

Consumer

Budget 2027 Deep-Dive: Pro-Rakyat, Selectively Positive For Equities

Highlights

- The measures announced during Budget 2027 were expectedly consumer-friendly with higher cash handouts and increased tax reliefs, especially for the middle-income bracket.
- The minimum wage increase to RM2,000 is expected to hit selective labour-reliant names (ie retailers), but broader wage hikes across the GLCs and skilled and semi-skilled jobs could lift sentiment as spending power grows.
- Maintain MARKET WEIGHT. Despite the broad-based support for consumers, we remain selectively positive on the sector as soft sentiment and other external headwinds persist.
- Top picks for Budget beneficiaries: 99 Speedmart and Oriental Kopi. We upgrade Oriental Kopi to BUY from HOLD following the recent share price weakness.

Analysis

- Spending power to the people.** Budget 2027 was largely pro-consumer with key measures including broader tax reliefs (especially for the M40 income bracket), wage increases across private and government employment and increased cost of living support across the Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) programmes (see RHS for details). Overall, we view Budget 2027 as mostly positive for sentiment as the measures should help stimulate spending, especially amongst the M40 group where discretionary income is higher. However, we still remain somewhat conservative about the boost cutting through the cloudy sentiment to a meaningful degree as cost headwinds arise.
- Minimum wage pressures retailers.** The minimum wage hike in Jun 27 is above our expectations as the RM300 hike comes in both larger and earlier than our initial view (RM1,900, end-27-to-early-28 implementation). While the broader wage hikes should help boost discretionary spending, the minimum wage increase is likely to weigh on select retailers with a high exposure among their workforce in the short-term. Looking further forward, costs are likely to climb across the board as suppliers and other employees have their average wages adjusted upwards. Positively, we estimate that impact from the RM300 hike on the majority of retailers can be passed through with a 1.0-2.0% increase to ASPs.

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MARKET WEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
99Speedmart	99SMART MK	BUY	3.09	4.00
Fraser & Neave	FNH MK	BUY	19.94	36.00
Oriental Kopi	KOPI MK	BUY	0.91	1.05

Source: Bloomberg, UOB Kay Hian

Retailers Minimum Wage Exposure

Company	Rec	Target Price (RM)	Comments
99 Speedmart	BUY	4.00	<5% of workforce
EcoShop	BUY	1.60	60% of workforce
Mr. DIY	BUY	1.65	20-25% of workforce

Source: Respective companies, UOB Kay Hian

Peer Comparison

Company	Tickers	Price (RM)	Rec	Target Price (RM)	Market Cap (RMm)	P/E (x)		P/BV (x)		Yield (%)	
						FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
99Speedmart	99SMART MK	3.09	BUY	4.00	25,956.0	35.5	32.2	10.7	0.6	1.7	
EcoShop	ECOSHOP MK	1.43	BUY	1.60	8,233.7	28.2	23.7	5.9	2.1	2.6	
Carlsberg (M)	CAB MK	12.02	BUY	21.10	3,675.1	10.1	9.7	9.6	9.2	9.6	
F&N	FNH MK	19.94	BUY	36.00	7,313.6	15.2	9.9	1.6	4.7	3.8	
Heineken (M)	HEIM MK	13.00	BUY	21.80	3,927.3	11.6	10.3	8.1	11.9	9.3	
Mr. DIY	MRDIY MK	1.20	BUY	1.65	11,373.0	17.1	15.8	6.3	5.0	6.5	
Nestle (M)	NESZ MK	90.12	BUY	104.00	21,133.1	33.2	31.3	33.4	2.4	3.1	
Oriental Kopi	KOPI MK	0.91	BUY	1.05	1,810.0	24.6	19.3	4.2	1.2	1.6	
QL Resources	QLG MK	3.83	HOLD	4.00	13,950.7	29.5	28.1	3.5	1.6	1.4	
Average					10,086.5	23.2	20.1	8.7	3.9	4.1	

Source: Bloomberg, UOB Kay Hian

- **Tempering our forecasts for retailers.** Post-budget, we have made the following earnings adjustments to retailers:

Company	Rec	Price (RM)	Target Price (RM)	Earnings Chg.	Comments
99 Speedmart	BUY	3.09	4.00 (from 4.10)	27F: -0.4% 28F: -2.0%	Direct exposure is marginal at <5%. Immediate impact will likely be cushioned by increased MySARA spending
EcoShop	BUY	1.43	1.60 (from 1.70)	FY28F: -3.7% FY29F: -1.4%	Exposure is the highest among retailers under our coverage (60% of workforce)
Mr. DIY	BUY	1.20	1.65 (from 1.70)	27F: -1.7% 28F: -2.9%	Estimated exposure is ~20%-25% of workforce

- Overall, we trim our forecasts as we shift the wage adjustment forward for the retailers. Furthermore, while we largely expect price adjustments across the board in tandem with the wage hike, we remain cautious as inflationary pressure and persistently soft sentiment may limit the ability to fully pass on costs. EcoShop appears to be the most impacted due to the combination of high sensitivity to wages and lower pricing power.
- **Cash handouts, broad subsidies remain.** The government is reiterating its commitment to cost-of-living support, allocating more than RM80b for subsidies, assistance and incentives. This includes increased allocations for STR, RM16b from RM15b, an increased RM150 cash handout under the STR programme and two additional rounds of broad RM100 cash handouts via the SARA programme. We view 99 Speedmart as the prime beneficiary from said handouts as the group captured nearly 15% of previous SARA spending, translating to an 11% increase to SSSG during 3Q25 and 1Q26. However, SSSG may moderate compared to the previous period given the stronger base from the first two tranches of SARA handouts.
- **Visit Malaysia Year extended to 2027.** The government also announced that Visit Malaysia Year (VMY) will be extended to 2027 with a RM935m allocation for tourism and cultural development. VMY2026 was disrupted by the escalation of the Iran War in 1Q26 with tourist arrivals declining 1.8% yoy during 8M26. Looking forward, while oil prices and tensions in the Middle East remain escalated, sentiment from tourists appears to have stabilised with 3Q26 arrivals already showing a steady recovery. Key beneficiaries under our coverage include Oriental Kopi given its outlets in key tourist hotspots.

Valuation/Recommendation

- **Maintain MARKET WEIGHT: Focusing on frontrunners.** Our top picks for Budget 2027 beneficiaries are 99 Speedmart and Oriental Kopi.
- 99 Speedmart is poised to benefit from the increased cash handouts while also being largely shielded from the initial impact of the wage increase.
- We also upgrade Oriental Kopi to BUY from HOLD as we view it as a prime beneficiary from the extended VMY. While our RM1.05 target price is unchanged, recent share price weakness presents an attractive entry point.
- Otherwise, we also continue to like Fraser & Neave. While FY26 continues to be challenging, the outlook for FY27 and beyond appears to be improving. Depressed valuations following the recent sell-down also present an attractive entry point, with the group trading near -2.0SD to mean based on 2027F PE.

Key Beneficiaries Of VMY

Oriental Kopi	While almost all its outlets are based in shopping malls, which are thronged by tourists, Oriental Kopi has a high proportion of outlets at key tourist hotspots. Four outlets are at airports while three are at iconic shopping malls (Pavilion Kuala Lumpur, TRX and KLCC).
Fraser & Neave Holdings	Roughly 40% of its operating income is derived from Malaysia. The flagship isotonic brand, 100Plus, is poised to capture incremental tourist-driven consumption in Malaysia's hot climate, while its dairy portfolio - particularly condensed and evaporated milk - should benefit from sustained demand across hawker channels and the broader foodservice trade.

Source: UOB Kay Hian

Key Measures In Budget 2027

- Broader tax relief categories expand to cover postpartum care, wider parental/grandparent care expenses, sports shoes, children's tuition, AI subscriptions and specified pet-related expenses.
- Minimum wage increase to RM2,000 from RM1,700 with MSMEs generating sales below RM50m exempted.
- RM2,500 minimum wage for semi-skilled jobs and graduates will be introduced. GLICs/GLCs raise their living-wage benchmark to RM3,400, from RM3,100.
- SARA cash handouts total RM200 across two RM100 tranches. SARA purchases extend to fresh food at 216.
- Increased allocations for STR, RM16b from RM15b. Increased RM150 cash handouts under the Sumbangan Tunai Rahmah (STR) programme
- Introduction of an E-Commerce Bill to regulate online marketplaces and protect local MSMEs from foreign competition
- Extension of Visit Malaysia Year to 2027

Source: Bloomberg, UOB Kay Hian

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