Corporate Update

Oriental Kopi Holding Berhad

(0338 |KOPI MK) Ace | Consumer Products & Services

SHARIAH Compliant

2QFY26 Results Review
Margin Pressures Persist

Downgrade to NEUTRAL with revised TP of RM1.06. Oriental Kopi's 2QFY26 results came in below expectations, as strong topline growth from café expansion and packaged food distribution was diluted by weaker margins and higher operating costs. We cut our FY26F/FY27F/FY28F earnings forecasts by -10%/-9%/-9%, respectively, to reflect a more conservative margin trajectory amid elevated cost of sales, staff costs, marketing expenses and new outlet opening costs. Accordingly, we downgrade KOPI to **NEUTRAL**, with a revised **TP of RM1.06**, based on an unchanged 30x PE pegged to FY26F EPS of 3.5 sen.

Below expectations. KOPI posted 2QFY26 revenue of RM147.3m (+42.7%yoy; +5.8%qoq) and core PATAMI of RM15.0m (+2.5%yoy; -11.8%qoq), bringing 1HFY26 core PATAMI to RM32.1m (+13.9%yoy). Results accounted for only 41% of our full-year forecast and 38% of consensus estimates. Results were below expectations as earnings growth lagged revenue growth, with margin compression more pronounced than expected. No dividend was declared for the quarter.

Revenue growth remained robust, led by café expansion and packaged food momentum. 2QFY26 revenue rose +42.7%yoy to RM147.3m, mainly driven by café chain operations, which contributed RM131.5m (+36.4%yoy; +4.8%qoq) or close to 89% of group revenue. The improvement was supported by higher walk-in customers, festive season holidays and contributions from newly opened outlets. Distribution and retail of packaged foods also remained a key growth driver, with revenue increasing +125.9%yoy and +17.0%qoq to RM14.4m, reflecting broader retail penetration and stronger packaged product sales. For 1HFY26, group revenue increased +42.5%yoy to RM286.5m, with café operations contributing RM257.0m and packaged foods contributing RM26.8m.

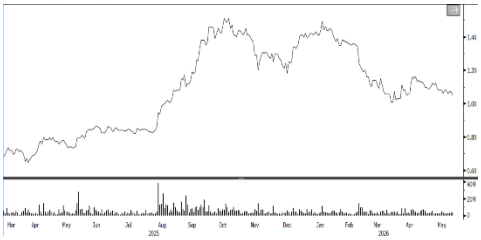
Earnings growth was capped by margin compression and higher operating costs. Despite stronger revenue, gross profit rose by a slower +24.9%yoy to RM31.8m, while gross profit margin narrowed to 21.6% (-3.1ppts yoy; -1.4ppts qoq) due to higher cost of sales. Café chain gross margin declined to 20.1% (-2.8ppts yoy), while packaged food gross margin compressed to 36.1% (-17.1ppts yoy). EBIT rose only +9.5%yoy to RM21.1m, while PBT increased +8.3%yoy to RM19.7m. Core PATAMI grew marginally by +2.5%yoy to RM15.0m, with core PATAMI margin falling to 10.2% (-4.0ppts yoy; -2.0ppts qoq), weighed by higher staff costs and bonus, marketing expenses, and costs incurred for new and upcoming outlet openings. Sequentially, PBT and PAT declined -11.6%qoq and -11.8%qoq, respectively, despite higher revenue, reflecting the cost impact from festive-related spending and expansion activities. For 1HFY26 core PATAMI increased by +13.9%yoy to RM32.1m due to further café chain expansion and FMCG expansion, though core PATAMI margin dropped -2.8ppts yoy due to a lower gross margin and higher cost of sales.

Downgrade to NEUTRAL (from BUY)

Revised Target Price **RM1.06** (from RM1.18)

RETURN STATISTICS	
Price @ 26th May 2026 (RM)	1.06
Expected share price return (%)	1.3
Expected dividend yield (%)	+0.8
Expected total return (%)	+2.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.1	-5.4
3 months	4.0	-11.6
12 months	32.9	19.2

INVESTMENT STATISTICS

FYE SEPT (RM'm)	2026F	2027F	2028F
Revenue	547.5	613.0	669.2
EBITDA	107.9	116.3	115.1
PBT	99.9	119.4	134.1
Core PATANCI	70.9	89.5	100.6
Core EPS (sen)	3.5	4.5	5.0
DPS (sen)	1.1	1.3	1.5
Dividend Yield (%)	0.8	1.0	1.1

KEY STATISTICS

FBM KLCI	1,699.02
Issued shares (m)	2000.00
Estimated free float (%)	27.34
Market Capitalisation (RM'm)	2,100.00
52-wk price range	RM0.74 - RM1.61
3-mth average daily volume (m)	4.18
3-mth average daily value (RM'm)	4.64
Top Shareholders (%)	
CHERN DATO CHAN JIAN	42.20
Chan Yen Min	15.57
Koay Song Leng	10.92

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Outlook. KOPI's medium-term growth prospects remain supported by café network expansion, packaged food distribution growth, and tourism-led demand, particularly through its strategic partnership with Tourism Malaysia under the "Truly Malaysian Taste" campaign ahead of Visit Malaysia 2026. The group also continues to pursue domestic outlet expansion, overseas market penetration, new menu innovation and wider packaged food distribution. However, we expect near-term margin pressure to persist as expansion-related costs, staff expenses, marketing spend and higher cost of sales continue to weigh on profitability. Following the earnings disappointment and our forecast cuts, we downgrade KOPI to **NEUTRAL** with a revised **TP of RM1.06**, based on 30x PE pegged to FY26F EPS of 3.5 sen.

Oriental Kopi: 2QFY26 Results Summary

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1H'FY26	1HFY25	YoY (%)
Revenue	147.3	139.2	103.2	42.7	5.8	286.5	201.0	42.5
Cost of Sales	(115.4)	(107.1)	(77.7)	48.6	7.7	(222.6)	(150.2)	48.2
Gross Profit	**31.8**	**32.1**	**25.5**	**24.9**	**(0.7)**	**63.9**	**50.8**	**25.7**
Other Income	2.3	2.3	1.8	28.1	0.2	4.6	2.4	94.9
Selling and distribution expenses	(7.1)	(5.6)	(3.9)	84.2	26.8	(12.7)	(8.2)	53.9
Administrative expenses	(6.0)	(5.1)	(4.2)	42.7	18.3	(11.1)	(7.4)	49.1
Others Operating Expenses	0.0	0.0	0.0	48.4	58.6	0.1	(0.0)	(426.1)
EBIT	21.1	23.7	19.3	9.5	(11.1)	44.9	37.5	19.6
Net finance income/(cost)	(1.4)	(1.4)	(1.1)	29.2	(2.6)	(2.8)	(2.0)	39.3
PBT	19.7	22.3	18.2	8.3	(11.6)	42.1	35.5	18.5
Taxation	(4.7)	(5.3)	(4.4)	7.0	(11.0)	(10.0)	(8.6)	16.3
PAT	15.0	17.0	13.8	8.8	(11.8)	32.1	26.9	19.2
Core PATAMI	15.0	17.0	14.7	2.5	(11.8)	32.1	28.2	13.9
Core EPS (sen)	0.8	0.9	0.7	2.5	(11.8)	1.6	1.4	13.9
DPS (sen)	0.0	0.0	0.0	#DIV/0!	#DIV/0!	0.0	0.0	#DIV/0!
Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	21.6	23.0	24.7	(3.1)	(1.4)	22.3	25.3	(3.0)
EBIT Margin	14.3	17.1	18.7	(4.4)	(2.7)	15.7	18.7	(3.0)
PBT Margin	13.4	16.0	17.7	(4.3)	(2.6)	14.7	17.7	(3.0)
Core PATAMI Margin	10.2	12.2	14.2	(4.0)	(2.0)	11.2	14.0	(2.8)

Source: Company, MBSBR

Oriental Kopi: Breakdown by segment

FYE Sept (RM'm)	Quarterly results					Cumulative results		
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1H'FY26	1HFY25	YoY (%)
Revenue (RM'm)								
Café chain operations	131.5	125.5	96.4	36.4	4.8	257.0	188.0	36.7
Distribution and retail of packaged foods	14.4	12.3	6.4	125.9	17.0	26.8	11.9	125.8
Others	1.3	1.4	0.4	261.4	(0.7)	2.7	1.1	138.1
Total Revenue	**147.3**	**139.2**	**103.2**	**42.7**	**5.8**	**286.5**	**201.0**	**42.5**
Gross Profit (RM'm)								
Café chain operations	26.4	26.6	22.1	19.9	(0.8)	53.1	188.0	(71.8)
Distribution and retail of packaged foods	5.2	5.2	3.4	53.4	(0.2)	10.4	11.9	(12.1)
Others	0.2	0.2	0.0	331.9	(0.5)	0.4	1.1	(64.2)
Total Gross Profit	**31.8**	**32.1**	**25.5**	**24.9**	**(0.7)**	**63.9**	**50.8**	**25.7**
Gross Profit Margin (%)				+/(-) ppts	+/(-) ppts			
Café chain operations	20.1	21.2	22.9	(2.8)	(1.1)	20.6	100.0	(79.4)
Distribution and retail of packaged foods	36.1	42.3	53.1	(17.1)	(6.2)	39.0	100.0	(61.0)
Others	15.1	15.0	12.6	2.5	0.0	15.0	100.0	(85.0)
Total Gross Profit Margin	**21.6**	**23.0**	**24.7**	**(3.1)**	**(1.4)**	**22.3**	**25.3**	**(3.0)**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	277.3	450.9	547.5	613.0	669.2
Gross Profit	82.8	114.1	162.6	189.2	209.7
EBITDA	79.2	117.2	107.9	116.3	115.1
EBIT	59.9	87.7	103.6	123.1	137.5
PBT	57.5	86.9	99.9	119.4	134.1
Taxation	(14.4)	(22.7)	(25.0)	(29.9)	(33.6)
PAT	43.1	64.2	74.9	89.5	100.6
Core PATAMI	43.1	64.2	70.9	89.5	100.6
Core EPS (sen)	2.2	3.2	3.5	4.5	5.0
PER (x)	63.1	42.4	38.4	30.4	27.0
DPS (sen)	0.2	1.0	1.1	1.3	1.5
Dividend Yield (%)	0.1	0.7	0.8	1.0	1.1

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	57.5	86.9	99.9	119.4	134.1
Operating cash flow	68.1	81.8	89.5	82.0	77.5
Investing cash flow	(17.2)	(129.2)	(32.9)	(36.8)	(40.2)
Financing cash flow	(16.7)	143.2	(36.5)	(42.1)	(44.3)
Net cash flow	34.2	95.8	20.1	3.2	(6.9)
Beginning cash flow	24.8	59.0	154.8	174.9	178.1
Ending cash flow	59.0	154.8	174.9	178.1	171.2

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth (%)	108.5	62.6	21.4	12.0	9.2
Gross Profit Growth (%)	111.8	37.8	42.5	16.3	10.9
EBITDA Growth (%)	100.7	48.1	(8.0)	7.8	(1.0)
Core PATAMI Growth (%)	115.4	48.9	10.4	26.2	12.4

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	29.9	25.3	29.7	30.9	31.3
EBITDA Margin	28.6	26.0	19.7	19.0	17.2
EBIT Margin	21.6	19.5	18.9	20.1	20.6
Core PATANCI Margin	15.6	14.2	13.0	14.6	15.0

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
PPE	31.0	53.1	95.3	154.9	232.3
Right of use assets	69.4	82.4	84.8	77.7	71.9
Non-current assets	101.6	137.9	182.4	235.0	306.6
Inventories	6.9	12.2	8.4	9.3	10.1
ST Trade	13.3	24.9	22.0	22.6	23.1
Cash	59.0	149.0	174.9	178.1	171.2
Total current assets	79.8	288.9	308.1	312.8	307.1
Total Assets	181.5	426.7	490.6	547.8	613.7
Total Equities	53.5	293.5	351.7	414.4	138.5
LT Loans	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	61.9	72.3	76.6	71.6	67.5
ST Trade payables	39.8	29.7	33.4	34.2	34.9
ST Loans	0.0	0.0	0.0	0.0	0.0
Current Liabilities	66.1	61.0	62.2	61.7	61.4
Total Liabilities	128.0	133.2	138.8	133.4	128.9

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology