

8. INDUSTRY OVERVIEW



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Date: 28 March 2025

The Board of Directors

Loob Berhad

No 14 (Block C), Jalan Teknologi,
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Malaysia.

Dear Sirs/Madams,

Independent Market Research on the food and beverages (“F&B”) services industry in Malaysia for Loob Berhad (“Loob” or the “Company”)

We, Frost & Sullivan GIC Malaysia Sdn Bhd (“**Frost & Sullivan**”), have prepared this Independent Market Report on the F&B Services Industry in Malaysia (“**IMR Report**”) for inclusion in Loob’s prospectus in relation to the listing of and quotation for the entire enlarged issued ordinary shares in Loob on the Main Market of Bursa Malaysia Securities Berhad (“**Prospectus**”).

We are aware that this IMR Report will be included in the Prospectus, and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this IMR Report between the date hereof and the issue date of the Prospectus, we have an ongoing obligation to either cause this IMR Report to be updated for the changes and, where applicable, cause Loob to issue a supplementary prospectus, or withdraw our consent to the inclusion of this IMR Report in the Prospectus.

Frost & Sullivan has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:


Narciso Podda**Director****Business & Financial Services**

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Methodology

For the purpose of preparing this IMR Report, Frost & Sullivan has conducted primary research encompassing interviews with industry experts and industry players¹, and secondary research, which included reviews of company reports, official websites/social media pages, independent research reports, information from industry associations/authorities/international organisations, and information from Frost & Sullivan research database. Unless being made available in the publicly available sources, projected data was derived by Frost & Sullivan using historical data analysis with the consideration of the social, economic, and political environments for the forecasted period.

Comparable players identified in this IMR Report have been selected from a long list of brands developed by screening directories and visiting key shopping malls and shop lots as well as discussing with industry players. Subsequently, the list was presented and discussed with industry players and experts that agreed to be interviewed for the purpose of the analysis. Information were further validated via public information through secondary research (which covers reviews of company reports, official websites/social media channels, independent research reports, information from industry associations/authorities/internal organisations, as well as information from Frost & Sullivan research database) and fine-tuned by contacting identified brands (e.g. face-to-face, telephonic method, official social media platforms, among others).

Profile of Frost & Sullivan GIC Malaysia Sdn Bhd

Frost & Sullivan is a global independent industry research and consulting organisation headquartered in the United States of America ("USA") with over 60 years of establishment. In Malaysia, Frost & Sullivan's subsidiary, Frost & Sullivan GIC Malaysia Sdn Bhd, operates two offices (Kuala Lumpur and Iskandar Malaysia) with more than 200 employees offering market research, marketing and branding strategies and business advisory services across 12 industries. Frost & Sullivan is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other related fund-raising and corporate exercises.

Profile of the IMR signee, Narciso Podda

Narciso Podda is the Director, Business & Financial Services division, for Frost & Sullivan GIC Malaysia Sdn Bhd. Narciso Podda possesses over 15 years of experience in market research and consulting, including over eight years in independent market research and due diligence exercise for capital markets across the Asia Pacific region. Narciso Podda holds a Bachelor in Business Administration from Bocconi University, Italy, and a Master in International Economics and Finance from Chulalongkorn University, Thailand.

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¹ Industry experts are individuals with in-depth knowledge on the industry (e.g., industry analysts). Industry players are individuals currently or previously working for key food and beverage services.

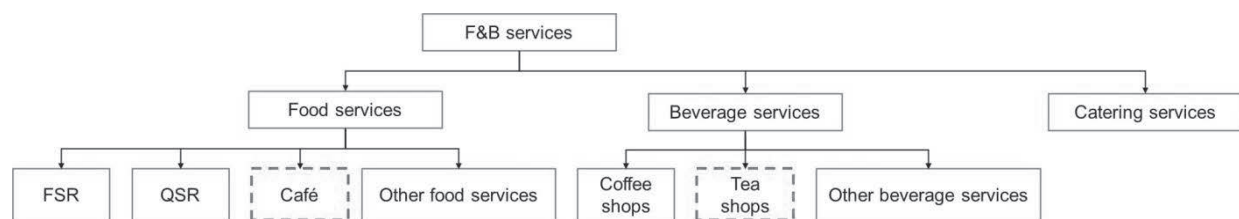
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1 INTRODUCTION TO THE F&B SERVICES INDUSTRY

The F&B services industry refers to F&B serving activities providing food and/or beverage products fit for immediate consumption. This IMR Report focuses on the larger F&B services industry for a better description of the broader market where Loob and its group of companies (“**Loob Group**”) or (the “**Group**”) operates. The F&B services industry comprises food services, which focus on the preparation of mainly food products, and beverage services, which focus on the preparation of mainly beverage products, both for immediate consumption. In addition, this IMR Report provides information on the key segments of the F&B services industry, such as the full-service restaurants (“**FSR**”) and quick-service restaurants (“**QSR**”), but also on smaller segments, specifically for this analysis, where Tealive operates, the tea shops segment, and where Bask Bear Coffee & Toasties operates, the café segment. The definitions of these two segments are adopted within the context of this IMR Report to facilitate a more direct comparison between industry players that have similar product offerings and store formats with Tealive and Bask Bear Coffee & Toasties, and may differ from the segmentation provided in other reports on this industry.

Figure 1-1: F&B Services Industry Segmentation in Malaysia



Notes: Other food services include cafeterias, food stalls, and mobile food trucks. Other beverage services include activities focusing on juices, drink stalls, mobile beverage trucks and pubs/bars.

Source: Frost and Sullivan

Table 1-1: General Key Differences Between Main Segments of the F&B Services Industry in Malaysia

	FSR	Food services QSR	Café	Beverage services Coffee shops	Tea shops
Food and/or beverage focus	Food-focused	Food-focused	Food-focused, with a balance of caffeinated drinks	Beverage-focused, with coffee as the base ingredient	Beverage-focused, with tea as the base ingredient
Menu and/or preparations	Menus have multiple items for customers to choose (e.g., starters/sides, main course and desserts). Food products that are freshly prepared can be complex, involving different cooking methods and multiple steps preparation. Most have a large kitchen.	Limited food variety compared to FSR and food preparations are generally simple with one or only a few steps. Food products can be pre-cooked with significant pre-preparation of ingredients. Most have a large kitchen.	Limited food variety compared to FSR and F&B preparations are generally simple with one or only a few steps. Food products are freshly prepared, although with significant pre-preparation of ingredients. Most have a small kitchen.	Extensive selection of MTO coffee-based drinks, with a limited selection of pre-made light food products like pastries and snacks. Most adopt an open-design preparation area.	Extensive selection of MTO tea-based drinks, with a limited selection of light food products like snacks. Most adopt an open-design preparation area.
Dining experience	Table ordering and services, can range from casual to formal ambiance	Limited table service, fast-paced ambiance	Limited table service, casual dining atmosphere	Emphasis on take away	Emphasis on take away
Example of players	Secret Recipe, OldTown White Coffee, The Chicken Rice Shop	KFC, Pizza Hut, McDonald's, Subway, Domino's Pizza, Marrybrown, Burger King	Bask Bear Coffee and Toasties, O'Brien Irish Sandwiches Café, Toast Maker, VCR Stacks, Gigi Coffee Diner	ZUS Coffee, Starbucks, The Coffee Bean & Tea Leaf, Gigi Coffee	Tealive, Mixue, Coolblog, AiCha, Chagee

Source: Frost and Sullivan

The Group owns **Tealive**, the largest F&B services brand in Malaysia by number of stores as at 28 February 2025. Tealive is also the largest player within the tea shops segment by number of stores as at 28 February 2025. The tea shops segment refers to F&B services establishments that predominantly focus on serving MTO beverages, with tea as a base ingredient. This includes bubble beverages, which are drinks that incorporate solid toppings² such as pearls or boba (commonly made from tapioca), fruit jelly, aloe vera, puddings, among others. This segment is dominated by large chains of foreign brands.

Bask Bear Coffee & Toasties is the largest player within the café segment of the F&B services industry by number of stores as at 28 February 2025. Cafés refer to casual dining establishments that focus in offering a variety of

² Doesn't include liquid & powder-based toppings, such as top-layered cream or foam, flavoured shots, caramel, sauces.

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caffeinated drinks together with a limited food variety compared with that of FSR. This segment is fragmented and comprises numerous small independent players.

2 ANALYSIS OF THE F&B SERVICES INDUSTRY IN MALAYSIA

2.1 MACROECONOMIC INDICATORS AND TRENDS

The Malaysian economy grew between 2019 and 2024 despite global headwinds, at a compound annual growth rate ("CAGR") of 3.0%.^{3&4} However, there was a setback in 2020 with a recorded decline of -5.5% due to the initial political uncertainty at the beginning of the year and the economic impact of the coronavirus disease 2019 ("COVID-19") pandemic. In 2021, the Malaysian economy rebounded by 3.3%, and this positive trend continued into 2022, with the easing of COVID-19 restrictions and strong trading activity contributing to a higher average monthly household income. The average monthly household income in Malaysia grew from RM7,901 in 2019 to RM8,479 in 2022 at a CAGR of 2.4%.⁵ Rising household income may contribute to increased out-of-home food expenditure as families have more disposable income to spend on dining experiences and convenience.

Household expenditure in Malaysia grew in tandem with household income. From 2019 to 2022, the total average monthly household expenditure increased from RM4,609 to RM5,150 at a CAGR of 3.8%. The average monthly expenditure on foods away from home grew from RM508 in 2019 to RM664 in 2022, at a CAGR of 9.3%. As for the expenditure on beverages away from home, the monthly average rose from RM96 in 2019 to RM126 in 2022, at a CAGR of 9.5%.⁶

The Malaysian economy proved to be resilient in 2023 and 2024, growing by 3.6% and 5.1% respectively.⁷ This robust performance can be attributed to the continued strength of the domestic demand, which has played a significant role in driving this growth.⁸ The Malaysian economy is supported by government initiatives such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the Twelfth Malaysia Plan.⁹ The Malaysian economy is forecasted to grow at a CAGR of 4.1% from 2024E¹⁰ to 2029F^{11, 12}.

The Malaysian population increased at a CAGR of 0.6% from 32.5 million people in 2019 to 33.5 million people in 2024E, and it is forecasted to reach 35.3 million people by 2029F, growing at a CAGR of 1.1% from 2024E to 2029F.¹³ The urban population is estimated at 79.2% of the total population in 2024, compared to 76.6% in 2019, and it is expected to continue growing and account for 81.4% of the total population in 2029F.¹⁴ With the expectations of a larger Malaysian population, the F&B services industry can expand further due to the increased consumer base.

Population density varies across regions in Malaysia, with the central region estimated to have the highest population density in mid-2024. These densely populated areas are suitable catchment areas for F&B services. However, less densely populated regions, such as the East Coast and East Malaysia, may also present opportunities. These areas tend to have fewer market entrants, resulting in less competition and potentially lower operational costs. The Group via its two brands, has a wide geographical coverage with stores across different regions in Malaysia.

Table 2-1: Estimated Population and Population Density by Region as at 30 June 2024 vs Tealive and Bask Bear Coffee & Toasties Store Count as at 28 February 2025

State / Federal Territory	Population (thousand) (Jun 2024) ⁽¹⁾	Area (kilometre ("km") ²)	Population Density (people/km ²)	Tealive store count ⁽²⁾	Tealive store penetration (store / million population) ⁽³⁾	Bask Bear Coffee & Toasties store count ⁽²⁾	Bask Bear Coffee & Toasties store penetration (store / million population) ⁽³⁾
Selangor	7,234	7,941	911	235	32.5	41	5.7
Kuala Lumpur	2,031	243	8,369	94	46.3	13	6.4
Putrajaya	118	49	2,397	8	67.7	3	25.4
Total Central	9,383	8,233	1,140	337	35.9	57	6.1
Kelantan	1,855	15,032	123	20	10.8	0	0
Terengganu	1,210	12,958	93	19	15.7	3	2.5
Pahang	1,639	36,134	45	34	20.7	7	4.3
Total East Coast	4,705	64,124	73	73	15.5	10	2.1
Perlis	292	816	357	6	20.6	0	0
Kedah	2,179	9,510	229	47	21.6	5	2.3
Penang	1,769	1,031	1,715	53	30.0	10	5.7
Perak	2,524	21,146	119	60	23.8	11	4.4

³ International Monetary Fund ("IMF"), World Economic Outlook ("WEO"), October 2024

⁴ Department of Statistics, Malaysia ("DOSM"), Gross Domestic Product, Fourth Quarter of 2024

⁵ DOSM, Household Income Survey Report 2022

⁶ DOSM, Household Expenditure Survey Report 2022

⁷ DOSM, Gross Domestic Product, Fourth Quarter of 2024

⁸ Bank Negara Malaysia, Economic and Financial Development in Malaysia in the Fourth Quarter of 2023, February 2024.

⁹ Ministry of Finance, Economic Outlook 2025

¹⁰ 2024E indicates an estimated value for the year 2024

¹¹ 2029F indicates a forecasted value for the year 2029

¹² IMF, WEO October 2024

¹³ IMF, WEO October 2024

¹⁴ United Nations, World Urbanization Prospects 2018, May 2018.

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State / Federal Territory	Population (thousand) (Jun 2024) ⁽¹⁾	Area (kilometre ("km") ²)	Population Density (people/km ²)	Tealive store count ⁽²⁾	Tealive store penetration (store / million population) ⁽³⁾	Bask Bear Coffee & Toasties store count ⁽²⁾	Bask Bear Coffee & Toasties store penetration (store / million population) ⁽³⁾
Total Northern	6,763	32,504	208	166	24.5	26	3.8
Johor	4,113	19,166	215	90	21.9	16	3.9
Melaka	1,029	1,755	586	29	28.2	6	5.8
Negeri Sembilan	1,218	6,710	182	39	32.0	6	4.9
Total Southern	6,360	27,631	230	158	24.8	28	4.4
Sabah	3,676	74,100	50	60	16.3	9	2.4
Sarawak	2,474	124,171	20	36	14.6	5	2.0
Labuan	99	92	1,081	1	10.1	0	0
Total East Malaysia	6,249	198,363	32	97	15.5	14	2.2
Total Malaysia	33,460	330,855	101	831	24.8	135	4.0

Note: Latest available data as at 28 February 2025. (1) Estimated population data as at 30 June 2024; (2) Tealive and Bask Bear Coffee & Toasties store count as at 28 February 2025; (3) Calculated based on the population data as at 30 June 2024 and Tealive and Bask Bear Coffee & Toasties store count as at 28 February 2025.

Source: DOSM; IMF; Frost & Sullivan

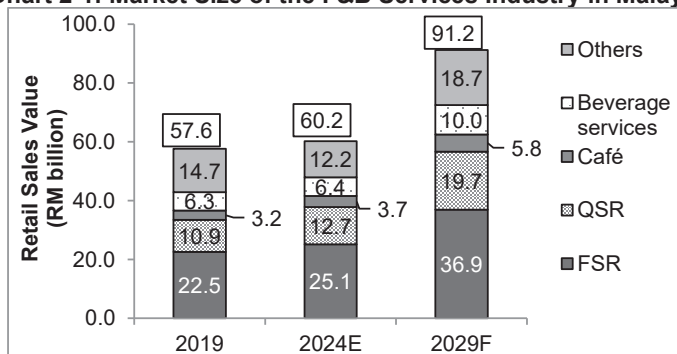
2.2 MARKET SIZE

The **F&B services industry** increased from RM57.6 billion in 2019 to RM60.2 billion in 2024E. In 2020 and 2021, the F&B services industry faced temporary setbacks due to the COVID-19 pandemic, which resulted in limited operating hours, limited operating capacity, and/or the temporary closure of F&B service establishments. In 2022, the industry began to recover, aided by the resurgence of the dine-in market and continued use of online food delivery service platforms. In 2023, the F&B services industry nearly recovered to pre-COVID levels and by 2024, it had fully returned to those levels.

Looking ahead, the F&B services industry is projected to grow through the forecast period up to 2029. This will be driven by the growth of the population and a resilient economic outlook, leading to higher household income and greater expenditure on F&B services.

Within the F&B services industry, FSR and QSR represent a big portion of the industry, accounting for 41.7% and 21.1% of the total, respectively, in 2024E. The café segment is comparatively smaller, representing 6.2% of the industry. The café segment increased from RM3.2 billion in 2019 to RM3.7 billion in 2024E, at a CAGR of 3.1%, and this segment is forecasted to reach RM5.8 billion in 2029, growing at a CAGR of 9.3%. The beverage services segment accounts for 10.7% of the industry, with tea shops making up 27.5% of it. The tea shops segment grew from RM1.2 billion in 2019 to RM1.8 billion in 2024E. It is forecasted to reach RM2.8 billion by 2029, growing faster than the broader beverage services segment. This growth will be driven by the rapid expansion of tea shops, along with a cultural acceptance and rising interest in tea drinking among locals.

Chart 2-1: Market Size of the F&B Services Industry in Malaysia, 2019-2029F



Note: The beverage services segment includes tea shops, coffee shops, activities focusing on juices, drinks stalls, mobile beverage trucks and pubs/bars. The other F&B services segment includes catering services, and other food services like cafeterias, food stalls, and mobile food trucks.

Source: Frost & Sullivan

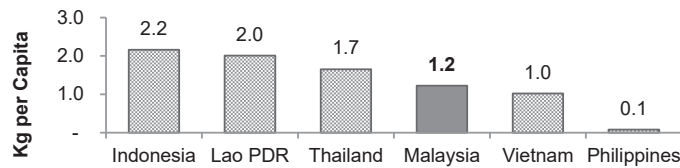
Malaysia's tea consumption is driven by urbanisation and dynamically changing lifestyles. Tea continues to hold cultural significance in Malaysia, although its consumption as at 2022 fell short compared to that in some other Southeast Asian¹⁵ neighbouring countries on a per capita basis. Tea consumption is forecasted to grow further as consumer preferences evolve.

¹⁵ Southeast Asian countries comprise Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

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Chart 2-2: Tea Consumption per Capita, Selected Southeast Asian Countries, 2022



Note: Tea consumption is based on the latest available "Food" data as at 28 February 2025. The data refer to the total amount of the commodity available as human food during the reference period. The data include the commodity in question, as well as any commodity derived therefrom as a result of further processing.

Source: Food and Agriculture Organization of the United Nations; IMF (WEO, October 2024); Frost & Sullivan

2.3 INDUSTRY DRIVERS AND GROWTH TRENDS

Urbanisation: As the urbanisation process in Malaysia continues, longer working hours and commutes are leaving urban professionals with less time for home cooking and grocery shopping. This time constraint and rising incomes drive the demand for convenient dine-out and takeaway options, fuelling F&B services growth. In addition, the process of urbanisation results in the creation of new townships, which is advantageous for the F&B services industry as it offers establishments the opportunity to expand and have a broader geographic reach.

Innovation in F&B products and/or services and meeting consumer preferences: There are an estimated 136,453 F&B services establishments in Malaysia in 2022,¹⁶ indicating that the industry is relatively fragmented, with multiple chains and standalone F&B services stores. F&B services use a variety of strategies to differentiate themselves apart from rivals, including innovative products and/or services. For instance, some tea shops use loose tea leaves instead of tea powder or imported fresh milk as key ingredients and limited-edition packaging to convey a premium image. For café, there is an emphasis on brewing techniques for coffee. Additionally, consumers can personalise their drinks by customising sugar levels, adding various toppings, and choosing different types of milk to suit their dietary preferences. Some F&B services also provide a wider range of food items on the menu, such as toast and other baked goods, to meet customers' preferences. The varieties provided continue to drive growth in the F&B services industry.

Rising interest in coffee or tea drinking culture: Café and tea shops are increasingly not just visited for beverage consumption only, but also as social hubs for hanging out, socialising, or conducting business meetings. Generational shifts are reshaping F&B preferences. While older generations may lean towards traditional options like local coffee shops, younger consumers, who are influenced by social media and viral trends, may lean towards experiential or engaging consumer experiences in modern F&B settings.

Meanwhile, the tea-drinking culture is influenced by the acceptance of "Chinese" tea, such as oolong tea, among Muslim consumers, particularly as beverage stores obtain the Halal certification. The tropical climate and preference for sweet beverages in Malaysia have created an attractive market for new F&B brands, particularly those specialising in cold and sweet drinks, including coffee and tea. This environment allows these brands to establish presence in the country, catering to the growing interest in the coffee and tea-drinking culture, further stimulating the growth of the F&B services industry in Malaysia.

Expanding usage of online food delivery service platforms: The combination of travel and waiting times spent by consumers to visit physical F&B services stores has driven the growth of online (including mobile platform) food delivery services, which provide the F&B services industry with an additional distribution channel to reach a broader consumer base. The COVID-19 pandemic accelerated the adoption of online food delivery services. F&B services are leveraging data analytics collected, which helps to track and understand customer preferences, thus allowing industry players to better strategise their business. These platforms also act as a source of awareness of new F&B establishments. The proliferation of such delivery platforms is likely to suit the demands of the growing young working-class population. Such consumer groups are likely to demand more convenient F&B options to meet their hectic lifestyles.

2.4 SUPPLY LANDSCAPE

F&B services mainly establish their stores in the following locations:

Shopping malls: Shopping malls in Malaysia offer a comfortable and convenient environment that caters to diverse needs, making them attractive destinations for both leisure and shopping. This foot traffic makes malls appealing locations for F&B services seeking to capitalise on increased sales opportunities.

Shop units: Shop units or shop lots are commercial properties located in neighbourhoods or within a township. These shop units provide F&B establishments with opportunities to cater to consumers who are seeking to access F&B options quickly. Shop units within their immediate vicinity can minimise travel time and provide convenience.

¹⁶ DOSM, Economic Census 2023 Food and Beverage, August 2024.

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Petrol stations: The integration of F&B establishments within petrol stations, capitalising on the need for quick and accessible refreshments, particularly for those on the move. The growth of petrol stations is an indication of additional growth opportunities for F&B services.

Drive-throughs and drive-ins: Drive-throughs and drive-ins align well with consumer behaviour, particularly commuters seeking quick solutions. These spots allow customers to purchase products or services without leaving their vehicles, which is ideal when on the go. In a drive-through, customers typically remain in their vehicles while ordering, whereas drive-ins may offer designated parking spots for customers to receive their orders. These facilities have gained popularity in the F&B services industry due to their convenience and efficiency.

Transportation hubs and stations: Transportation hubs and stations, such as airports and rail network stops, are key locations for F&B services to reach a wider customer base. Major transportation hubs in Malaysia have high crowd movement as these hubs link to various transport modes.

Food delivery services: Online third-party F&B delivery companies such as GrabFood, foodpanda, and Shopee Food have helped in connecting F&B services without delivery teams to their end consumers. F&B services with more branches have a greater advantage in reaching a wider pool of consumers as the third-party F&B delivery company can easily pick up from the nearest locations. F&B services also benefit from F&B delivery services that allow them to sell even during off-peak hours.

Mobile trucks: Mobile trucks provide flexibility in targeting different locations and events, allowing F&B services to cater to specific demographics and capture demand during festivals, sporting events, or other gatherings.

2.5 PRODUCT & SERVICES SUBSTITUTES

There are various types of beverages available in the market. Made from different bases (e.g., coffee, tea, fruit, cocoa, dairy), alcoholic and non-alcoholic, MTO and ready-to-drink ("RTD"). MTO beverages are specifically made according to the customer's specifications, while RTD beverages are packaged and sold in their prepared form. Therefore, consumers have a large variety of options to choose from. Beverages can also be found across other F&B services formats, for dine-in or takeaway, including in FSR, QSR and café.

In addition, beverages can also be found in grocery retailers (such as hypermarkets, supermarkets, mini-markets, and convenience stores), traditional grocery stores, and vending machines, among others. The grocery-based retail industry in Malaysia is growing, from RM71.6 billion in 2019 to RM85.0 billion in 2024E, at a CAGR of 3.5%. It is projected to reach RM112.3 billion in 2029F, growing at a CAGR of 5.7%. Beverages and other FMCG (Fast-Moving Consumer Goods) products represent a large part of sales in grocery-based retail channels.

2.6 BARRIERS TO ENTRY

Entering a crowded market: Malaysia's F&B services industry is highly competitive, with an array of local and foreign brands competing for market share. Both established chains and independent operators contribute to a fragmented market, making it difficult for new entrants to distinguish themselves and gain customer attention. The entrance hurdles to create a new brand are minimal, allowing both domestic and international players to readily establish their presence in the country. Nonetheless, owing to market fragmentation, the primary issue for enterprises is to function sustainably in the long term.

Capital investment and scalability: Establishing a presence in the F&B services industry requires significant capital investment for store setup, equipment purchases, technology integration, and marketing efforts. The scaling of operations and expansion to new locations further necessitates substantial financial resources. The ongoing operational costs, including rent, utilities and staffing, coupled with investments in operational efficiencies and innovative product development for long term growth present significant barriers to entry for new players.

Knowledge of consumer preferences: Malaysian consumers are increasingly discerning, with rapidly changing preferences and tastes influenced by global trends, social media, family and friends. New entrants must demonstrate adaptability and agility in responding to these dynamic preferences, continuously innovating and adjusting their offerings to remain relevant and appealing to target customer segments. This would involve pursuing the right target market, understanding consumer preferences and sensitivities, and targeting potential untapped demands in the market that could provide opportunities. The local knowledge is acquired over many years of established operations.

Manpower and system capabilities: To provide innovative products and services, F&B services require skilled manpower capabilities for back-end and front-end operations. In addition, data analysis and customer engagement initiatives benefit F&B services in understanding and serving customers better. Industry players are investing in technologies such as kitchen display systems ("KDS"), point-of-sale ("POS") systems, and mobile applications ("apps"), among others.

2.7 KEY SUCCESS FACTORS

F&B services are continuously implementing new initiatives and adopting new marketing techniques to reach their target markets. The rise of digital platforms and evolving consumer behaviour have led to significant shifts in the F&B marketing landscape.

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Online channels and social marketing: Social media is a significant component of communication strategies for F&B services in Malaysia. With social media penetration rates reaching 83.1% in January 2024 in the country,¹⁷ social media platforms are utilised to reach and engage consumers. Common tactics used by the F&B services include generating buzz through pre-launch content, incorporating interactive content like polls or contests, utilising targeted advertising, and collaborating with influencers. These strategies can generate interest, encourage audience engagement and collaborations, reach the target audience and further enhance brand visibility.

Upstream production involvement: Involvement in upstream production facilities allows F&B services to enhance their operation efficiency and product quality. By directly engaging in the sourcing, processing and production of ingredients, companies can ensure a consistent supply of quality ingredients, which is essential for meeting customer demand and maintaining brand reputation. For example, the Group's involvement in tapioca pearl production in Malaysia allows it to oversee and manage the quality and consistency of this key ingredient¹⁸.

Adoption of advanced technologies: F&B services utilise technology to improve operations and customer experience. Common technologies to improve operation efficiency include POS systems with features like online ordering and mobile payments and KDS that increase order accuracy and speed. Many providers leverage food delivery platforms and online ordering systems to expand their reach. Additionally, contactless ordering, payments, and digital menus have become standard practices, particularly in response to changing consumer preferences for safety and efficiency.

Loyalty programs are often integrated into mobile apps, enhancing customer retention by rewarding repeat business. Providers typically offer various payment options, including mobile apps, communication apps like WeChat, and e-wallet services like Alipay, GrabPay, and Touch 'n Go eWallet. By embracing these technological advancements, F&B services can enhance operational efficiency while delivering a better customer experience.

Co-branding and partnership strategies: F&B services utilise co-branding and partnerships to expand their reach. This includes collaborations through store-in-store arrangements within convenience stores at petrol stations, as part of community banking, or inclusion in in-flight menus. They also partnered with online food delivery services like GrabFood and foodpanda, offering delivery convenience and promotional deals. Additionally, cross-industry collaborations are common, involving partnerships with businesses outside the F&B sector, such as banks, telecommunication providers or fitness centres, for joint promotions and cross-market exposure.

Alignment with the latest F&B demand and trends: To remain competitive, F&B services, especially in the beverage sector, must adapt to evolving consumer preferences in the local market. This includes introducing new and localised flavours while maintaining quality and affordability. Healthier options, such as low-fat or low-calorie choices, are sought after by consumers interested in health-orientated products. The incorporation of functional ingredients and plant-based alternatives in tea and coffee further enhances the appeal of these beverages to health-conscious consumers. Customisation options, like choices for toppings, sugar level and type of milk, also enhance the customer experience. They may also offer seasonal or limited-time menus according to local preference.

High geographical coverage and unique customer proposition: F&B services are present in all states across Malaysia, with common locations including shopping malls, kiosks and commercial shop lots in commercial hubs (non-shopping malls). They also penetrate transportation hubs such as light rail transit (LRT) and mass rapid transit (MRT) stations in urban areas, as well as petrol stations on highways and high-density neighbouring areas.

F&B services utilise smaller retail formats, like kiosks and mobile trucks, to encourage impulse purchases and reach a wider range of locations. These formats offer advantages in terms of setup, design, and flexibility compared to larger stores. This strategy allows them to target not only prime locations in urban areas but also areas like university campuses, hospitals, transportation hubs, petrol stations, and highway rest areas. Other than that, F&B services may set up different concept stores, based on theme, gourmet selections, among others, to attract a wider group of customers.

2.8 COMPETITIVE LANDSCAPE

The tea shops segment exhibits its own cyclical trends. For instance, there was a trend for cheese tea in 2018, followed by the brown sugar milk series in 2019.¹⁹ These trends led to an influx of new players in 2019 and contributed to the growth of the tea shops segment. However, in 2020 and 2021, industry players faced challenges in sustaining this growth, forcing some to close down permanently.²⁰ This was due to their earlier rapid expansion, the effects of COVID-19 on the economic landscape and business operations, and changes in consumer preference, among other factors. However, established players with a large number of outlets sustained their position through a strong market presence, efficient supply chains, and continuous innovation.

¹⁷ DataReportal, Digital 2024: Malaysia, February 2024

¹⁸ Tatler Asia: Tealive founder Bryan Loo opens new facility to produce and export bubble tea ingredients, November 2023

¹⁹ Jing Rou Kuek, Falling into A Sugar Trap, July 2019

²⁰ Malay Mail, A Covid-19 fatali-tea: How Subang Jaya's Boba Street bubble burst, May 2020

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

From 2022 to 2024, the tea shops segment has seen the rise of premium tea brands and those adopting low-price strategies. Premium tea brands price their drinks even above RM20 per cup, while low-priced brands tend to price their drinks even below RM5 per cup. Mid-priced tea shops, including Tealive, generally price their drinks between RM5 and RM15. They aim to offer better value for money compared to the premium tea brands. Mid-priced tea shops also generally use higher-quality ingredients compared to the low-priced brands, to meet consumer demand for quality.

The diversification has introduced a new layer of competition within the segment, causing the landscape for the tea shops segment to become increasingly competitive. Established players face heightened pressure from newcomers eager to capture market share. Moving forward, the tea shops segment is likely to continue readjusting after reaching the peak of its cycle (based on the number of players). While new entrants may struggle to sustain their businesses over the long term due to operational challenges, established players can leverage their industry expertise, innovation and unique value proposition to maintain a competitive edge. Low price brands that adopt a licensing / franchising model, without or with limited corporate stores, are reliant on the sustainability of the franchisee's business. The franchisee must ensure adequate service and quality of the stores, profitability and positive cash flow, among others, for the success of the brand.

The F&B services industry in Malaysia has also witnessed a few distinct coffee waves, starting with the first wave rooted in traditional kopitiam, which emphasised local coffee. The second wave in 1990s saw the commercialisation of coffee in coffee shop chains, with a standardised coffee experience. The third wave in 2010s focused on a café culture that prioritises artisanal methods and high-quality beans. This wave is fuelled by consumers who seek cafés that not only serve specialty coffee but also provide an inviting atmosphere for socialising and relaxation. Since 2020, the coffee culture in Malaysia has expanded with the rise of affordable coffee shop chains that cater to a broader audience while maintaining elements of specialty coffee craftsmanship.²¹

The interplay between these coffee waves has also influenced the tea shops segment. Affluent consumers are looking for quality drinks, which has led to the acceptance of premium tea offerings that mirror the quality-focused approach of the third-wave coffee. This reflects a broader trend toward quality and experience in the F&B landscape, where consumers are willing to explore diverse options that cater to their varying tastes and budgets. Meanwhile, there are also similarities where players within the tea shops segment and coffee shops segment employ low-pricing strategies to attract budget-conscious consumers. Additionally, given that the consumer groups of coffee and tea may partially overlap, it is common for industry players to offer both coffee and tea-based drinks on their menus. This strategy helps reduce the impact of shifting consumer preferences, especially when new studies emerge highlighting the benefits of one beverage over the other. By keeping an eye on emerging trends, innovating using technology, enhancing the customer experience, among others, established industry players can continue to position themselves for future growth as they capitalise on the evolving landscape of consumer preferences in Malaysia's F&B services industry.

2.8.1 Profile of Key Market Players

Loob owns Tealive, the largest F&B services brand in Malaysia by number of stores, with 831 stores as at 28 February 2025. The second and third largest F&B services brands in the analysis are KFC and ZUS Coffee, each with fewer than 700 stores. In addition, Loob owns Bask Bear Coffee & Toasties, the largest player within the café segment by number of stores as at 28 February 2025.

Table 2-2: Top F&B Services Chain in Malaysia, February 2025

Brand ⁽¹⁾	Country of origin ⁽²⁾	Type of stores	Number of stores in Malaysia as at 28 February 2025 ⁽³⁾
Tealive	Malaysia	Beverage services (Tea shops)	831
KFC	USA	QSR	600-700
ZUS Coffee	Malaysia	Beverage services (Coffee shops)	600-700
Pizza Hut	USA	QSR	400-500
Secret Recipe	Malaysia	FSR	400-500
Mixue	China	Beverage services (Tea shops)	400-500
Starbucks	USA	Beverage services (Coffee shops)	300-400
McDonald's	USA	QSR	300-400
Subway	USA	QSR	300-400
Coolblog	Malaysia	Beverage services (Tea shops)	300-400
Domino's Pizza	USA	QSR	250-350
AiCha	Indonesia	Beverage services (Tea shops)	250-350
Marrybrown	Malaysia	QSR	200-300
The Coffee Bean & Tea Leaf	USA	Beverage services (Coffee shops)	150-250
OldTown White Coffee	Malaysia	FSR	150-250
Burger King	USA	QSR	150-250
Gigi Coffee	Malaysia	Beverage services (Coffee shops)	150-250

²¹ F&S analysis

8. INDUSTRY OVERVIEW (Cont'd)

F R O S T & S U L L I V A N

Brand ⁽¹⁾	Country of origin ⁽²⁾	Type of stores	Number of stores in Malaysia as at 28 February 2025 ⁽³⁾
The Chicken Rice Shop	Malaysia	FSR	150-250
Bask Bear Coffee & Toasties	Malaysia	Café	135

Notes: Data for each company is provided on a best-effort basis based on publicly available information. The list of key players may not be exhaustive and the information is provided for reference only. (1) The brands listed are F&B Services that have at least 130 stores in Malaysia as at 28 February 2025; (2) Brands that originate from Malaysia are operated by local brand owners, whereas brands from other countries are typically run by local franchise owners, franchisee or licensee; (3) The number of stores may only reflect the number of stores that are currently open and may not account for any closures that may have occurred.

Source: Frost & Sullivan

The tea shops segment is dominated by chains of foreign brands. Significant changes occurred between 2019 and 2024, with numerous players entering and exiting the market. Some of the newcomers include Mixue, AiCha, and Chagee. In contrast, the café segment is primarily dominated by small independent players rather than large chain players.

Table 2-3: Key Players in the Tea Shops and Café Segments in Malaysia, February 2025

Type of F&B services	Brand ⁽¹⁾	Country of origin	Number of stores as at 28 February 2025 ⁽²⁾	Year of launch in Malaysia
Tea shops	Tealive	Malaysia	831	2017
Tea shops	Mixue	China	400-500	2022
Tea shops	Coolblog	Malaysia	300-400	2008
Tea shops	AiCha	Indonesia	250-350	2024
Tea shops	Chagee	China	100-200	2019
Café	Bask Bear Coffee & Toasties	Malaysia	135	2019
Café	O'Brien Irish Sandwiches Café	Ireland	25-35	2002
Café	Toast Maker	Malaysia	10-20	2020
Café	VCR Stacks	Malaysia	2-10	2020
Café	Gigi Coffee Diner	Malaysia	2-10	2023

Notes: Data for each company is provided on a best-effort basis based on publicly available information. (1) The list of key players may not be exhaustive and the information is provided for reference only. The objective is to compare Tealive and Bask Bear Coffee & Toasties with the key players in each respective segment, based on the segment definition outlined in Section 1. The tea shops segment is dominated by large chains. Therefore the brands listed are tea shop chains that have at least 100 stores as at 28 February 2025. Meanwhile the café segment is more fragmented and comprises numerous small independent players. Therefore, the brands listed are café chains that have at least 2 stores in Malaysia as at 28 February 2025. The key players of café are those that primarily serve sandwiches and/or toast, along with coffee; (2) The number of stores may only reflect the number of stores that are currently open and may not account for any closures that may have occurred.

Source: Frost & Sullivan

Among the key players of tea shops, Tealive, Coolblog and Chagee provide their own app or website for in-app ordering, point collection, exclusive promotions and customer rewards, among others. Cafés such as Bask Bear Coffee & Toasties and Gigi Coffee Diner offer mobile apps for a similar purpose.

Among the key players of tea shops, only Tealive and Mixue offer self-order terminals in their stores. Additionally, Tealive, and Chagee are equipped to provide drive-through services and have a presence in key transportation hubs such as airports. All of the key players of tea shops have established stores in malls, commercial shop lots, and are also accessible via online food delivery platforms. According to a NielsenIQ study²², Tealive also has a notable strength in location convenience and diverse range of beverages²³. In terms of taste profile, Tealive outperforms the key MTO F&B brands and has been recognised for its “delicious taste”²⁴, according to the same study.²²

Tealive also stands out as the dominant brand, leading in top-of-mind awareness²⁵ and it also ranks high for Net Promoter Score²⁶ compared to other players, indicating that customers are highly likely to recommend it to others, according to a NielsenIQ study²². Based on the NielsenIQ study, Tealive commands the highest level of monthly usage with 57% of the respondents consumed Tealive in the past month.²² This further supports Tealive's position as the leading F&B services brand in Malaysia by number of stores. According to a NielsenIQ study, Tealive's

²² The NielsenIQ study was commissioned by the Company. The findings are based on 1,009 survey responses in Malaysia collected through an online self-completion survey in the first quarter of 2024. The respondents are evenly distributed across both genders within the 18-49 age group, with an average household income of RM6,486 per month. The NielsenIQ study reflects estimates of market conditions based on samples and is prepared primarily to understand Malaysian consumers in terms of their awareness, usage and perception of beverage outlets in Malaysia. NielsenIQ information is not a substitute for financial, investment, legal or other professional advice and should not be viewed as a basis for investments. References to NielsenIQ should not be considered as NielsenIQ's opinion as to the value of any security or the advisability of investing in any company, product or industry.

NielsenIQ information reflects estimates of market conditions based on samples and is prepared primarily as a marketing research tool for consumer packaged goods manufacturers and others in the consumer goods industry. NielsenIQ information is not a substitute for financial, investment, legal or other professional advice and should not be viewed as a basis for investments. References to NielsenIQ should not be considered as NielsenIQ's opinion as to the value of any security or the advisability of investing in any company, product or industry.

²³ According to a NielsenIQ study, Tealive has a notable strength in location convenience (64%) and diverse range of beverages (65%).

²⁴ In terms of taste profile, Tealive outperforms key MTO F&B brands for its “delicious taste” (17%), according to a NielsenIQ study.

²⁵ Tealive stands out as the dominant brand, leading in top-of-mind awareness at 36%.

²⁶ Tealive ranks high for Net Promoter Score at 27 points, indicating that customers are highly likely to recommend it to others.

8. INDUSTRY OVERVIEW (Cont'd)

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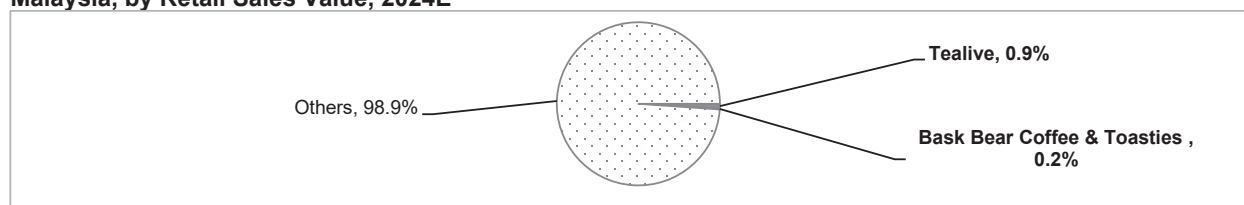
customer base is demographically diverse with a balanced gender mix. The largest customer segments are the 18-29 and 30-39 age groups.^{22&27}

Meanwhile, among the key players of cafés, Bask Bear Coffee & Toasties is the only brand that features drive-through services and is located at petrol stations. Bask Bear Coffee & Toasties is the only café with stores within a bank. On the other hand, as a testament to the popularity of Bask Bear's toasties, the brand is the most frequently mentioned by customers who have tried the toastie with price points accepted by many^{28,29&30}, according to a NielsenIQ study.²²

2.8.2 Market Share Analysis

The F&B services industry is highly fragmented with many chain and independent players. Within the F&B services industry, Tealive and Bask Bear Coffee & Toasties have a market share of 0.9% and 0.2%, respectively by retail sales value 2024E.

Chart 2-3: Market Share of Tealive and Bask Bear Coffee & Toasties Within the F&B Services Industry in Malaysia, by Retail Sales Value, 2024E



Note: Market share estimates based on POS sales of Tealive of RM531.7 million and Bask Bear Coffee & Toasties of RM112.1 million for the calendar year 2024 divided by total retail sales value of the F&B services industry of RM60.2 billion in 2024E.

Source: Frost & Sullivan

Compared to the top F&B services chains in Malaysia, Loob has among the highest revenue, gross profit margin and profit before tax ("PBT") margin.

Table 2-4: Financial Benchmarking of Top F&B Services Chain in Malaysia, 2023/2024/2025

Brands	Company	Financial year ended	Revenue (RM mil)	Gross profit margin (%) ⁽¹⁾	PBT margin (%) ⁽²⁾
KFC and Pizza Hut	QSR Brands (M) Holdings Bhd	31 Dec 23	4,870.3	59.1%	-1.4%
Tealive and Bask Bear Coffee & Toasties	Loob	30 Jun 24	591.2	65.7%	12.7%
ZUS Coffee	Zuspresso (M) Sdn Bhd	31 Dec 23	468.2	54.1%	11.6%
Secret Recipe	Secret Recipe Cakes & Cafe Sdn Bhd	31 Dec 24	299.1	NA	6.9%
Mixue	Mixue Malaysia Sdn Bhd	31 Dec 24	163.6	20.2%	22.7%
Starbucks	Berjaya Starbucks Coffee Company Sdn Bhd	30 Jun 24	676.0	39.5%	-6.7%
McDonald's	Gerbang Alaf Restaurants Sdn Bhd	31 Dec 24	2,208.3	27.6%	2.0%
Subway (West Malaysia)	Pegacorn Sdn Bhd	31 Dec 23	87.4	75.6%	5.1%
Subway (East Malaysia)	Urban Idea Sdn Bhd	30 Jun 24	16.0	51.3%	-20.2%
Coolblog	Coolblog Enterprise Sdn Bhd	31 Dec 24	43.3	NA	1.5%
Domino's Pizza	Dommal Food Services Sdn Bhd	30 Jun 24	569.6	64.5%	3.0%
AiCha	Aicha Food MY Sdn Bhd	31 Mar 25	40.9	14.8%	7.6%
Marrybrown	Marrybrown Sdn Bhd	31 Dec 23	125.6	29.2%	5.8%
The Coffee Bean & Tea Leaf	The Coffee Bean & Tea Leaf (Malaysia) Sdn Bhd	31 Dec 23	292.3	64.0%	-8.5%
OldTown White Coffee	Oldtown Sdn Bhd	31 Dec 23	582.8	19.9%	9.3%
Burger King	Cosmo Restaurants Sdn Bhd	31 Dec 23	241.1	61.5%	-14.2%
Gigi Coffee and Gigi Coffee Diner	Gigi Coffee Sdn Bhd	31 Dec 23	53.9	66.0%	10.5%
The Chicken Rice Shop	TCRS Restaurants Sdn Bhd	31 Mar 24	334.1	52.9%	13.6%

Notes: Information based on the latest available financial data reported by key players as at 31 July 2025. The key players are sorted based on the total store count of the brands under the same company. The list of the brands is provided in Table 2-2. The revenue reported may be derived from other non-F&B services activities and activities outside Malaysia. The revenue of the companies disclosed may not be equivalent to the entire retail sales value generated by each brand, especially those with a franchise/licensing business model. NA indicates not available; (1) Computed based on gross profit over revenue; (2) Computed based on PBT divided by revenue.

Source: Frost & Sullivan

Fast growth: Loob Group's revenue generated in Malaysia grew at a faster rate (26.2%)³¹ between FYE 30 June 2019 and FYE 30 June 2024, compared to the growth of the whole F&B services industry (0.9%)³² from 2019 to

²⁷ The largest customer segments are the 18-29 and 30-39 age groups, which make up 40% and 35% of the respondents respectively, while the 40-49 age group represents the remaining 25%.

²⁸ More than a third (35%) of respondents are willing to pay between RM8 and RM9.99 for a Toastie.

²⁹ 30% of respondents are willing to pay between RM10 and RM12.99 for a Toastie.

³⁰ More than 6 in 10 (65%) are willing to pay between RM8 to RM12.99 for a Toastie.

³¹ Revenue of Loob Group generated in Malaysia at RM176.3 million in FYE 30 June 2019 compared with RM564.5 million in FYE 30 June 2024.

³² Total retail sales value of F&B services of RM57.6 billion in 2019 compared with RM60.2 billion in 2024E.

8. INDUSTRY OVERVIEW (Cont'd)



2024E. Tealive's sales also grew faster at 12.6%³³, compared to the growth of the tea shops segment of 8.3%³⁴ from 2019 to 2024E.

2.9 INDUSTRY OUTLOOK

The F&B services industry in Malaysia is highly competitive, with a large number of chains and independent F&B services. Despite that, the outlook is positive with opportunities for growth. The F&B services industry in Malaysia is expected to expand further in the period from 2024E to 2029F. Population and middle-income class growth, ongoing urbanisation, and changing lifestyle patterns are key factors catalysing the expansion. Additionally, innovations in F&B products and/or services, such as new menus with premium ingredients and a wider range of food items, continue to attract ever-changing consumer tastes and preferences. The rising interest in coffee and tea also further stimulates the growth of the F&B services industry. Food delivery service providers also provide additional distribution channels for market players. Market players also seek strategic partnerships with non-F&B services, including petrol stations, telecommunication service providers, and e-wallet service providers, to reach a higher number of consumers.

3 PROSPECTS AND OUTLOOK FOR THE GROUP

Tealive is the largest F&B services brand in Malaysia by number of stores as at 28 February 2025. Tealive is also the largest player within the tea shops segment by number of stores as at 28 February 2025. Bask Bear Coffee & Toasties is the largest player within the café segment of the F&B services industry by number of stores as at 28 February 2025. The Group has demonstrated the potential to sustain the expansion of its physical presence in Malaysia, with the total number of stores of Tealive and Bask Bear Coffee & Toasties growing from 526 in June 2019 to 967 in June 2024.

Within Malaysia, Tealive and Bask Bear Coffee & Toasties have different store formats, providing convenience and accessibility to customers. The Group is likely to benefit from the expected opening of new malls, shop lots, petrol stations, and transportation stations in Malaysia. This provides the opportunity to open new stores and reach a larger consumer base, including in new catchment areas in second- and third-tier cities.

The wide range of sales channels used by the Group to sell its products is complemented by the various partnerships it has established, among others, with telecommunication companies, food delivery service providers, petrol stations, and e-wallet service providers to enhance accessibility to its products and support brand visibility. Bask Bear Coffee & Toasties also launched its innovative "community banking" concept in partnership with bank. Additionally, the Group also benefits from its online presence, with a strong following on its social media platforms through "Tealive Asia" and "Bask Bear Coffee" Instagram and Facebook pages. Frost & Sullivan opines that the Group's multi-channel sales approach, coupled with its loyalty programme, will support its drive to increase consumption at its stores and revenue growth. Tealive's brand refresh launch event in May 2024 has strategically revitalised brand awareness and strengthened customer connections by reaching out to a broader consumer base.

Tealive's extensive beverage categories across different price points, coupled with the wide range of toppings in its menu enables it to serve broader categories of customers (e.g., youngsters and health-conscious individuals). The introduction of Tealive Plus enhances this experience by providing premium ingredients and a more extensive snack menu compared to the standard Tealive stores. Similarly, Bask Bear Coffee & Toasties meets customers' needs for food and coffee without sacrificing the dining experience by offering a diverse menu that includes various food items such as toasts and burgers, specifically designed to pair with specialty coffee.

Tealive has shown resilience in overcoming challenges, surpassing competitors, and further reinforcing its market share during periods of intense competition, such as the 2020-2021 phase marked by an influx of new products and the impact of COVID-19, as well as the 2022-2024 period characterised by the rise of premium tea brands and aggressive low-price strategies. This success is largely attributed to Tealive's experienced management team to navigate market volatility. The management team's strategic focus on retaining and acquiring new customers, prioritising limited-time offers (LTOs), and building brand equity has enabled Tealive to thrive during those periods without engaging in price wars.

Moving forward, the tea shops segment is likely to continue readjusting after reaching the peak of its cycle (peak in terms of the number of players). Tealive anticipates to maintain its strong foothold in the tea shops segment with its strong market presence and loyal customer base. While Bask Bear Coffee & Toasties operates within the café segment, it will continue to be impacted by coffee trends as coffee is among its main offering. The Group's ability to innovate as well as continuously develop and introduce new and localised flavours enables the Group to capture the local market interest and satisfy the changes in consumer preferences. Additionally, the adoption of advanced technologies at the POS, business intelligence systems, and mobile apps allow the Group to remain competitive by enhancing customer experience. The Group's ventures into upstream activities, such as the production of raw materials for beverages, have enabled it to strengthen its operations in the F&B services industry.

³³ Tealive's POS sales generated in Malaysia at RM293.6 million in 2019 compared with RM531.7 million in 2024.

³⁴ Retail sales value of the tea shops segment of RM1.2 billion in 2019 compared with RM1.8 billion in 2024E.