

26 February 2026

# Power Root

## Eyes on Export Recovery

By Thin Yun Jing | [thinyl@kenanga.com.my](mailto:thinyl@kenanga.com.my)

PWROOT's 9MFY26 results disappointed on weaker-than-expected margins, with core net profit, adjusted for forex, falling 29% YoY. Management expects export recovery to gain traction from 4QFY26 following regulatory changes in Saudi Arabia, and distributor transition. While moderating coffee bean prices and a firmer MYR have improved input cost visibility, we trim FY26-27 earnings by 5-7% to reflect a more gradual pace of margin recovery. Consequently, we lower our TP to RM1.08 (from RM1.12) based on an unchanged 15x FY27F PER. We reiterate our MARKET PERFORM call while noting that the stock is supported by 4%-5% dividend yield.

**Below expectations.** PWROOT's 9MFY26 core net profit of RM17.1m (after excluding RM1.7m net forex loss) missed expectations, coming in at only 66% of both our full-year forecast and the street's estimate. The key variance against our forecast came largely from weaker-than-expected margins. It declared a DPS of 1.2 sen in 3QFY26 (3QFY25: 2.0 sen), which was within our expectation.

**YoY,** 9MFY26 revenue fell 18% amid weaker domestic sales (-11%) and a steeper drop in overseas markets (-29%), particularly the Middle East. Core EBIT (adjusted for forex) declined in line by 18%, suggesting largely stable operating margins. However, core net profit plunged 29% mainly due to higher finance costs of RM2.6m (from RM0.3m) and a 4.2 pts increase in the effective tax rate.

**QoQ,** 3QFY26 turnover was flattish as softer export sales (-5%) more than offset modest 3% growth in domestic sales. Despite stable revenue and lower taxes, its bottom line tumbled 16% QoQ dragged by higher staff costs and increased other opex.

**Outlook.** Management expects export recovery to gain traction from 4QFY26, underpinned by Saudi Arabia and UAE's transition to a tiered sugar tax regime and the appointment of a new Saudi distributor, which should restore price competitiveness and rebuild volumes progressively into FY27. In addition, the company has secured the bulk of its coffee bean supply through end-FY27 and does not expect further raw material cost increases in the near term. Together with a stronger MYR and recent moderation in global coffee bean prices (-17% YTD), this should provide improved cost visibility, although the pace of margin recovery will depend on procurement cycles.

Meanwhile, the group's automation initiatives which target up to 50% reduction in production operators across selected lines, and the upcoming capsule line (operational by March 2026, launch mid-CY26) support medium-term growth prospects. Nevertheless, we believe recent pricing strategy adjustments have narrowed the discount gap versus competitors, likely keeping local sales relatively soft or flattish.

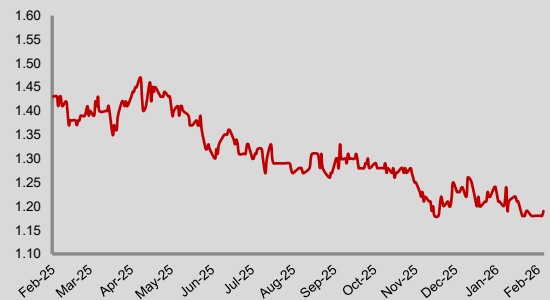
**Forecasts.** We trim our FY26F and FY27F earnings by 7% and 5%, respectively, to account for more gradual margin recovery.

**Valuations.** Post-earnings revision, we reduce our TP to RM1.08 (from RM1.12), while keeping an unchanged 15x FY27F PER. This remains at a discount to the average historical forward PER of 20x for food and beverage industry players, reflecting PWROOT's less extensive product range vs. its peers. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

# MARKET PERFORM ↔

Price: RM1.19  
Target Price: RM1.08 ↓

### Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	-5.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PWRT MK EQUITY
Market Cap (RM m)	501.1
Shares Outstanding	421.1
52-week range (H)	1.48
52-week range (L)	1.17
3-mth avg. daily vol.	48,724
Free Float	29%
Beta	0.5

### Major Shareholders

How Say Swee	19.7%
Wong Fuei Boon	17.7%
Wong Tak Keong	10.8%

### Summary Earnings Table

FYE Mar (RM m)	2025A	2026F	2027F
Turnover	414	357	396
EBIT	42	32	36
PBT	42	29	36
Net Profit (NP)	32	22	30
<b>Core Net Profit</b>	30	24	30
Consensus (NP)	-	26	34
Earnings Revision	-	-7%	-5%
Core EPS (sen)	6.8	5.6	7.2
CEPS Growth (%)	-23	-18	28
NDPS (sen)	6.5	5.2	6.6
BVPS (RM)	0.7	0.7	0.7
PER (x)	18.0	22.0	17.1
PBV (x)	1.8	1.9	1.9
Net Gearing (x)	0.0	0.0	-0.1
Net Div. Yield (%)	5.3	4.2	5.4

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**Investment case.** We like PWROOT for: (i) its leading position as one of the largest coffee manufacturers in Malaysia, and (ii) its strategic marketing initiatives to promote brand awareness for products such as *Alicafé*, *Per'l* and *Ah Huat*. However, while management guides for a gradual recovery in its key export market, i.e. the Middle East, and commodity cost pressures, particularly coffee beans, have moderated, earnings recovery is likely to be gradual rather than immediate. Reiterate **MARKET PERFORM**. A potential re-rating catalyst would be a sustained recovery in domestic and overseas sales, particularly a successful volume rebuilding in the Middle East following the sugar tax reset.

**Risks to our call include:** (i) consumer spending being impacted by high inflation, (ii) the MYR's weakness resulting in higher costs for imported raw materials, and (iii) a significant rise in food commodity prices.

### Results Highlights

FYE Mar (RM m)	3QFY26	2QFY26	QoQ Chg	3QFY25	YoY Chg	9MFY26	9MFY25	YoY Chg
Revenue	85.3	85.0	0%	115.6	-26%	264.1	321.7	-18%
GP	44.6	45.3	-2%	61.2	-27%	141.3	167.8	-16%
EBIT	5.0	7.7	-35%	13.1	-61%	23.5	32.5	-28%
Net Interest Expense	(0.9)	(0.9)	-3%	(0.5)	62%	(2.6)	(0.3)	851%
PBT	4.2	6.8	-39%	12.5	-67%	21.0	32.3	-35%
Taxation	(0.7)	(1.5)	-56%	(2.2)	-70%	(4.6)	(5.7)	-19%
<b>Net Profit</b>	<b>3.2</b>	<b>5.1</b>	<b>-37%</b>	<b>10.0</b>	<b>-68%</b>	<b>15.4</b>	<b>25.8</b>	<b>-40%</b>
<b>Core Net Profit</b>	<b>4.2</b>	<b>5.0</b>	<b>-16%</b>	<b>5.6</b>	<b>-26%</b>	<b>17.1</b>	<b>24.1</b>	<b>-29%</b>
Core EPS (sen)	1.0	1.2	-16%	1.3	-21%	4.0	5.2	-24%
DPS (sen)	1.2	1.2	0%	2.0	-40%	3.9	5.2	-25%
GP Margin (%)	52.3	53.3		52.9		53.5	52.2	
EBIT Margin (%)	5.9	9.1		11.3		8.9	10.1	
PBT Margin (%)	4.9	8.0		10.8		7.9	10.0	
CNP Margin (%)	4.9	5.8		4.9		6.5	7.5	
Effective Tax Rate (%)	15.8	21.8		17.6		21.8	17.6	

Source: Company, Kenanga Research

### Segmental Breakdown

FYE Mar (RM m)	3QFY26	2QFY26	QoQ Chg	3QFY25	YoY Chg	9MFY26	9MFY25	YoY Chg
<b>Segment Revenue</b>								
<b>Malaysia</b>	<b>58.7</b>	<b>57.0</b>	<b>3%</b>	<b>68.5</b>	<b>-14%</b>	<b>174.5</b>	<b>196.7</b>	<b>-11%</b>
<b>Overseas</b>	<b>26.6</b>	<b>28.0</b>	<b>-5%</b>	<b>47.0</b>	<b>-43%</b>	<b>89.7</b>	<b>127.0</b>	<b>-29%</b>
<i>Middle East</i>	12.4	17.6	-30%	35.3	-65%	55.1	93.4	-41%
<i>Others</i>	14.2	10.4	37%	11.7	22%	34.6	33.6	3%
<b>Total</b>	<b>85.3</b>	<b>85.0</b>	<b>0%</b>	<b>115.6</b>	<b>-26%</b>	<b>264.1</b>	<b>323.7</b>	<b>-18%</b>
<b>Segment Profit</b>								
Malaysia	4.4	6.9	-37%	12.3	-64%	20.6	27.4	-25%
Overseas	0.3	0.0	>100%	2.0	-85%	2.1	7.0	-70%
Others	-1.1	-0.3	>100%	-0.3	>100%	-3.4	-1.1	>100%
<b>Total</b>	<b>3.6</b>	<b>6.6</b>	<b>-46%</b>	<b>13.9</b>	<b>-74%</b>	<b>19.3</b>	<b>33.4</b>	<b>-42%</b>
<b>Segment Profit Margin</b>								
Malaysia	7.5%	12.1%		17.9%		11.8%	13.9%	
Overseas	1.1%	0.0%		4.3%		2.4%	5.5%	
<b>Total</b>	<b>4.2%</b>	<b>7.7%</b>		<b>12.1%</b>		<b>7.3%</b>	<b>10.3%</b>	

Source: Company, Kenanga Research

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## 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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>CONSUMER</b>																	
AEON CO. (M) BHD	OP	1.33	1.40	5.3%	1,867.3	Y	12/2025	9.2	10.3	-14.7%	13.0%	14.5	12.9	0.9	6.5%	5.0	3.8%
FARM FRESH BHD	MP	2.78	2.70	-2.9%	5,238.2	Y	03/2026	7.5	9.0	29.2%	20.4%	37.2	30.9	6.4	18.2%	3.0	1.1%
FRASER & NEAVE HOLDINGS BHD	OP	33.68	37.70	11.9%	12,353.1	Y	09/2026	144.2	160.7	3.6%	11.4%	23.4	21.0	3.0	13.2%	70.0	2.1%
MR D.I.Y. GROUP (M) BHD	MP	1.84	1.95	6.0%	17,438.6	Y	12/2026	7.5	8.2	11.6%	9.0%	24.5	22.5	8.6	35.3%	8.0	4.3%
NESTLE (MALAYSIA) BHD	MP	110.50	106.00	-4.1%	25,912.3	Y	12/2026	256.9	284.7	20.2%	10.8%	43.0	38.8	44.6	104.1%	255.0	2.3%
PADINI HOLDINGS BHD	OP	2.01	2.35	16.9%	1,983.6	Y	06/2026	17.4	18.2	6.0%	4.5%	11.5	11.0	1.6	14.0%	9.1	4.5%
POWER ROOT BHD	MP	1.19	1.08	-9.2%	501.1	Y	03/2026	5.6	7.2	-21.5%	28.3%	21.2	16.5	1.7	7.5%	5.0	4.2%
QL RESOURCES BHD	MP	3.99	4.26	6.8%	14,564.5	Y	03/2026	12.2	13.4	-2.0%	9.5%	32.6	29.8	4.1	14.1%	5.0	1.3%
KAREX BHD	MP	0.585	0.580	-0.9%	616.3	Y	06/2026	1.0	2.3	5250.0%	126.2%	57.6	25.5	1.3	2.3%	1.5	2.6%
<b>SECTOR AGGREGATE</b>					<b>80,474.9</b>					<b>8.1%</b>	<b>11.0%</b>	<b>29.1</b>	<b>26.2</b>	<b>5.3</b>	<b>18.3%</b>		<b>2.9%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating		
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★
	Corporate Social Responsibility	★	★	★
	Management/Workforce Diversity	★	★	★
	Accessibility & Transparency	★	★	★
	Corruption-Free Pledge	★	★	★
	Carbon-Neutral Initiatives	★	★	★
<b>SPECIFIC</b>	Employee Training	★	★	★
	Energy Efficiency	★	★	★
	Food Safety & Quality	★	★	★
	Nutrition, Health & Wellness	★	★	★
	Occupational Health & Safety	★	★	★
	Biodegradable Packaging	★	★	★
	Renewable Energy	★	★	☆
	Supply Chain Auditing	★	★	★
	Waste Disposal/Pollution Control	★	★	★
	<b>OVERALL</b>		★	★

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

**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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**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

