



Company Report

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ORIENTAL KOPI

(KOPI MK EQUITY, KOPI.KL)

30 May 2025

Steady earnings, expansion on track.

HOLD

(Maintained)

Rationale for report: Company Result

Price RM0.80
Fair Value RM0.70
52-week High/Low RM0.99/RM0.63

Key Changes

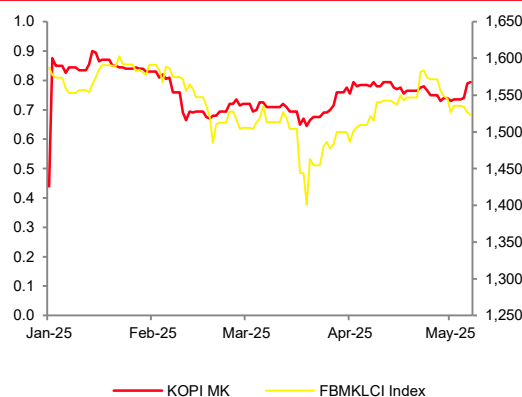
Fair value ⇄
EPS ⇄

YE to Sep	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	277.3	400.3	533.5	648.8
Core net profit (RM mil)	44.9	62.5	82.8	102.8
FD Core EPS (sen)	2.2	3.1	4.1	5.1
FD Core EPS growth (%)	115.4	44.8	32.5	24.2
Consensus Net Profit (RM mil)	-	61.3	82.1	98.8
DPS (sen)	0.2	0.9	1.2	1.5
PE (x)	36.9	25.5	19.2	15.5
EV/EBITDA (x)	19.5	12.6	9.1	7.0
Div yield (%)	0.2	1.1	1.5	1.9
ROE (%)	98.6	37.3	26.7	27.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	2,000.0
Market Cap (RMmil)	1,590.0
Book Value (RM/Share)	0.13
P/BV (x)	29.7
ROE (%)	98.6
Net Gearing (%)	-
Major Shareholders	Dato' Chan Jian Chern (42.2%) Chan Yen Min (15.6%) Koay Song Leng (10.9%)
Free Float	31.3
Avg Daily Value (RMmil)	3.8

Price performance	3mth	6mth	12mth
Absolute (%)	4.6	-	-
Relative (%)	8.1	-	-



Investment Highlights

Maintain HOLD with unchanged TP of RM0.70, based on 16x CY26F PE. Oriental Kopi's 1HFY25 core net profit of RM28.2mil came in within expectations at 45% and 46% of our and consensus full-year estimates, after adjusting for RM1.26mil of IPO expenses. Gross margin came under pressure from festive bonuses and higher material costs, but management is working towards improving the gross margin to 26-27%. Furthermore, the group has opened six new café stores and two specialty retail stores so far in FY25, bringing the total to 23 cafés and three specialty retail stores. The stock has been classified as Shariah-compliant in May 2025 review.

- **Maintain HOLD with unchanged TP of RM0.70.** Oriental Kopi's 1HFY25 core net profit (CNP) of RM28.2mil came in within expectations at 45% and 46% of our and consensus full-year estimates, after adjusting for RM1.26mil of IPO expenses. With earnings coming within our estimates, we maintain TP of RM0.70, based on 16x CY26F PE.
- **Better sequential earnings.** QoQ, 2QFY25 revenue rose 5.5% while CNP increased 8.6%, driven by new outlets (Paradigm and Vivacity), growth in packaged foods, and higher interest income despite weaker gross margin. The joint venture with Paradise (Singapore) also turned profitable during the quarter.
- **Gross margin pressure during the quarter.** 2QFY25 gross margin declined to 24.7% (1QFY25: 25.9%) due to higher material costs and bonus payments during Chinese New Year and Hari Raya. Café chain gross margin dropped to 22.9% (from 24.3%), while packaged foods held steady at 53.1%. Nevertheless, management guided that they are working towards improving gross margin to 26-27%.
- **Outlet growth on track.** Café store count stands at 23, with two new outlets added since Dec 2024 at Senai Airport and Alamanda Putrajaya, bringing total openings so far in FY25 to six. In addition, the group opened a new specialty retail stores at JB City Square in May, bringing the total number of specialty retail stores to three. Looking ahead, the group plans to open 12 new cafés and three specialty retail stores over the next two years and expects double-digit SSSG. 1HFY25 SSSG remained strong at 15.4% YoY, with Klang Valley seeing a surge in volume after obtaining halal certifications and KLIA 2 branches benefitting from rising tourist arrival.

Company profile

Oriental Kopi Holdings Berhad (Oriental Kopi) operates a café chain and engages in the distribution and retail of its branded packaged foods. The business is built on two key pillars: café food and beverage (F&B) services and packaged foods. With more than 20 outlets across Malaysia, the café chain, under the Oriental Kopi brand, offers a combination of F&B services and in-store sales of its packaged foods. The company also caters to a broad demographic with halal-certified offerings, including 13 halal-certified cafés as of January 2025.

Oriental Kopi's menu features approximately 120 F&B items, while its consumer-branded packaged foods include 26 SKUs, all halal-certified. The company plans to expand its product range with new offerings, including "cham" (a coffee and tea blend), chocolate beverages, premium coffee products, as well as packaged goods such as cookies and cooking pastes for preparing dishes like Hainanese chicken rice, chicken rendang, and curry.

Investment thesis and catalysts

We have a HOLD recommendation on the stock. While long-term prospects remain intact, Oriental Kopi's share price has surged 84% above its IPO price of RM0.44. The current share price is implying a CY26 PE of 18x, higher than our target PE of 16x.

Valuation methodology

The stock is valued based on target CY26F PE of 16x is in line with the 5Y historical median forward PE for Bursa Malaysia Consumer Product Index but 1SD above the 5Y historical average forward PE for their closest peers in Malaysia (SDS, Power Root and Oldtown throughout their listing from 2011 to 2018) due to its more superior growth prospect.

We believe it is fair to compare Oriental Kopi with local restaurant operators Oldtown and SDS, as well as beverage coffee manufacturer Power Root as the Oriental Kopi is involved in both café operation and sale of consumer branded packaged foods. We decided to use 1SD above the mean as Oriental Kopi's net profit is expected to grow at 32% CAGR from FY24 to FY27, much higher than its peers average of 14%.

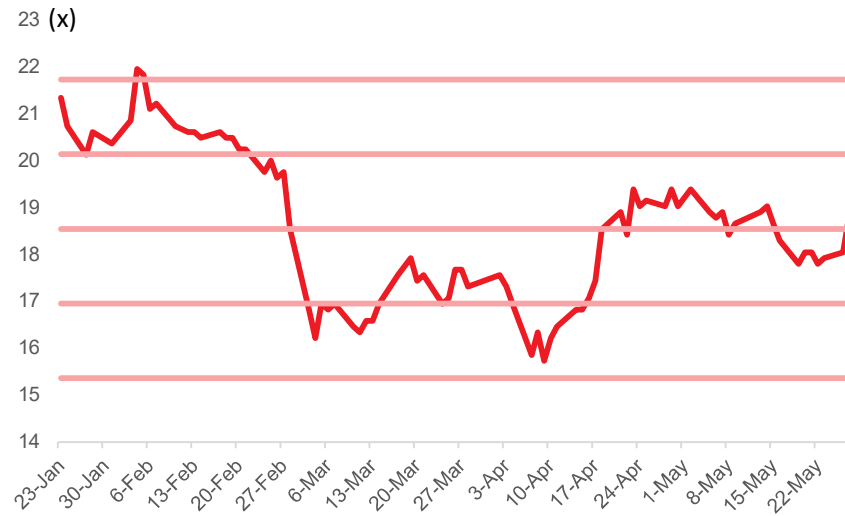
Risk factors

Downside risks to our estimates include changes in consumer preferences, store cannibalisation, delays in store expansion and raw material price fluctuations.

EXHIBIT 1: VALUATIONS

Target PE (x)	16x
CY26 EPS	0.04
ESG premium	0%
12-month target price	0.70

EXHIBIT 2: PE BAND CHART



Source: Bloomberg

EXHIBIT 3: ESG RATING

	Environmental assessment	Parameters	Weightage			Rating			Rationale
1	Carbon emissions	45% CO2 reduction by 2030	50%	*	*	*			
2	Minimise waste generation	recycling rate	50%	*	*	*			Mall management treats this organic food waste to produce fertiliser.
	Weighted score for environmental assessment		100%	*	*	*			
	Social assessment								
1	Employee turnover	No of workforce changes	20%	*	*	*			
2	Health, safety & well-being	Lost time incident rate	20%	*	*	*			
3	Women in workforce	% of total workforce	20%	*	*	*			42.9% of Board members in FY24
4	Investment in employee training	Adoptions	20%	*	*	*			
5	CSR programmes	Donations	20%	*	*	*			RM1.2mil in FY24
	Weighted score for social assessment		100%	*	*	*			
	Governance assessment								
1	Board age diversity	% under 50 years old	15%	*	*	*	*		71.4% in FY24
2	Board women representation	% of total board directors	15%	*	*	*	*		42.9% in FY24
3	Directors with tenure below 6 years	% below 6 years category	15%	*	*	*			100% in FY24, but the company was only founded in 2021.
4	Independent board directors	% of total board directors	15%	*	*	*	*		57.1% are independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*			RM1.1mil in FY24
6	Corruption investigations	Confirmed incidents	20%	*	*	*			0 in FY24
	Weighted score for governance assessment		100%	*	*	*	*		
	Environmental score		40%	*	*	*			
	Social score		30%	*	*	*			
	Governance score		30%	*	*	*	*		
	Overall ESG Score		100%	*	*	*			

Source: AmlInvestment Bank Bhd

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 30 Sep)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	133.0	277.3	400.3	533.5	648.8
EBITDA	39.5	78.6	105.0	141.7	174.2
Depreciation/Amortisation	(10.5)	(19.3)	(19.8)	(28.8)	(34.8)
Operating income (EBIT)	29.0	59.3	85.2	112.9	139.4
Other income & associates	0.2	0.6	1.5	1.5	1.5
Net interest	(1.5)	(2.4)	(5.0)	(7.1)	(8.3)
Exceptional items	-	-	-	-	-
Pretax profit	27.5	57.5	82.2	108.9	135.3
Taxation	(7.4)	(14.4)	(19.7)	(26.1)	(32.5)
Minorities/pref dividends	-	-	-	-	-
Net profit	20.0	43.1	62.5	82.8	102.8
Core net profit	20.2	44.9	62.5	82.8	102.8
Balance Sheet (RMmil, YE 30 Sep)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	74.4	100.4	149.1	182.1	209.2
Intangible assets	-	-	-	-	-
Other long-term assets	-	1.2	1.2	1.2	1.2
Total non-current assets	74.4	101.6	150.3	183.3	210.4
Cash & equivalent	25.2	59.4	266.3	307.0	362.9
Stock	2.1	6.9	6.1	11.3	9.8
Trade debtors	9.0	13.3	15.9	15.8	18.0
Other current assets	-	0.2	0.2	0.2	0.2
Total current assets	36.3	79.8	288.5	334.2	390.9
Trade creditors	9.9	39.8	39.4	43.5	42.5
Short-term borrowings	-	-	-	-	-
Other current liabilities	17.3	26.2	32.2	35.6	38.1
Total current liabilities	27.2	66.1	71.6	79.1	80.6
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	49.6	61.9	86.0	99.3	109.5
Total long-term liabilities	49.6	61.9	86.0	99.3	109.5
Shareholders' funds	34.0	53.5	281.2	339.2	411.2
Minority interests	-	-	-	-	-
BV/share (RM)	0.02	0.03	0.14	0.17	0.21
Cash Flow (RMmil, YE 30 Sep)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	27.5	57.5	82.2	108.9	135.3
Depreciation/Amortisation	10.5	19.3	19.8	28.8	34.8
Net change in working capital	37.2	79.5	103.2	144.7	177.5
Others	(39.6)	(88.3)	(124.6)	(170.1)	(209.1)
Cash flow from operations	35.5	68.1	80.6	112.3	138.5
Capital expenditure	(13.6)	(17.1)	(22.0)	(22.1)	(22.1)
Net investments & sale of fixed assets	-	(0.1)	-	-	-
Others	1.5	-	(0.5)	(1.6)	(2.7)
Cash flow from investing	(12.2)	(17.2)	(22.6)	(23.7)	(24.8)
Debt raised/(repaid)	(0.5)	-	-	-	-
Equity raised/(repaid)	4.3	0.4	184.0	-	-
Dividends paid	(8.0)	(3.0)	(18.7)	(24.8)	(30.9)
Others	(7.6)	(14.1)	(16.3)	(23.2)	(27.0)
Cash flow from financing	(11.8)	(16.7)	148.9	(48.0)	(57.8)
Net cash flow	11.5	34.2	206.9	40.6	56.0
Net cash/(debt) b/f	13.3	24.8	59.4	266.3	307.0
Net cash/(debt) c/f	25.2	59.4	266.3	307.0	362.9
Key Ratios (YE 30 Sep)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	173.4	108.5	44.4	33.3	21.6
EBITDA growth (%)	153.2	99.2	33.6	35.0	22.9
Pretax margin (%)	20.6	20.7	20.5	20.4	20.9
Net profit margin (%)	15.1	15.6	15.6	15.5	15.9
Interest cover (x)	18.9	25.2	16.9	15.8	16.8
Effective tax rate (%)	27.1	25.0	24.0	24.0	24.0
Dividend payout (%)	40.0	7.0	30.0	30.0	30.0
Debtors turnover (days)	5	7	7	7	7
Stock turnover (days)	6	8	8	8	8
Creditors turnover (days)	4	3	3	3	3

Source: Company, AmlInvestment Bank Bhd estimates

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