Corporate Update

Oriental Kopi Holding Berhad

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

SHARIAH Compliant

Indonesia Opens the Next Growth Leg

Maintain BUY with higher TP of RM1.15. We maintain our **BUY** call on Oriental Kopi with a higher **TP of RM1.15** from RM1.06, after raising our target PER to 32.5x from 30.0x, pegged to unchanged FY26F EPS of 3.5 sen. The revised multiple sits between our previous 30.0x peg and the stock's post-listing mean PER of c.35x, which we view as a reasonable midpoint to reflect Oriental Kopi's strengthening regional expansion narrative following its proposed Indonesia JV and Mauritius franchise arrangement. We make no changes to earnings forecasts at this juncture, as both ventures are not expected to materially impact FY26 earnings, but we believe the announcements improve longer-term growth optionality and support a modest rerating.

Indonesia JV opens a larger addressable market. Oriental Kopi has entered into a JV cum shareholders' agreement with PT Era Boga Nusantara to undertake the operation and management of Oriental Kopi restaurants in Indonesia via PT Era Oriental Kopi. The JV will focus on Indonesia, prioritising Jakarta, but excluding Medan and all airports within Indonesia. Oriental Kopi, through Oriental Coffee International, will hold a 40% stake in the JV, while PT Era Boga Nusantara will hold the remaining 60%. The JVCO is required to commence restaurant operations within one year from the agreement date, with an initial JV period of five years and automatic renewal for successive five-year periods, provided there is no event of default.

Manageable capital commitment. The JVCO's capital investment is USD1.2m or approximately RM4.91m, of which Oriental Kopi's 40% share amounts to USD480k or approximately RM1.96m. The investment will be funded via internally generated funds and/or bank borrowings, with the final funding mix to be determined later after considering the group's gearing level, interest costs and internal cash requirements. Save for its initial capital investment and proportionate share of any mutually agreed future capital injections, Oriental Kopi will not assume other liabilities, including contingent liabilities or guarantees, from the JV.

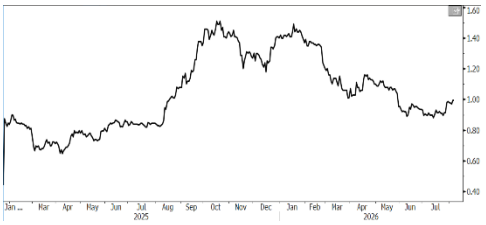
JV structure reduces market-entry risk. We are positive on the JV structure as it allows Oriental Kopi to participate in Indonesia's larger F&B market while limiting upfront capital exposure and leveraging a local partner's market knowledge, operating resources and business network. While near-term earnings contribution is unlikely to be material, successful execution in Jakarta could provide a meaningful proof point for Oriental Kopi's regional scalability and support future expansion into larger overseas markets.

Maintain BUY

Revised Target Price **RM1.15**
(from RM1.06)

RETURN STATISTICS	
Price @ 6th Aug 2026 (RM)	0.995
Expected share price return (%)	15.8
Expected dividend yield (%)	+0.8
Expected total return (%)	+16.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.6	7.1
3 months	6.4	-8.5
12 months	20.6	7.0

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	1,737.15
Issued shares (m)	2000.00
Estimated free float (%)	28.19
Market Capitalisation (RM'm)	1,990.00
52-wk price range	RM0.81 - RM1.61
3-mth average daily volume (m)	4.71
3-mth average daily value (RM'm)	4.56
Top Shareholders (%)	
UNITED GOMAX SDN BHD	67.85
UBS AG	1.66
KAF Core Income Fund	1.55

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Mauritius franchise introduces asset-light optionality. Separately, Oriental Kopi entered into a Territory Franchise Agreement with Coffee Time Ltd, granting exclusive rights to develop and operate Oriental Kopi restaurants in Mauritius. Under the arrangement, Coffee Time will pay Oriental Coffee International the applicable franchise fee and monthly royalty for each restaurant operated. The first restaurant must commence operations within 300 calendar days from the agreement date, failing which Oriental Kopi has the right to terminate the agreement. The franchise term runs for six years from the commencement of business at the first restaurant, subject to renewal.

Asset-light model supports better returns profile. While Mauritius is unlikely to move the earnings needle materially in the near term, the franchise arrangement is positive from a returns perspective as it offers potential recurring royalty income with minimal capital commitment. This complements Oriental Kopi's JV-led approach in Indonesia, creating a more balanced overseas expansion model that combines larger-market participation with asset-light brand monetisation.

No change to forecasts; rerating reflects optionality. Both proposals are not expected to have a material impact on Oriental Kopi's FY26 earnings, EPS, gearing or net assets, although they are expected to contribute positively to future earnings. As such, we keep earnings forecasts unchanged pending greater clarity on rollout timeline, store economics, royalty rates, capex requirements and gestation period. Nonetheless, we believe a modest valuation rerating is justified as the announcements broaden Oriental Kopi's addressable market, strengthen its regionalisation narrative and introduce overseas growth optionality beyond Malaysia and Singapore.

Outlook. We continue to view Oriental 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. While FY26 remains an investment year, management expects margins to improve in the coming quarters, with 3Q and 4Q typically stronger periods. We believe this should help ease concerns over earlier margin pressure from staff costs, foreign worker levy expenses, pre-opening costs, marketing expenses, FMCG listing fees and higher logistics costs. Key execution milestones to watch include the first Indonesia outlet opening, rollout pace in Jakarta, franchise economics in Mauritius and visibility on royalty/JV contribution. We maintain **BUY** with a higher **TP of RM1.15**.

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

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

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