AmInvestment Bank

Company Report

CONSUMER

POWER ROOT

(PWRT MK EQUITY, POWE.KL)

04 Sep 2025

Recovery priced in. Maintain HOLD.

HOLD

(Maintained)

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Rationale for report: Company Result

Price	**RM1.30**
Fair Value	**RM1.15**
52-week High/Low	RM1.62/RM1.27

Key Changes

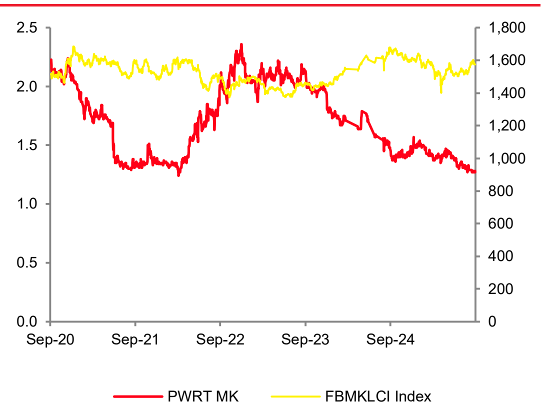
Fair value	⇔
EPS	⇔

YE to Mar	**FY25**	**FY26F**	**FY27F**	**FY28F**
Revenue (RM mil)	417.9	427.1	443.6	457.7
Core net profit (RM mil)	29.0	29.4	35.5	36.7
FD Core EPS (sen)	6.8	6.9	8.3	8.6
FD Core EPS growth (%)	(24.3)	1.5	20.5	3.6
Consensus Net Profit (RM mil)	-	34.7	39.8	43.4
DPS (sen)	6.5	5.5	6.7	6.9
PE (x)	18.8	18.5	15.4	14.9
EV/EBITDA (x)	10.4	10.6	9.2	8.8
Div yield (%)	5.0	4.3	5.1	5.3
ROE (%)	10.0	9.9	11.6	11.8
Net Gearing (%)	2.0	1.5	4.7	2.7

Stock and Financial Data

Shares Outstanding (million)	426.1
Market Cap (RMmil)	545.4
Book Value (RM/Share)	0.70
P/BV (x)	1.8
ROE (%)	10.0
Net Gearing (%)	2.0
Major Shareholders	How Say Swee (19.5%) Wong Fuei Boon (17.5%) Wong Tak Keong (10.7%)
Free Float	23.9
Avg Daily Value (RMmil)	0.1

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	(8.6)	(9.2)	(12.9)
Relative (%)	(12.5)	(9.3)	(7.3)



Investment Highlights

We maintain our HOLD recommendation on Power Root with an unchanged TP of RM1.15, based on a target CY26F PE of 14x, which is in line with its 5-year historical average. 1QFY26 core net profit of RM7.8mil was broadly in line, at 26.6% and 22.6% of our and consensus full-year forecasts, respectively. Core net profit grew 34.4% QoQ and 9.7% YoY despite weaker revenue, supported by gross margin expansion. Revenue fell 11.0% YoY, dragged by weakness in the Middle East sales and softer Oligo sales. Nonetheless, gross margin improved 3.3ppt YoY to 54.8% on the back of a price hike in March 2025. Despite Arabica rebounded by 34% from the bottom in July 2025 (Exhibit 4), gross margin should remain resilient as management has locked in coffee futures until December 2026 and could implement further price hikes in the future to mitigate cost pressures. Encouragingly, there are signs that export sales are bottoming, rising 11.5% QoQ, though progress on securing a distributor in Saudi Arabia remains a key monitorable.

- **Maintain HOLD with TP of RM1.15.** We maintain HOLD recommendation on Power Root with an unchanged TP of RM1.15, based on a target CY26F PE of 14x, which is in line with its 5-year historical average. As 1QFY26 core net profit of RM7.8mil was in line at 26.6% and 22.6% of our and consensus full-year forecasts, we maintain our earnings forecast. Power Root offers steady dividend based on a payout ratio of 80%, yielding 4.3%-5.3% over the next three years. The group declared a 1.5 sen DPS (vs. 1.2 sen in 1QFY25).

- **Revenue softness cushioned by resilient margin.** 1QFY26 revenue fell 11.0% YoY, dragged by weakness in the Middle East sales and softer Oligo sales. Oligo's sales eased from last year's high base when it benefitted as an alternative to Milo during boycotts, but Nestlé has since returned aggressively with marketing and discounts. Nonetheless, gross margin improved 3.3ppt YoY to 54.8% on the back of a price hike in March 2025. Despite Arabica prices rebounded by 34% from the bottom in July 2025 (Exhibit 4), gross margin should remain resilient as management has locked in coffee futures until December 2026 and could implement further price hikes in the future to mitigate cost pressures.

- **Early signs of export slump bottoming.** Export sales rose 11.5% QoQ, though the sustainability of this rebound remains uncertain as the group has yet to secure a distributor in Saudi Arabia. Encouragingly, the UAE is expected to revise its sugar tax from a blanket to a threshold-based system in 2026, under which Power Root would be exempted. This change could provide some support to UAE sales going forward.

EXHIBIT 1: 1QFY26 EARNINGS SUMMARY

FYE Mar (RM mil)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	**105.4**	**95.5**	**93.8**	**-1.7**	**-11.0**
Gross profit	54.3	51.4	51.4	0.0	-5.3
EBITDA	**11.7**	**12.6**	**13.7**	**9.2**	**17.1**
D&A	-2.7	-2.8	-3.0	6.7	9.7
EBIT	9.0	9.8	10.8	9.9	19.3
Net finance income/(cost)	0.1	-0.5	-0.8	68.1	<-100%
Pretax profit	**9.1**	**9.3**	**10.0**	**6.9**	**9.1**
Taxation	-1.6	-2.8	-2.4	-14.3	48.9
PATAMI	**7.3**	**6.2**	**7.1**	**15.4**	**-2.4**
Core net profit	**7.1**	**5.8**	**7.8**	**34.4**	**9.7**
Core EPS (sen)	1.6	1.4	1.8	29.5	14.2
Gross DPS (sen)	1.2	1.3	1.5	15.4	25.0
Margins (%)					
Gross margin (%)	51.5	53.8	54.8	1.0ppt	3.3ppt
EBITDA margin (%)	11.1	13.2	14.6	1.5ppt	3.5ppt
Pretax margin (%)	8.7	9.8	10.6	0.9ppt	2.0ppt
Effective tax rate (%)	-17.9	-30.4	-24.4	6.0ppt	-6.5ppt
Core net profit margin (%)	6.8	6.1	8.3	2.2ppt	1.6ppt
Segmental Revenue					
Malaysia	62.1	64.0	58.7	-8.3	-5.5
Export	43.2	31.5	35.1	11.5	-18.9

Source: Company

Company profile

Power Root Berhad (Power Root) is a manufacturer of instant beverages and has gained strong brand recognition that has translated into a healthy market position in the instant coffee market. The Company markets its products under the brand names such as Alicafé, Perl', Ah Huat, Frenché Roast and Oligo brand, which is its most popular product line. Their instant coffee products account for the bulk of group revenue, standing at around 85% of total revenue over the past three fiscal years, with their remaining products being tea-based, energy and chocolate drinks. It had about 14% market share in 2023, the third largest in Malaysia. Power Root Berhad (formerly known as Natural Bio Resources Berhad) was founded in 1999 and is based in Johor, Malaysia.

Investment thesis and catalysts

We maintain our HOLD recommendation on Power Root. While recovery could be seen in the export sales, the sustainability of the recovery remains questionable as the export volume to MENA region will be impacted by sugar tax hike. Apart from that, prolonged elevated coffee bean price will compress their margins.

Valuation methodology

The stock is valued based on target CY26F PE of 14x, which is in line with its 5-year historical average forward PE.

Risk factors

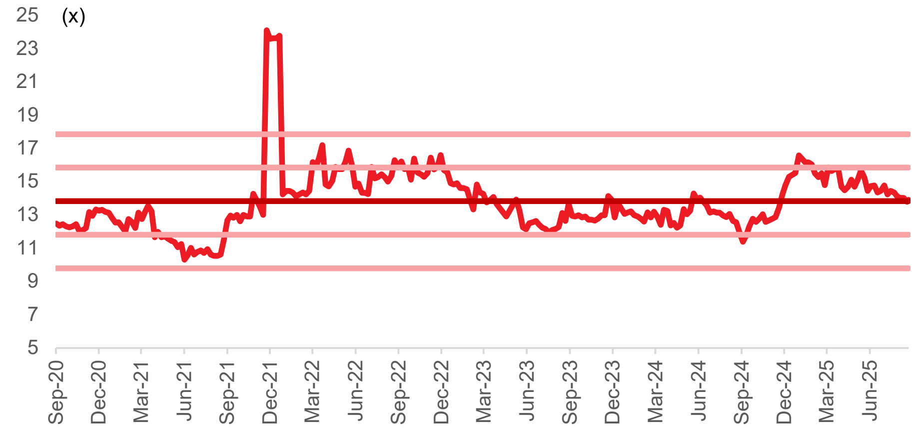
Downside risks to our estimates include Power Root unable to pass on the rising raw material and labour costs to their customers and further shortage of coffee beans.

EXHIBIT 2: VALUATIONS

Target PE (x)	14
CY26 EPS (sen)	8.0
ESG premium	0%
12-month target price (RM)	1.15

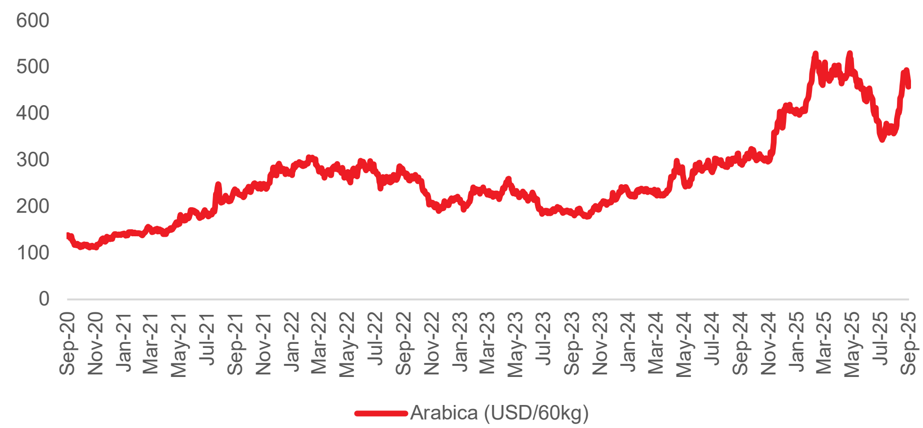
Source: AmInvestment Bank Bhd

EXHIBIT 3: PE BAND CHART



Source: Bloomberg

EXHIBIT 4: ARABICA COFFEE



Source: Bloomberg

EXHIBIT 5: ESG RATING

Environmental assessment	**Parameters**	**Weightage**	**Rating**					**Rationale**
Renewable energy	45% CO2 reduction by 2030	25%	*	*	*			10% of total electricity consumption sourced from on site solar generation
GHG avoidance	Scope 2 (tCO2e)	25%	*	*	*			644 tCO2e of Scope 2 GHG avoidance emissions
Conversion of new vehicles to EV	20% of new vehicles to be EVs by 2025	25%	*	*	*			26% of company-owned fleet consists of hybrid and EVs
Minimise waste generation	kg	25%	*	*	*			53% of total waste generation diverted from disposal
Weighted score for evironmental assessment		**100%**	*	*	*			
Social assessment								
Health, safety & well-being	Recorded incidents	25%	*	*	*	*		Zero substantiated complaints concerning human rights violations
Women in workforce	% of total workforce	25%	*	*	*			38% in workforce
Investment in employee training	RM	15%	*	*	*			13,342 training hours were delivered (15 hours per employee)
Procurement sourcing from local vendors	% of total procurement	15%	*	*	*	*		local suppliers accounted for 63.5% of our total supplier distribution in FY25
CSR programmes	no of homes visited	20%	*	*				gifted owned products to fire incident in Putra Heights victims and angpows to nine charity homes
Weighted score for social assessment		**100%**	*	*	*			
Governance assessment								
Board age diversity	% under 60 years old	20%	*	*	*			50%
Board women representation	% of total board directors	20%	*					10% representation
Directors with tenure below 6 years	% below 6 years category	15%	*	*	*			50%
Independent board directors	% of total board directors	15%	*	*	*			40% - independent non-exec
Remuneration to directors	% of total staff costs	15%	*	*	*			RM18.5mil - 23.5% of FY25 staff costs
Corruption investigations	Confirmed incidents	15%	*	*	*	*		100% of operations assessed for corruption risks, with zero incidents of corruption reported
Weighted score for governance assessment		**100%**	*	*	*			
Environmental score		40%	*	*	*			
Social score		30%	*	*	*			
Governance score		30%	*	*	*			
Overall ESG Score		**100%**	*	*	*			

Source: AmInvestment Bank Bhd

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	419.3	417.9	427.1	443.6	457.7
EBITDA	57.5	53.1	52.1	60.7	62.7
Depreciation/Amortisation	(10.4)	(10.7)	(12.6)	(13.9)	(14.3)
Operating income (EBIT)	47.1	42.3	39.5	46.8	48.4
Other income & associates	-	-	-	-	-
Net interest	1.0	(0.8)	(3.0)	(3.0)	(3.0)
Exceptional items	-	-	-	-	-
Pretax profit	**48.0**	**41.6**	**36.5**	**43.8**	**45.4**
Taxation	(5.7)	(8.5)	(6.6)	(7.9)	(8.2)
Minorities/pref dividends	0.7	1.1	0.5	0.5	0.5
Net profit	**41.6**	**32.0**	**29.4**	**35.5**	**36.7**
Core net profit	41.6	29.0	29.4	35.5	36.7

Balance Sheet (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	130.7	159.4	165.2	169.7	173.7
Intangible assets	-	-	-	-	-
Other long-term assets	37.4	37.8	37.8	37.8	37.8
Total non-current assets	**168.1**	**197.2**	**203.0**	**207.5**	**211.6**
Cash & equivalent	113.8	95.5	96.8	86.9	92.8
Stock	99.2	117.2	100.5	106.0	107.7
Trade debtors	112.2	89.3	105.8	113.4	115.2
Other current assets	12.1	10.4	10.4	10.4	10.4
Total current assets	**337.2**	**312.5**	**313.5**	**316.7**	**326.0**
Trade creditors	91.9	102.6	103.1	103.1	108.8
Short-term borrowings	26.6	1.1	1.1	1.1	1.1
Other current liabilities	6.1	8.7	8.7	8.7	8.7
Total current liabilities	**124.6**	**112.4**	**112.9**	**113.0**	**118.6**
Long-term borrowings	32.7	100.3	100.3	100.3	100.3
Other long-term liabilities	0.4	-	-	-	-
Total long-term liabilities	**33.1**	**100.3**	**100.3**	**100.3**	**100.3**
Shareholders' funds	**345.8**	**295.0**	**300.9**	**308.0**	**315.3**
Minority interests	1.9	2.1	2.6	3.1	3.6
BV/share (RM)	0.75	0.70	0.71	0.73	0.75

Cash Flow (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	48.0	41.6	36.5	43.8	45.4
Depreciation/Amortisation	10.4	10.7	12.6	13.9	14.3
Net change in working capital	(7.9)	15.9	0.7	(13.0)	2.1
Others	(3.8)	(1.0)	(2.6)	(3.9)	(4.2)
Cash flow from operations	**46.8**	**67.2**	**47.2**	**40.8**	**57.6**
Capital expenditure	(16.3)	(40.1)	(18.4)	(18.4)	(18.4)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(26.4)	0.8	-	-	-
Cash flow from investing	**(42.7)**	**(39.3)**	**(18.4)**	**(18.4)**	**(18.4)**
Debt raised/(repaid)	18.9	42.4	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(46.2)	(27.1)	(23.5)	(28.4)	(29.4)
Others	59.9	(57.3)	(4.0)	(4.0)	(4.0)
Cash flow from financing	**32.2**	**(42.4)**	**(27.5)**	**(32.4)**	**(33.4)**
Net cash flow	**36.3**	**(14.5)**	**1.3**	**(9.9)**	**5.9**
Net cash/(debt) b/f	**76.7**	**113.7**	**95.5**	**96.8**	**86.9**
Net cash/(debt) c/f	**113.7**	**95.5**	**96.8**	**86.9**	**92.8**

Key Ratios (YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	(8.0)	(0.3)	2.2	3.9	3.2
EBITDA growth (%)	(27.0)	(7.7)	(1.9)	16.7	3.2
Pretax margin (%)	11.5	9.9	8.5	9.9	9.9
Net profit margin (%)	9.9	7.7	6.9	8.0	8.0
Interest cover (x)	nm	56.4	13.2	15.6	16.1
Effective tax rate (%)	11.9	20.5	18.0	18.0	18.0
Dividend payout (%)	111.1	81.2	80.0	80.0	80.0
Debtors turnover (days)	93	88	83	90	91
Stock turnover (days)	94	94	93	85	85
Creditors turnover (days)	87	85	88	85	84

Source: Company, AmInvestment Bank Bhd estimates

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