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<b>Recommendation:</b>	<b>HOLD</b>
Current Price:	RM0.80
Previous Target Price:	RM0.81
Target Price:	↔ RM0.81
Capital Upside/Downside:	1.3%
Dividend Yield (%):	1.5%
<b>Total Upside/ Downside</b>	<b>2.8%</b>

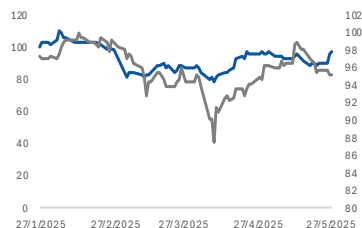
## Stock information

Board	ACE
Sector	Consumer
Bursa / Bloomberg Code	0338 / KOPIMK
Shariah Compliant	No
ESGRating	★★★
Shares issued (m)	2,000.0
Market Cap (RM' m)	1,590.0
52-Week Price Range (RM)	0.985-0.625
Beta (x)	N/A
Free float (%)	31.3
3M Average Volume (m)	5.6
3M Average Value (RM' m)	4.1

## 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 (%)	1.9	4.6	N/A
Relative (%)	3.3	8.4	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

## Post-results briefing takeaways

- KOPI's 1HFY25 gross profit (GP) margins contracted by 4.6%-pts compared to FY24 due to volatile raw material costs, prompting management to seek cost-reducing supplier solutions.
- Central Kitchen plan for 2026 faces delays as the initially earmarked Puchong land was found untenable, requiring them to seek a new location.
- Oriental Kopi is now categorised as Shariah-compliant, potentially attracting new funds.
- Upcoming 2025 expansions include a NEX Singapore store by Jun 2025 and 4QFY25 domestic openings at Aeon Malacca, Sunway Putra, and Sunway Carnival. KOPI aims for 12 new cafes by 2026, with 7 remaining after recent and upcoming openings, while also increasing Singapore's target to 5-8 total cafes.
- We believe the recent price has factored in much of the positive catalyst. Consequently, we downgrade to HOLD with an unchanged TP of RM0.81, pegged to 20.0x PE multiple on FY26F EPS of 4.0sen, ascribed with three-star ESG rating.

We left KOPI's briefing with the following key takeaways:

**1HFY25 margins contraction.** Gross profit (GP) margin contracted 4.6%-pts in 1HFY25 compared to FY24. Management attributes this to fluctuating raw material costs like santan and butter, extensively used in their FMCG products. To improve margins, the Group is actively negotiating with suppliers for alternative, cost-reducing solutions without compromising quality.

**Central Kitchen updates.** As previously noted in our quarterly report, KOPI intended to focus on Central Kitchen renovation and subsequent commencement by 2026. However, the initially earmarked Puchong land proved untenable, primarily due to its inability to be converted to an industrial title. Management also highlighted the presence of a Petronas gas pipeline beneath the site, a factor prompting a cautious avoidance of potential issues akin to those encountered in Putra Heights recently. Consequently, KOPI is now actively seeking a new location and will announce further details once they become available.

**Update on Shariah Compliance.** According to the Securities Commission's latest May 2025 review, Oriental Kopi is now officially Shariah-compliant. We deemed the inclusion into the Shairah compliant list to be beneficial as it paves the way for the entry of Shariah-compliant funds..

**Expansion Updates.** During this quarter, KOPI expanded with one new café at Senai Airport. In the next quarter, the Alamanda outlet will commence operations and begin contributing. Management noted that Alamanda experiences high foot traffic, predominantly from Malay ethnics. Given Putrajaya's 2024 population of 120,300, with 98% being Bumiputera, we are positive that this new opening will further expand earnings, especially now with Shariah compliance fund certified.

Moving forward, management has updated the tentative pipeline for 2025 café store expansion. By Jun 2025, Singapore will see another store open in NEX Singapore Shopping Mall. Domestically, several locations have been secured for 4QFY25 openings, including Aeon Malacca, Sunway Putra Mall, and Sunway Carnival Mall.

**2026 expansion plans.** KOPI targets opening 12 new café outlets between now and 2026. With 3 new outlets set to open in 4QFY25 and the 2 recent openings at Alamanda and Senai Airport, 7 more outlets remain to reach their internal target. Additionally, the Singapore expansion target has been revised to 5-8 café outlets in total, up from the previous 2-3 outlets.

**More product mix launching.** KOPI is actively expanding its packaged food line, with a pipeline including new white coffee flavours, cooking pastes, and ready-to-drink beverages. New

products are initially test-launched in their own outlets, then rolled out to wider retail distribution upon proving successful.

**Earnings Revision.** We maintain our earnings forecasts for now.

**Valuation.** We believe the recent price has much factored in the positive catalyst. As such, we downgrade our recommendation to **HOLD** from BUY, 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. We reckon the recent surge in share price has reflected fundamentals prospects.

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

**Figure 1: KOPI's existing stores**

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	23	6	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"/>
			Senai Airport, Johor	Mar-25	<input checked="" type="checkbox"/>
			Alamanda Shopping Centre, Putrajaya	Apr-25	<input checked="" type="checkbox"/>

**Specialty Retail Stores**

2024	2	2	St. Giles Southkey Hotel	Apr-24	<input checked="" type="checkbox"/>
			KSL City Mall	Dec-24	<input checked="" type="checkbox"/>

Source: Company, Apex Securities

**Figure 2: KOPI's tentative new openings in FY25**

**Tentative new openings**

**Café stores**

2025	27	4	Aeon Melaka	Q4FY24	
			Sunway Putra Mall	Q4FY24	
			Sunway Carnival	Q4FY24	
			NEX Singapore	Jun-25	

**Specialty Retail Stores**

2025	3	3	Information has not disclosed yet	end of 2025	
				end of 2025	
				end of 2025	

Source: Company, Apex Securities

# Company Update

Friday, 30 May, 2025

## 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)	FY25F	FY26F	FY27F
Average revenue per store	11.4	15.1	15.0
No. of café (unit)	17	27	30
SSSG (%)	13%	42%	5%

### Valuations

EPS (RM)	0.040
Multiple (x)	20.0
<b>Equity Value/share (RM)</b>	<b>0.81</b>
ESG premium/discount	0.0%
Fair Value (RM)	<b>0.81</b>

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	122.2
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

## 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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(a) nil.