Corporate Update

Oriental Kopi Holdings Berhad

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

SHARIAH Compliant

Upgrade to BUY
(from NEUTRAL)

Unchanged Target Price **RM1.06**

Briefing Note

Expansion Remains Priority

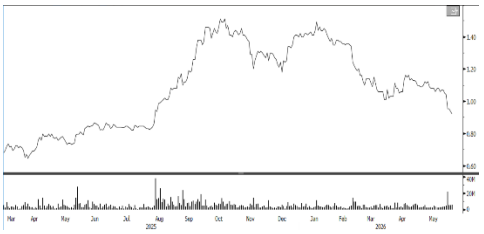
Upgrade to BUY with unchanged TP of RM1.06. We attended Oriental Kopi's 2QFY26 analyst briefing, where management reiterated that FY26 remains an expansion year, with near-term margins being consciously sacrificed to support café network growth, FMCG channel expansion and future overseas opportunities. Following our recent 2QFY26 results review, we make no changes to our earnings forecasts or valuation. We upgrade our call to **BUY,** following a recent pullback in share price which has brought valuations to more attractive levels, with an unchanged **TP** of **RM1.06**, based on 30x PE pegged to FY26F EPS of 3.5 sen. Topline momentum remains strong, and margin recovery may be more visible in the coming quarters following expansion investment.

Expansion remains the key growth driver. KOPI opened 6 new cafés in FY26 to date, bringing its total network to 34 outlets, comprising 31 in Malaysia and 3 in Singapore, from 28 outlets in FY25 and 22 outlets in 1HFY25. New openings include Queensbay Mall, KLIA2 Boarding Hall, KLIA Terminal 1, Sunway Velocity, Suria Sabah and Dataran Merdeka, with upcoming locations including Merdeka 118, IJM Penang, Ombak KLCC, Genting and more. Management expects to open another 4–6 cafés for the remainder of FY26, while FY27 expansion may focus on the northern region, East Coast, Selangor, southern region and 1–2 additional locations in East Malaysia. Typical payback period remains attractive at around 10–12 months, though this varies by location, with new cafés generally taking 5-6 months to mature. Sabah has performed well since opening, though higher logistics and shipment costs may slightly lengthen breakeven timing.

Sales remain resilient, but SSSG has moderated slightly. 1HFY26 SSSG remained healthy at +14.7%, though slightly lower than +15.5% in 1HFY25. Kuala Lumpur remained the strongest region, with SSSG improving to +21.8% from +15.9%, while Johor moderated to +3.5% from +9.1%, partly due to softer shoplot café performance at Taman Johor Jaya and renovation works at Johor City Square. Selangor SSSG also eased to +16.1% from +20.8%, partly affected by Bandar Puteri Puchong. Management indicated that future café expansion will be more focused on high-traffic locations, particularly malls and airports, while untapped regions such as Ipoh, Kedah, Kelantan and the East Coast remain potential growth markets. Airport outlets, Pavilion KL, KLCC and City Square were highlighted as among the top-performing stores. Chinese tourist traffic during the Labour Day period remained strong and broadly on par year-on-year, while April sales were normal and May's was stronger, helped by long holidays.

RETURN STATISTICS	
Price @ 5th June 2026 (RM)	0.92
Expected share price return (%)	+15.2
Expected dividend yield (%)	+0.8
Expected total return (%)	+16.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-17.9	-15.2
3 months	-8.9	-16.7
12 months	10.2	-1.3

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	1,693.43
Issued shares (m)	2000.00
Estimated free float (%)	27.34
Market Capitalisation (RM'm)	1,840.00
52-wk price range	RM0.80 - RM1.61
3-mth average daily volume (m)	4.36
3-mth average daily value (RM'm)	4.68
Top Shareholders (%)	
CHERN DATO CHAN JIAN	42.20
Chan Yen Min	15.57
Koay Song Leng	10.92

Analyst
MBSB Research
research@mbsb.com

Margin pressure mainly reflects expansion costs, labour and FMCG channel investment. Management attributed the sharper margin compression in 2QFY26 to several factors: higher staff costs, annual bonus payments of around RM1.0m before Chinese New Year, new outlet opening costs, Ramadan softness in Malay-majority areas such as Alamanda Putrajaya, and higher operating costs from expansion. The group has around 2,000 staff, with foreign workers making up around 35%, and foreign worker quota restrictions remain a key operational issue. Management noted that quotas are only opened periodically, requiring the group to secure manpower ahead of expansion, while foreign worker levy costs are paid upfront. This adds near-term cost burden, although it helps support future outlet rollout. On FMCG, margins were affected by one-off special pricing to distributors and product listing fees to support retail channel expansion. Management is reviewing selective menu price adjustments but intends to implement any increase cautiously to avoid affecting competitiveness. The last price adjustment was in 1QCY25, with no major impact on topline, while typical price increases are around RM1-RM2.

FMCG, brand collaborations and overseas plans remain future growth pillars. FMCG continues to scale, with key products including coffee, white coffee, kaya, pan mee and pineapple tarts. Management has not seen meaningful cannibalisation between café walk-in traffic and FMCG sales, and Singapore FMCG performance has been encouraging with repeat orders. The group expects to secure another export market in the coming months. Marketing and collaborations remain a key part of brand-building, including the Guinness World Record achievement for 11,446 nasi lemak sold in 8 hours at IOI City Mall on 1 May 2026, a collaboration with Shangri-La Kuala Lumpur to bring kopitiam dishes to the Lobby Lounge, and a partnership with Inside Scoop for kopitiam coffee cake and Kopi Tiramisu. Grab contributes around 10% of café chain revenue, supported by promotions and repeat orders. Overseas expansion remains under planning, likely through a JV-like structure in a neighbouring country, while further Singapore openings may be secured within FY26 depending on site availability. Management is also exploring a central kitchen via potential JV or M&A with existing manufacturing partners, though discussions remain early stage.

Outlook. We continue to view KOPI as a strong consumer brand with healthy topline momentum, attractive store economics and meaningful medium-term growth optionality from café expansion, FMCG distribution, Singapore and broader overseas expansion. FY26 is clearly an investment year, with margins weighed by staff costs, foreign worker levy expenses, pre-opening costs, marketing spend, FMCG listing fees and higher logistics costs. Management expects margins to improve in the coming quarters, with 3Q and 4Q typically stronger periods, and the execution risk remains as the group balances expansion speed against profitability. Given the recent pullback in share price, we believe that valuation have been brought down to more attractive levels. Hence, we upgrade to **BUY** with an unchanged **TP of RM1.06**, based on 30x PE pegged to FY26F EPS of 3.5 sen.

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