

Chelsea Chew

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Recommendation:	BUY
Current Price:	RM0.74
Previous Target Price:	RM0.81
Target Price:	↔ RM0.81
Capital Upside/Downside:	9.5%
Dividend Yield (%):	1.6%
Total Upside/Downside	11.1%

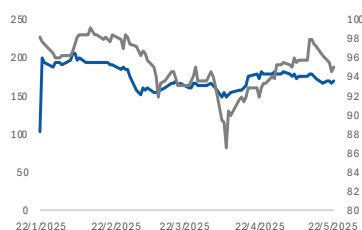
Stock information

Board	ACE
Sector	Consumer
Bursa / Bloomberg Code	0338 / KOPI.MK
Shariah Compliant	No
ESG Rating	★★★
Shares Issued (m)	2,000.0
Market Cap (RM' m)	1,470.0
52-Week Price Range (RM)	0.985-0.625
Beta (x)	N/A
Free float (%)	31.3
3M Average Volume (m)	5.0
3M Average Value (RM' m)	3.7

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 (%)	-6.4	-8.7	N/A
Relative (%)	-8.0	-5.5	N/A

Earnings Summary	FY24	FY25F	FY26F
Revenue	277.3	373.4	539.4
PATAMI	43.1	54.5	80.8
CNP	43.1	54.5	80.8
EPS - core (sen)	2.2	2.7	4.0
P/E(x)	34.3	27.2	18.3

Oriental Kopi Holdings Berhad

Growth Holds Steady

- Oriental Kopi (KOPI) reported 2QFY25 CNP of RM14.7m (+8.6% qoq), bringing 6MFY25 CNP to RM28.2m, in line with ours and market's expectations, accounting for 51.7% and 46.0% of respective full-year forecasts.
- 2QFY25 CNP rose 8.6% qoq driven by stronger contribution from the Packaged Food segment (GP +16.5% qoq) and a surge in interest income.
- For 2HFY25, we expect relatively flat to marginal growth in earnings contribution from the Café segment, premised to margin pressures from upfront costs of new store openings. Bulk of projected earnings growth is expected from the Packaged food segment, driven by the introduction of more FMCG products and the sale of higher-margin gift bags.
- Following recent price correction, we upgrade to BUY with an unchanged TP of RM0.81, pegged to 20.0x PE multiple on FY26F EPS of 4.0sen, and ascribed with three-star ESG rating.

Results within expectations. Excluding one-off listing expenses (+RM0.9m), Oriental Kopi (KOPI) reported a 2QFY25 core net profit (CNP) of RM14.7m (+8.6% qoq), bringing the 6MFY25 total to RM28.2m. Reported numbers came in within ours and the market's full-year forecasts, accounting for 51.7% and 46.0% respectively of the market's estimate.

QoQ. 2QFY25 CNP grew 8.6% qoq driven by stronger contribution from the Packaged Food segment (GP +16.5% qoq) and a surge in interest income (tripling qoq) following an increase in cash and bank balances (RM229.7m) as of 2QFY25 vs RM44.2m as of 1QFY25) arising from IPO proceeds. We believe the stronger contribution from the Packaged Food segment was likely due to better product mix from the sale of higher-margin FMCG products, such as hampers and gift boxes introduced in conjunction with Chinese New Year and Hari Raya celebration. This is evidenced by the segment's margin expansion (+5.1%-pts qoq) despite 6.5% qoq drop in segmental revenue. The Café segment registered 1.1% qoq decline in GP despite a 5.0% increase in revenue, likely due to higher setup expenses, training costs and new hires for 2 new café stores opened in 2QFY25. Nevertheless, the revenue growth is commendable, especially considering Ramadan month fell in March 2025.

YoY. Since KOPI was only listed in Jan 2025, no yoy comparison is available.

Outlook. For 2HFY25, we expect relatively flat to marginal growth in earnings contribution from the Café segment, premised to margin pressures from upfront costs of new store openings. Bulk of projected earnings growth is expected from the Packaged food segment, driven by the introduction of more FMCG products at partner shelves and the sale of higher-margin gift bags. We anticipate meaningful earnings growth from the Café segment only in FY26, once the newly opened stores reach maturity. Most of the planned store openings are targeted for the coming two quarters to cater for year-end crowds, while the central kitchen expansion will be the key focus for 2026. Meanwhile, KOPI also targeting to achieve Shariah Compliance for its stock by the May 2025 review, as highlighted in the latest management briefing, which could pave the way for entry of Shariah-compliant funds. For overseas expansion, KOPI's 30% JV with the Paradise Group has secured another location in Singapore, with plans to open a total of 3-4 additional cafes.

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

Valuation. The recent price correction presents a better entry point for KOPI. As such, we upgrade our recommendation to **BUY** from HOLD, maintaining our target price of **RM0.81**/share, pegged to a 20.0x PE multiple on FY26F EPS of 4.0 sen. The target price incorporates a 0% ESG premium/discount, reflecting KOPI's three-star ESG rating. Also, the upgrade reflects our view that the company's fundamental outlook remains robust despite the current temporary market weakness.

Results Note

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Risks. (i) Food quality constraints, which could affect footfall (ii) Labour shortages (iii) Overreliance on third-party suppliers.

Results Comparison

FYE Sep (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	103.2	N/A	N/A	97.8	5.5	201.0	N/A	N/A	Better quarterly results due to increased FMCG offerings and improved foot traffic.
EBITDA	24.8	N/A	N/A	23.9	3.8	48.7	N/A	N/A	
Pre-tax profit	18.2	N/A	N/A	17.3	5.4	35.5	N/A	N/A	
PATMI	13.8	N/A	N/A	13.1	5.6	26.9	N/A	N/A	
Core net profit	14.7	N/A	N/A	13.5	8.6	28.2	N/A	N/A	
Core EPS (sen)	0.7	N/A	N/A	0.7	8.6	1.4	N/A	N/A	
EBITDA margin (%)	24.1	N/A		24.4		24.2	N/A		
PBT margin (%)	17.7	N/A		17.7		17.7	N/A		
Core PATMI margin (%)	14.2	N/A		13.8		14.0	N/A		

Segmental Breakdown

FYE Sep (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)
Revenue								
Operation of café chain	96.3	N/A	N/A	91.7	5.0	188.02	N/A	N/A
Distribution & Retail of packaged food	13.2	N/A	N/A	14.1	(6.5)	27.26	N/A	N/A
Others	31.8	N/A	N/A	29.5	8.0	61.33	N/A	N/A
Total	141.3	-	nm	135.3	4.5	276.6	-	nm
Gross Segment profit/ (loss)								
Operation of café chain	22.1	N/A	N/A	22.3	(1.1)	44.34	N/A	N/A
Distribution & Retail of packaged food	3.4	N/A	N/A	2.9	16.5	6.3	N/A	N/A
Others	0.0	N/A	N/A	0.1	(61.8)	0.2	N/A	N/A
Total	25.5	-	nm	25.3	0.7	50.8	-	nm

Source: Company, Apex Securities

Gross Profit Margin (%)								
Operation of café chain	23%	N/A		24%		23.6%	N/A	
Distribution & Retail of packaged food	26%	N/A		21%		23.1%	N/A	
Others	0%	N/A		0%		0.3%	N/A	
Total	49%	-		45%		0.5	-	

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	133.0	277.3	373.4	539.4	595.9
Gross Profit	39.1	82.8	112.0	161.8	190.7
EBITDA	39.5	79.2	103.4	139.8	157.3
Depreciation & Amortisation	-10.5	-19.3	-28.3	-29.1	-28.1
EBIT	29.0	59.9	75.1	110.7	129.3
Net Finance Income/(Cost)	-1.7	-3.3	-3.6	-4.7	-5.8
Associates & JV	0.0	-0.1	0.2	0.8	1.8
Pre-tax Profit	27.5	57.5	72.6	107.8	126.2
Tax	-7.4	-14.4	-18.2	-26.9	-31.6
Profit After Tax	20.0	43.1	54.5	80.8	94.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	20.0	43.1	54.5	80.8	94.7
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	20.0	43.1	54.5	80.8	94.7

Key Ratios

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
P/E (x)	73.9	34.3	27.2	18.3	15.6
EPS	1.0	2.2	2.7	4.0	4.7
P/B (x)	43.6	27.7	16.1	10.0	6.9
EV/EBITDA (x)	36.7	18.5	14.4	11.1	10.2
DPS (sen)	0.4	0.2	0.8	1.2	1.4
Dividend Yield (%)	0.6%	0.2%	1.1%	1.7%	2.0%
EBITDA margin	29.7%	28.6%	27.7%	25.9%	26.4%
EBIT margin	21.8%	21.6%	20.1%	20.5%	21.7%
PBT margin	20.6%	20.7%	19.4%	20.0%	21.2%
PAT margin	15.1%	15.6%	14.6%	15.0%	15.9%
Net Profit margin	15.1%	15.6%	14.6%	15.0%	15.9%
Core NP margin	15.1%	15.6%	14.6%	15.0%	15.9%
ROE	58.9%	80.6%	59.4%	54.5%	44.1%
ROA	18.1%	23.8%	21.4%	24.0%	21.8%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Average revenue per store	10.4	13.2	11.4	15.1	15.0
No. of café (unit)	5	11	17	27	30
SSSG (%)	15%	27%	13%	42%	5%

Valuations	FY26F
EPS (RM)	0.040
Multiple (x)	20.0
Equity Value/share (RM)	0.81
ESG premium/discount	0.0%
Fair Value (RM)	0.81

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	24.8	59.0	102.8	183.2	264.9
Receivables	9.0	13.3	23.5	23.8	35.0
Inventories	2.1	6.9	13.1	11.7	19.4
Other current assets	0.5	0.6	0.6	0.6	0.6
Total Current Assets	36.3	79.8	140.0	219.3	319.9
PPE & ROU	74.4	100.4	113.2	116.4	112.2
Deferred income taxes	0.0	0.2	0.2	0.2	0.2
Other non-current assets	0.0	1.0	1.0	1.0	1.0
Total Non-current assets	74.4	101.6	114.4	117.7	113.4
Short-term lease	10.0	14.4	18.9	23.2	26.8
Hire purchase payables	0.2	0.5	0.5	0.5	0.5
Payables	9.9	39.8	52.3	56.6	68.9
Other Current Liabilities	0.0	0.3	0.3	0.3	0.3
Total Current Liabilities	20.1	55.1	72.0	80.7	96.5
Long-term lease	47.6	57.6	75.5	92.8	107.1
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	2.0	4.3	4.3	4.3	4.3
Total Non-current Liabilities	49.6	61.9	79.8	97.1	111.4
Shareholder's equity	34.0	53.5	91.6	148.2	214.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
Equity	34.0	53.5	91.6	148.2	214.5

Cash Flow

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	27.5	57.5	72.6	107.8	126.2
Depreciation & amortisation	10.5	19.3	28.3	29.1	28.1
Changes in working capital	-1.2	0.2	-4.0	5.5	-6.7
Others	-1.2	-8.9	-15.5	-23.2	-26.8
Operating cash flow	35.5	68.1	81.5	119.2	120.9
Capex	-13.6	-17.1	-41.1	-32.4	-23.8
Others	1.4	-0.1	1.0	1.0	1.0
Investing cash flow	-12.2	-17.2	-40.1	-31.4	-22.8
Dividends paid	-8.0	-3.0	-16.3	-24.3	-28.4
Others	-3.8	-13.7	18.8	16.9	12.1
Financing cash flow	-11.8	-16.7	2.5	-7.4	-16.3
Net cash flow	11.5	34.2	43.8	80.4	81.7
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	13.3	24.8	59.0	102.8	183.2
Ending cash	24.8	59.0	102.8	183.2	264.9

Results Note

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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	★★	Due to lack of CSR strategy.
Management	★★	At least half of the Board members are independent directors.
Stakeholders	★★★	Two quarterly results briefings were conducted.

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 + dividend yield

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, 26 May, 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.