

Company Report

Liew Jin Sheng

liew.jin-sheng@ambankgroup.com

+603 2036 1687

POWER ROOT

(PWRT MK EQUITY, POWE.KL)

CONSUMER

05 Jun 2025

Patchy recovery amid export drag.

HOLD

(Maintained)

Rationale for report: Company Result

Price RM1.37
Fair Value RM1.15
52-week High/Low RM1.75/RM1.30

Key Changes

Fair value 
EPS 

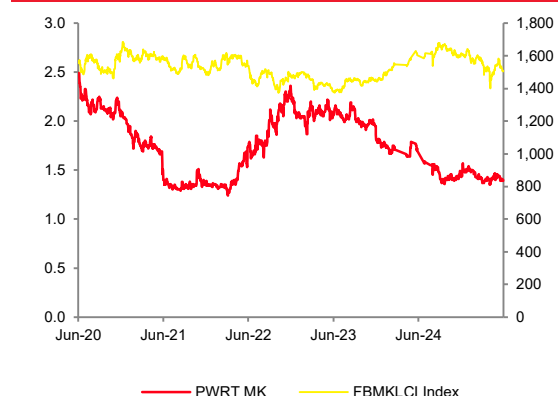
YE to Mar	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	417.9	427.1	443.6	457.7
Core net profit (RM mil)	29.0	29.4	35.5	36.7
FD Core EPS (sen)	6.8	6.9	8.3	8.6
FD Core EPS growth (%)	(24.3)	1.5	20.5	3.6
Consensus Net Profit (RM mil)	-	38.0	42.4	50.0
DPS (sen)	6.5	5.5	6.7	6.9
PE (x)	20.4	20.1	16.7	16.1
EV/EBITDA (x)	11.3	11.5	10.0	9.6
Div yield (%)	4.7	4.0	4.9	5.0
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)	581.6
Book Value (RM/Share)	0.70
P/BV (x)	2.0
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	26.1
Avg Daily Value (RMmil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	(2.1)	(4.1)	(18.7)
Relative (%)	2.3	2.5	(13.7)



Investment Highlights

We maintain our HOLD recommendation on Power Root with a lower target price of RM1.15 (from RM1.20). Our target price is based on a target PE of 14x CY26F, which is in line with its 5-year historical average. We make no adjustment to our neutral ESG rating of 3-star. Power Root delivered underwhelming FY25 results due to a decline in export revenue (-9.3% YoY), higher net finance expenses, and increased staff costs. The Middle East continued to drag as the appointed distributor deal in Saudi Arabia fell through. On the other hand, Power Root has spent RM25mil to purchase two parcels of land in Johor for the Liberia coffee plantation. The recovery is expected to be patchy due to a mixed outlook across key products and higher coffee prices. Hence, our forecast for FY26F/FY27F was cut by 2.0%/6.5%, respectively and introduced FY28F forecast.

- **Maintain HOLD with lower TP of RM1.15.** We maintain our HOLD recommendation on Power Root with a lower target price of RM1.15 from RM1.20. Our target price is based on a target PE of 14x, which is in line with its 5Y historical average. As FY25 core net profit of RM29.0mil was a miss, our forecast for FY26F/FY27F was cut by 2.0%/6.5% respectively and we introduced FY28F forecast. (refer to Exhibit 2). Nevertheless, Power Root offers steady dividend based on payout ratio of 80%, which yields 4.0%-5.0% over the next three years.
- **Underwhelming results.** FY25 core net profit of RM29.0mil came in below expectations at 89% and 85% of our and consensus full-year forecasts, respectively. Weaker FY25 earnings (-24.1% YoY) were dragged by a decline in export revenue (-9.3% YoY), higher net finance expenses, and increased staff costs. On a positive note, domestic revenue rose by 6.2% YoY.
- **Middle East continued to drag.** 4QFY25 export revenue (-37.7% YoY) fell to RM31.5mil — the lowest since 2QFY22. The largest drag was Saudi Arabia, as the appointed distributor deal fell through. A new distributor has yet to be appointed, resulting in an estimated RM2.6mil loss of revenue per month.
- **Patchy recovery ahead.** Ah Huat and Perl' continue to show organic growth, although Oligo may face headwinds with Milo offering heavy promotions. Meanwhile, a major promotional push for the Alicafe brand is slated for June. Positively, the group implemented price hikes across most products in Mar 2025, with further increases planned for Oct 2025 and Jan 2026. On raw material cost front, Power Root has locked in creamer and coffee supply until Sept–Dec 2026, though coffee was secured at approximately 5% higher YoY. Additionally, management is exploring alternatives to expensive coffee inputs to ease margin pressure in FY26.

EXHIBIT 1: 4QFY25 EARNINGS SUMMARY

FYE Mar (RM mil)	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	114.3	115.6	95.5	-17.4	-16.5	419.3	417.9	-0.3
Gross profit	57.6	61.2	51.4	-16.0	-10.8	215.0	219.9	2.3
EBITDA	14.7	15.7	12.6	-19.7	-14.3	57.5	53.1	-7.8
D&A	-2.8	-2.6	-2.8	7.4	-1.2	-10.4	-10.7	2.9
EBIT	11.9	13.1	9.8	-25.1	-17.4	47.1	42.3	-10.1
Net finance income/(cost)	0.0	-0.5	-0.5	-11.5	>100	1.0	-0.8	>100
Pretax profit	11.9	12.5	9.3	-25.7	-21.5	48.1	41.6	-13.6
Taxation	-2.6	-2.2	-2.8	28.8	7.5	-5.7	-8.5	48.3
PATAMI	9.0	10.0	6.2	-38.5	-31.1	41.6	32.0	-23.1
Core PATAMI	7.8	5.9	5.8	-0.6	-25.1	38.2	29.0	-24.1
Core EPS (sen)	1.6	1.4	1.4	0.7	-14.0	8.5	6.4	-24.1
Core DPS (sen)	1.3	2.0	1.3	-35.0	0.0	7.1	3.3	-53.5
Margins (%)								
GP margin (%)	50.4	52.9	53.8	0.9ppt	3.4ppt	51.3	52.6	1.4ppt
EBITDA margin (%)	12.8	13.6	13.2	-0.4ppt	0.3ppt	13.7	12.7	-1.0ppt
Pretax margin (%)	10.4	10.8	9.8	-1.1ppt	-0.6ppt	11.5	9.9	-1.5ppt
Effective tax rate (%)	-22.2	-17.6	-30.4	-12.9ppt	-8.2ppt	-11.9	-20.5	-8.5ppt
Core net profit margin (%)	6.8	5.1	6.1	1.0ppt	-0.7ppt	9.1	6.9	-2.2ppt

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 5Y 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: CHANGE IN EARNINGS

RMmil	FY26			FY27			FY28		
	Old	New	%	Old	New	%	Old	New	%
Revenue	451.0	427.1	-5.3%	474.7	443.6	-6.5%	-	457.7	-
Earnings	30.0	29.4	-2.0%	39.7	36.8	-7.4%	-	37.9	-
Export Sales	177.0	168.5	-4.8%	191.8	177.3	-7.6%	-	179.4	-
COGS as % of revenue	52.3%	49.8%	-2.5ppt	49.5%	49.5%	0.0ppt	-	49.5%	-

Source: AmlInvestment Bank Bhd

EXHIBIT 3: VALUATIONS

Target PE (x)	14
CY26 EPS (sen)	8.2
ESG premium	0%
12-month target price (RM)	1.15

Source: AmlInvestment Bank Bhd

EXHIBIT 4: PE BAND CHART



Source: Bloomberg

EXHIBIT 5: ESG RATING

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Renewable energy	45% CO2 reduction by 2030	25%	*	*	*	*	Total cost savings of approximately RM0.26mil, offset 425 metric tons of CO2
2	Conversion of new vehicles to EV	20% of new vehicles to be EVs by 2025	25%	*	*	*	*	Initiating the transition & installing 3 units of EV chargers
3	Water usage	% reduction in water withdrawal from municipal suppliers	25%	*				no disclosure
4	Minimise waste generation	kg	25%	*				no disclosure
	Weighted score for environmental assessment		100%	*	*			
	Social assessment							
1	Health, safety & well-being	Recorded incidents	25%	*	*	*		3 in 2023, rise of 2 YoY
2	Women in workforce	% of total workforce	25%	*	*	*		39% in workforce & 100% in senior management
3	Investment in employee training	RM	15%	*				no disclosure
4	Procurement sourcing from local vendors	% of total procurement	15%	*				no disclosure
5	CSR programmes	no of homes visited	20%	*	*	*	*	gifted owned products and angpows to six homes
	Weighted score for social assessment		100%	*	*	*	*	
	Governance assessment							
1	Board age diversity	% under 60 years old	20%	*	*	*	*	46%
2	Board women representation	% of total board directors	20%	*	*	*		9% representation
3	Directors with tenure below 6 years	% below 6 years category	15%	*	*	*	*	46%
4	Independent board directors	% of total board directors	15%	*	*	*		46% - independent non-exec
5	Remuneration to directors	% of total staff costs	15%	*	*	*		RM13mil - 20% of 2023 staff costs
6	Corruption investigations	Confirmed incidents	15%	*				no disclosure
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		40%	*	*	*		
	Social score		30%	*	*	*		
	Governance score		30%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: AmlInvestment 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, AmlInvestment Bank Bhd estimates

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