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# F&B stocks whetting investors' appetite

**F&B companies rise on stronger consumer spending, corporate exercises**

**Fong Min Hun**

KUALA LUMPUR: Food and beverage (F&B) counters have been running up on Bursa Malaysia the last few days, and a number of the bellwether companies closed at all-time highs at the end of yesterday's trading.

Heavyweights in the sector including the likes of Cocoaland Holdings Bhd (RM2.03), Dutch Lady Milk Industries Bhd (RM13.88), Fraser and Neave Holdings Bhd (RM13.36), KFC Holdings (M) Bhd (RM10.62) and QSR Brands Bhd (RM3.77) all closed at all-time record highs.

Snackfood manufacturer Mamee-Double Decker (M) Bhd also saw its stock price hit a 16-year high when it finished trading at RM3.41 per share. At the same time, Nestle (M) Bhd closed 36 sen shy of its all-time high of RM35.96, which was last seen on April 9. It closed yesterday at RM35.66.

However, volume remained thin for all the F&B counters, with less than a million shares traded for each company, with the notable exception being QSR, which saw 1.26 million shares traded.

Some of the companies, notably KFC Holdings and F&N, saw their

prices surge owing to corporate exercises, which in the case of the former is a share split and a bonus issue.

Meanwhile, F&N is selling its 100% equity interest in Malaysia Glass Products Sdn Bhd to Berli Jucker Public Co Ltd and ACI International Pty Ltd for US\$221.7 million (RM711.66 million) cash. The sale is prompting speculation that F&N will return some of the cash to shareholders in the form of a special dividend.

Although the surge in price of KFC and F&N were both driven by corporate exercises, analysts said solid fundamentals and higher expectations of consumer spending had contributed to the momentum.

"As proven during the economic slowdown in 2008/09, most of the F&B companies, namely those with strong household brands, saw resilient topline and bottomlines," an MIDF Research analyst told *The Edge Financial Daily*.

The analyst added that the prospects of increased spending were also better with Malaysia's upgraded GDP growth forecast. The International Monetary Fund (IMF) raised

Malaysia's GDP growth projections to 6.7% from 4.7% on Monday.

An OSK Research analyst concurred, saying that consumer sentiment had improved. She said the consumer sentiment index for the country had jumped to 114 points from 104 points, and this was reflected in the growth in sales.

She said in line with OSK's call for a less bullish second half to 2010, investors could also be accumulating F&B stocks, which were traditionally seen to be more defensive options.

"Our house-view is not so bullish on the market in general for the second half of the year, but we are still overweight on the food and retail sectors," the analyst said.

A fund manager told *The Edge Financial Daily* that most of the buying was being done by high-net worth individuals rather than institutions, suggesting that private investors were preferring F&B stocks over low-yielding bank deposit instruments.

The low volume game is also suggesting that institutions are unwilling to divest their holdings in view of future uncertainty in the equities market.

