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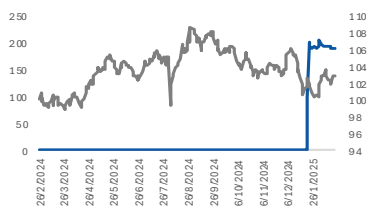
<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM 0.83
Previous Target Price:	RM 0.81
Target Price:	↔ RM 0.81
Capital Upside/ Downside:	-2.4%
Dividend Yield (%):	1.5%
<b>Total Upside/ Downside:</b>	<b>-0.9%</b>

**Stock information**

Board	ACE
Sector	Consumer
Bursa/ Bloomberg Code	0338/ KOPIMK
Syariah Compliant	No
ESG Rating	★★★
Shares issued (m)	2,000.0
Market Cap (RM' m)	1,660.0
52-Week Price Range (RM)	0.985-0.74
Beta (x)	N/A
Free float (%)	31.2
3M Average Volume (m)	N/A
3M Average Value (RM' m)	N/A

**Top 3 Shareholders**

	(%)
Chern Dato Chan Jian	42.2
Chan Yen Min	15.6
Koay Song Leng	10.9

**Share Price Performance**

	1M	3M	12M
Absolute (%)	-2.4	N/A	N/A
Relative (%)	-3.4	N/A	N/A

# Oriental Kopi Holdings Berhad

## Within expectation

### Executive Summary

- Oriental Kopi's (KOPI) 1QFY25 core net profit of RM13.1m came within our and market's expectations, accounting to 24.0% and 20.3% of full-year figures respectively.
- Currently operates 22 café outlets, including five new cafés outlets in 1QFY25, with plans to open five more by CY25. We are projecting a 44.4% revenue growth rate in FY26F, driven by (i) Increasing number of café outlets are receiving halal certification, (ii) New central kitchen and warehouse operational by mid-FY26, and (iii) exploring to add one (1) new café outlet located in Singapore that yields better profit margins and growth potential for its FMCG revenue stream.
- Downgrade to HOLD recommendation with an unchanged target price of RM0.81, pegged to 22.0x PE multiple on FY26F EPS of 4.0 sen, ascribed with three-star ESG rating as the spike in share price during IPO debut has reflected fundamentals prospects.

**Results within expectations.** Oriental Kopi's (KOPI) 1QFY25 core net profit reached RM13.1m, which aligns with our and the market's FY25F expectations, representing 24.0% and 20.3% of full year expectations, respectively.

**QoQ.** KOPI was newly listed last month, there is no qoq comparison is available.

**YoY.** Since KOPI was recently listed last month, a yoy comparison is also unavailable.

**Outlook.** KOPI currently operates 22 café outlets, with five cafés outlets opened in 1QFY25. KOPI intends to open a total of ten café outlets by CY25. KOPI is also actively working to obtain halal certification for cafés outlets that are not yet certified. In addition, a new central kitchen and warehouse are slated to open in mid-FY26. As a result, we foresee KOPI experiencing a growth rate of revenue of 44.4% in FY26. (Refer to Table 1 for KOPI's current market presence.) Furthermore, KOPI is contemplating a café outlet opening in Singapore, given the location's better profit margins and growth potential for its FMCG revenue stream.

**Earnings Revision.** No change, given that reported earnings came within expectations.

**Valuation.** Downgrade KOPI to **HOLD** (from BUY) at unchanged target price of **RM0.81**, pegged to a 20.0x PE multiple on FY26F EPS of 4.0 sen and ascribed with 0% ESG factored premium/discount based on three-star ESG rating. We reckon the spike in share price during IPO debut has reflected fundamentals prospects.

**Risk.** (i) Maintaining food quality consistency across all café outlets (ii) Labour shortages (iii) Overreliance on third-party suppliers.

**Earnings Summary**

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	48.6	133.0	277.3	373.4	539.4
EBITDA	15.8	39.8	80.2	104.3	140.8
Pre-tax profit	12.4	27.5	57.5	72.6	107.8
Net profit	9.6	20.0	43.1	54.5	80.8
Core net profit	9.6	20.0	43.1	54.5	80.8
Core EPS (sen)	0.5	1.0	2.2	2.7	4.0
P/E (x)	173.6	82.9	38.5	30.5	20.5
P/B (x)	94.0	48.8	31.0	18.1	11.2
EV/EBITDA (x)	104.7	40.9	20.5	16.0	12.3
Dividend Yield (%)	1.8%	0.5%	0.2%	1.0%	1.5%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

**Table 1: KOPI's market presence**

FYE	Total no. of cafes operating during the FYE	New cafes opened during the FYE		Commencement date	Halal certified
		Numbers	Locations		
2021	2	2	Taman Johor Jaya, Johor	Dec-20	<input checked="" type="checkbox"/>
			The Mall, Mid Valley SouthKey, Johor	May-21	<input checked="" type="checkbox"/>
2022	5	3	Bandar Puteri Puchong, Selangor	Nov-21	<input checked="" type="checkbox"/>
			Pavillion Bukit Jalil, KL	Apr-22	<input checked="" type="checkbox"/>
			Mid Valley Megamall, KL	Jul-22	<input checked="" type="checkbox"/>
2023	11	6	KLIA 2 (arrival level), Selangor	Nov-22	<input checked="" type="checkbox"/>
			Sunway Pyramid Mall, Selangor	Dec-22	<input checked="" type="checkbox"/>
			AEON Mall Tebrau City, Johor	Apr-23	<input checked="" type="checkbox"/>
			Pavillion KL Mall, KL	Jun-23	<input checked="" type="checkbox"/>
			KLIA 2 (departure level), Selangor	Jul-23	<input checked="" type="checkbox"/>
			Johor Bahru City Square Mall, Johor	Aug-23	<input checked="" type="checkbox"/>
2024	17	6	The Exchange TRX, KL	Nov-23	<input checked="" type="checkbox"/>
			Suria KLCC Mall, KL	Dec-23	<input checked="" type="checkbox"/>
			IOI City Mall, Putrajaya	Jan-24	<input checked="" type="checkbox"/>
			Gurney Plaza Mall, Penang	Jun-24	<input checked="" type="checkbox"/>
			Pavillion Damansara Heights Mall, KL	Aug-24	<input checked="" type="checkbox"/>
			AEON Mall Bukit Indah, Johor	Sep-24	<input checked="" type="checkbox"/>
2025	22	5	Bugis Junction, Singapore	Nov-24	<input checked="" type="checkbox"/>
			Aeon Mall Cheras Selatan	Oct-24	<input checked="" type="checkbox"/>
			Paradigm Mall JB, Johor	Nov-24	<input checked="" type="checkbox"/>
			Vivacity, Sarawak	Dec-24	<input checked="" type="checkbox"/>
			KSL Mall, Johor	Dec-24	<input checked="" type="checkbox"/>

Source: Company, Apex Securities

## Results Comparison

FYE Sep (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	97.8	N/A	N/A	N/A	N/A	97.8	N/A	N/A	There is no comparison as KOPI was only recently listed last month.
EBITDA	24.3	N/A	N/A	N/A	N/A	24.3	N/A	N/A	
Pre-tax profit	17.3	N/A	N/A	N/A	N/A	17.3	N/A	N/A	
Net profit	13.1	N/A	N/A	N/A	N/A	13.1	N/A	N/A	
Core net profit	13.1	N/A	N/A	N/A	N/A	13.1	N/A	N/A	
Core EPS (sen)	0.8	N/A	N/A	N/A	N/A	0.8	N/A	N/A	
EBITDA margin (%)	24.9	N/A		N/A		24.9	N/A		
PBT margin (%)	17.7	N/A		N/A		17.7	N/A		
Core PATMI margin (%)	13.4	N/A		N/A		13.4	N/A		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Sep (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
<b>Segment profit/ (loss)</b>									
Operation of café chain	18.0	N/A	N/A	N/A	N/A	18.0	N/A	N/A	
Distribution & Retail of packaged food	7.2	N/A	N/A	N/A	N/A	7.2	N/A	N/A	
Others	0.1	N/A	N/A	N/A	N/A	0.1	N/A	N/A	
<b>Total</b>	<b>25.3</b>	<b>-</b>	<b>nm</b>	<b>-</b>	<b>nm</b>	<b>25.3</b>	<b>-</b>	<b>nm</b>	

Source: Company, Apex Securities

# Results Note

Monday, 24 Feb, 2025

## Financial Highlights

### Income Statement

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	48.6	133.0	277.3	373.4	539.4
Gross Profit	15.7	39.1	82.8	112.0	161.8
EBITDA	15.8	39.8	80.2	104.3	140.8
Depreciation & Amortisation	-3.0	-10.5	-19.3	-28.3	-29.1
EBIT	12.8	29.3	60.9	76.0	111.7
Net Finance Income/ (Cost)	-0.4	-1.9	-3.3	-3.6	-4.7
Associates& JV	0.0	0.0	-0.1	0.2	0.8
Pre-tax Profit	12.4	27.5	57.5	72.6	107.8
Tax	-2.8	-7.4	-14.4	-18.2	-26.9
Profit After Tax	9.6	20.0	43.1	54.5	80.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	9.6	20.0	43.1	54.5	80.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	9.6	20.0	43.1	54.5	80.8

### Key Ratios

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E(x)	173.6	82.9	38.5	30.5	20.5
EPS	0.5	1.0	2.2	2.7	4.0
P/B (x)	94.0	48.8	31.0	18.1	11.2
EV/ EBITDA (x)	104.7	40.9	20.5	16.0	12.3
DPS (sen)	1.5	0.4	0.2	0.8	1.2
Dividend Yield (%)	1.8%	0.5%	0.2%	1.0%	1.5%
EBITDA margin	32.4%	29.9%	28.9%	27.9%	26.1%
EBIT margin	26.3%	22.0%	21.9%	20.4%	20.7%
PBTmargin	25.5%	20.6%	20.7%	19.4%	20.0%
PATmargin	19.7%	15.1%	15.6%	14.6%	15.0%
Net Profit margin	19.7%	15.1%	15.6%	14.6%	15.0%
CoreNP margin	19.7%	15.1%	15.6%	14.6%	15.0%
ROE	54.1%	58.9%	80.6%	59.4%	54.5%
ROA	19.8%	18.1%	23.8%	21.4%	24.0%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

### Key Assumptions

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Average revenue per store	9.1	10.4	13.2	11.4	15.1
No. of café (unit)	5	11	17	27	30
SSSG(%)	274%	15%	27%	13%	42%

### Valuations

EPS (RM)	0.040
Multiple(x)	20.0
<b>Fair Value (RM)</b>	<b>0.81</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	13.3	24.8	59.0	102.8	183.2
Receivables	4.8	9.0	13.3	23.5	23.8
Inventories	0.8	2.1	6.9	13.1	11.7
Other current assets	0.0	0.5	0.6	0.6	0.6
Total Current Assets	18.9	36.3	79.8	140.0	219.3
Fixed Assets	29.5	74.4	100.4	113.2	116.4
Deferred income taxes	0.1	0.0	0.2	0.2	0.2
Other non-current assets	0.0	0.0	1.0	1.0	1.0
Total Non-current assets	29.5	74.4	101.6	114.4	117.7
Short-term lease	4.4	10.0	14.4	18.9	23.2
Short-term debt	0.1	0.2	0.5	0.5	0.5
Payables	4.3	9.9	39.8	52.3	56.6
Other Current Liabilities	2.7	7.1	11.3	11.3	11.3
Total Current Liabilities	11.4	27.2	66.1	83.0	91.6
Long-term lease	18.4	47.6	57.6	75.5	92.8
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	0.9	2.0	4.3	4.3	4.3
Total Non-current Liabilities	19.3	49.6	61.9	79.8	97.1
Shareholder's equity	17.7	34.0	53.5	91.6	148.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Equity	17.7	34.0	53.5	91.6	148.2

### Cash Flow

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	12.4	27.5	57.5	72.6	107.8
Depreciation & amortisation	3.0	10.5	19.3	28.3	29.1
Changes in working capital	-0.2	-1.2	0.2	-4.0	5.5
Others	0.4	-1.2	-8.9	-14.6	-22.2
Operating cash flow	15.6	35.5	68.1	82.4	120.2
Net capex	-5.5	-13.6	-17.1	-41.1	-32.4
Others	-1.3	1.4	-0.1	0.0	0.0
Investing cash flow	-6.8	-12.2	-17.2	-41.1	-32.4
Dividends paid	-2.5	-8.0	-3.0	-16.3	-24.3
Others	5.7	-3.8	-13.7	18.8	16.9
Financing cash flow	3.2	-11.8	-16.7	2.5	-7.4
Net cash flow	12.0	11.5	34.2	43.8	80.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	1.2	13.3	24.8	59.0	102.8
Ending cash	13.3	24.8	59.0	102.8	183.2

# Results Note

Monday, 24 Feb, 2025

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Collect the used cooking oil and arrange for its proper handling and repurposing, effectively reducing environmental impact.
Waste & Effluent	★★★★	Collaborate with the mall's management to separate leftover food and deliver it to the designated location for conversion into organic waste.
Energy	★★	Most of the cafés are operated within malls, so there is no specific energy-saving plan as most of the malls have already implemented measures.
Water	★★★★	Installed oil and grease (FOG) traps in all cafés to prevent wastewater buildup and protect the drainage system from clogging and river pollution.
Compliance	★★★★	Installed oil and grease (FOG) traps in all cafes to prevent wastewater buildup, comply with local regulations, and reduce pollution by preventing clogging in drainage systems.

### Social

Diversity	★★★	At least 30% women directors
Human Rights	★★	Eliminating inappropriate behaviors, such as bullying, discrimination, harassment, and victimization, while ensuring equal opportunities for all employees regardless of their age, gender, ethnicity, religion, national origin, sexual orientation, or disability.
Occupational Safety and Health	★★	Established safe, healthy and nurturing work environment.
Labour Practices	★★★	Organizes various recreational events, such as employee birthday celebrations, sports tournaments, movie nights, and cultural festivals, to foster team bonding, cultural exchange, and a sense of unity and appreciation among employees.

### Governance

CSR Strategy		NIL
Management	★★	At least half of the Board members are independent directors.
Stakeholders		NIL

Overall ESG Scoring: ★★★

## Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain

## Sector Recommendations:

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Monday, 24 Feb, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.