

Kotra Industries

A Weak Start to FY26 but In Line

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KOTRA's 1QFY26 results just barely met our expectation but sequential quarterly improvement is a step in the right direction moving into subsequent quarters. We remain upbeat on KOTRA, backed by recovering consumer spending. We continue to like KOTRA for: (i) the bright prospects of the over-the-counter (OTC) drug market, and (ii) its integrated business model encompassing the entire spectrum of the pharmaceutical value chain from R&D, product conceptualisation to manufacturing and sales. We keep our forecasts, TP of RM4.90 and reiterate our **OUTPERFORM** call. The stock remains supported by an attractive 6% dividend yield.

Its 1QFY26 net profit of RM10m (+2% QoQ; +3% YoY) met expectation at 21% of full-year forecasts. No dividend was declared which was expected.

YoY, its 1QFY26 revenue fell 11%, not thanks to lower exports (-44%) of supplement products which more than offset higher local (+3%) sales. 1QFY26 local and exports sales accounted for 68% and 32% of total revenue, respectively. However, EBITDA rose 6%, we believe, due to sales mix skewed towards high margin products. Consequently, its 1QFY26 net profit rose 3%, due to a higher effective tax rate of 19% vs. 17% in 1QFY25.

QoQ, its 1QFY26 turnover rose 11% due to higher demand for supplement products in both domestic and local markets. In the domestic market, we believe, the uptake in demand was due to consumers snapping up health supplements amidst rising cases of the common flu and influenza-like illnesses. Correspondingly, 1QFY26 net profit rose 2%.

Outlook. With the government's new targeted petrol subsidy removing key policy uncertainty and easing cost-of-living pressures for the rakyat, this should help to lift consumer sentiment. Meanwhile, the expanding domestic OTC market should also augur well for KOTRA (its OTC products account for 50% of its top line). The out-of-pocket healthcare spending in Malaysia at private pharmacies has grown at a 10-year CAGR of 11%.

Valuations. We keep our forecasts and TP of RM4.90 based on unchanged 15x FY26F EPS, in line with its peer average. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

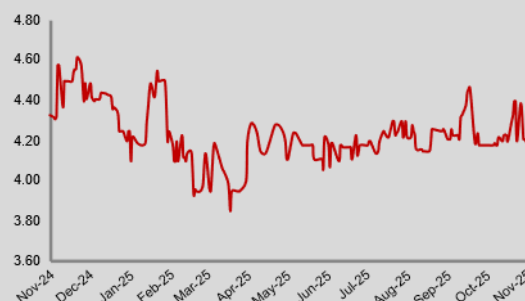
Investment case. We continue to like KOTRA for: (i) the bright prospects of the over-the-counter (OTC) drug market, (ii) its integrated business model encompassing the entire spectrum of the pharmaceutical value chain from R&D, product conceptualisation to manufacturing and sales, and (iii) the superior margins of its original brand manufacturing (OBM) business model (vs. low-margin contract manufacturing) with established household brands such as *Appeton*. Maintain **OUTPERFORM**.

Key risks to our recommendation include: (i) failure in clinical trials scuppers new products break-through, leading to the inability to recover cost incurred for the pre-clinical and clinical trials, (ii) its dependency on commercialisation of new products and slower-than-expected commercial operation of the new lab.

OUTPERFORM ↔

Price: RM4.32
Target Price: RM4.90 ↔

Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	-2.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KTRI MK
Market Cap (RM m)	640.7
Shares Outstanding	148.3
52-week range (H)	4.69
52-week range (L)	3.85
3-mth avg. daily vol.	7,822
Free Float	23%
Beta	0.8

Major Shareholders

Piong Nam Kim	43.6%
Piong Teck Onn	11.0%
Piong Teck Yen	5.6%

Summary Earnings Table

FY Jun (RM m)	2025A	2026F	2027F
Turnover	230.8	275.1	284.5
EBITDA	61.8	77.3	83.9
PBT	51.4	62.5	64.2
Net Profit	42.5	48.1	49.4
Core Net Profit	42.5	48.1	49.4
Consensus (NP)	-	-	-
Earnings Revision	-	-	-
EPS (sen)	28.7	32.5	33.4
EPS Growth (%)	(4.8)	13.3	2.7
NDPS (sen)	25.5	25.5	25.5
PER (x)	15.0	13.3	12.9
PBV (x)	2.2	1.9	1.7
Net Gearing (%)	Cash	Cash	Cash
Net Div. Yield (%)	5.9	5.9	5.9

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Results Highlight

FY Jun (RM m)	4Q FY25	1Q FY25	1Q FY26	QoQ Chg %	YoY Chg %
Turnover	52.4	65.6	58.4	11.5	(10.9)
EBITDA	14.6	14.4	15.2	4.2	6.2
Depreciation	(3.4)	(3.5)	(3.4)	(0.4)	(2.8)
Net interest income	0.7	0.9	0.5	(27.2)	(38.1)
PBT	11.9	11.7	12.4	3.6	5.7
Taxation	(2.1)	(2.0)	(2.3)	10.0	18.0
Net Profit (NP)	9.8	9.7	10.0	2.2	3.2
EPS (sen)	6.6	6.6	6.8	2.3	3.2
EBITDA margin (%)	27.9	21.9	26.1		
PBT margin (%)	22.8	17.8	21.1		
Effective tax rate (%)	17.6	16.8	18.7		

Source: Bursa Malaysia, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
DUOPHARMA BIOTECH BERHAD	OP	1.25	1.72	37.6%	1,202.4	Y	12/2025	9.9	11.5	51.8%	15.9%	12.6	10.9	1.6	12.8%	3.3	2.6%
IHH HEALTHCARE BHD	MP	8.23	8.50	3.3%	72,721.5	Y	12/2025	21.6	24.3	12.6%	12.2%	38.1	33.9	2.3	6.2%	10.0	1.2%
KOTRA INDUSTRIES BHD	OP	4.32	4.90	13.4%	640.7	Y	06/2026	28.7	32.5	-4.7%	13.2%	15.0	13.3	2.3	15.3%	25.5	5.9%
KPJ HEALTHCARE BHD	MP	2.70	2.80	3.7%	11,783.6	Y	12/2025	7.6	8.8	8.5%	15.7%	35.4	30.6	4.5	13.0%	4.2	1.6%
NOVA WELLNESS GROUP BHD	OP	0.375	0.470	25.3%	119.5	Y	06/2026	3.6	3.8	49.4%	4.3%	10.4	9.9	1.0	10.1%	1.6	4.3%
PHARMANIAGA BHD	UP	0.235	0.150	-36.2%	1,540.9	Y	12/2025	0.7	1.0	25.2%	35.9%	31.6	23.3	3.6	37.1%	0.0	0.0%

Source: Company, Bloomberg, Kenanga Research

STOCK ESG RATINGS

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	☆		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	☆		
	Energy Efficiency	★	★	★		
	Education & Training	★	★	★	☆	
	Talent Management	★	★	★	☆	
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%.
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%.
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%.
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%.

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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