, Mercury Securities

2H 2026 Consumer Products & Services Outlook

We expect the Consumer Products & Services sector to remain relatively resilient in 2H26, supported by sustained household consumption, a stable domestic economic backdrop and the defensive nature of essential products. Household spending should remain supported by improving income prospects and continued demand for essential goods and services, although the recovery in consumer sentiment remains uneven. Softer consumer confidence and a higher cost environment are likely to encourage consumers to become more selective and value-conscious in their spending behaviour. Essential categories such as food and household products should remain relatively defensive as consumers continue to prioritise necessities, while discretionary spending may face greater pressure as consumers defer non-essential purchases and trade down towards more affordable alternatives.

Margin pressure, rather than demand, is likely to remain the key concern for the sector, with higher energy, commodity, logistics and raw-material costs potentially weighing on profitability. This is particularly relevant for poultry players, where feed costs remain a key earnings sensitivity, while household-focused businesses could face pressure from higher input costs and softer discretionary demand. Against this backdrop, pricing power and cost pass-through will be critical in determining margin resilience, although aggressive price increases could risk affecting volumes. We therefore expect sector earnings to remain supported by resilient demand, while earnings performance will increasingly depend on cost discipline, product mix and companies' ability to sustain margins amid a higher-cost operating environment.

Figure 8: Ratings and Target Price of Our Current Coverage under Consumer Products & Services sector

Company	Rating	Last Price* (RM)	Target Price (RM)	Upside With Div. Yield	Estimate Div. Yield FY27	Upside Without Div. Yield	Rating (Without Div.)
Teo Seng Capital Bhd	BUY	0.800	1.140	44.2%	3.1%	41.1%	BUY
Yoong Onn Corp. Bhd	BUY	1.400	1.770	31.0%	4.8%	26.2%	BUY
MAG Holdings Bhd	BUY	0.155	0.180	16.1%	0.4%	16.9%	BUY
Focus Point Holdings Bhd	BUY	0.500	0.770	60.8%	7.7%	53.2%	BUY
Yenher Holdings Bhd	BUY	0.780	1.000	32.5%	4.6%	27.9%	BUY

Source: TradingView, Mercury Securities

*Last price (RM) as at 29 September 2026

Figure 9: 2QCY26 Coverage Results

Company	Results		Revenue Growth %			Net Profit Growth %		
	Mercury	Consensus	QoQ	YoY	Mercury Latest Full-Year Assumption	QoQ	YoY	Mercury Latest Full-Year Assumption
Teo Seng Capital Bhd	Within	Below	(7.1%)	4.7%	(2.7%)	(50.1%)	(73.4%)	(62.8%)
Yoong Onn Corp. Bhd	Below	Below	(21.5%)	0.9%	2.9%	(26.6%)	58.7%	(17.7%)
MAG Holdings Bhd	Within	Within	(13.6%)	(4.3%)	10.2%	(13.7%)	(48.3%)	113.4%
Focus Point Holdings Bhd	Within	Within	(2.2%)	4.9%	11.9%	(2.1%)	11.3%	10.6%
Yenher Holdings Bhd	Within	Within	28.5%	(7.0%)	0.9%	26.9%	46.8%	17.4%

Source: Bloomberg, Mercury Securities



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