

Kotra Industries

9MFY26: Lower-than-expected Revenue Hit

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KOTRA's 9MFY26 results missed our expectation due to a lower-than-expected revenue, probably due to intense competition. We cut our FY26-27F net profit forecasts by 21-23%, respectively, largely to reflect lower volume sales, primarily due to intense competition in the consumer market for healthcare and supplement products. Our TP is lowered to RM3.88 (previously RM4.90). With limited near-term earnings growth catalyst, we downgrade the stock from OUTPERFORM to MARKET PERFORM. The saving grace is a 6% dividend yield.

Its 9MFY26 net profit of RM28m (-13% YoY) missed our expectation at 59% of full-year forecast due to a lower-than-expected revenue. No dividend was declared in this quarter which was expected.

YoY, its 9MFY26 revenue fell 4%, no thanks to lower exports (-17%) of supplement products which more than offset higher local (+4%) sales. 9MFY26 local and exports sales accounted for 70% and 30% vs 65% and 35% in 9MFY25 of total revenue, respectively. This brings EBITDA lower by 4.4%, we believe, due to sales mix skewed towards low margin products. Consequently, its 9MFY26 net profit fell by a wider 13%, due to a higher effective tax rate of 22% vs. 17% in 9MFY25.

QoQ, its 3QFY26 turnover fell 14% due to lower demand for supplement products in both domestic and local markets. In the domestic market, we believe, the lower demand was due to over-stocking in 2QFY26 when consumers snap up health supplements amidst rising cases of the common flu and influenza-like illnesses. Consequently, 3QFY26 net profit fell steeper by 20% due to higher effective tax rate of 25% vs. 22% in 2QFY26.

Forecasts. We cut our FY26-27F net profit forecasts by 21-23%, respectively, largely to reflect lower revenue primarily due to the intense competition in the consumer market for healthcare and supplement products.

Valuations. We change our forecasts and TP of RM3.88 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). With limited near-term earnings growth catalyst, we **downgrade** the stock **from OUTPERFORM to MARKET PERFORM**. The saving grace is a 6% dividend yield.

Outlook. Looking ahead, the group is faced with potential higher input costs (which we have factored into our forecasts) including energy-related price pressures, which have impacted its export sales, supply chain efficiency and operating costs. Despite lack of near-term catalyst and intense competition in the local and exports market, we 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*.

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.

MARKET PERFORM ↓

Price: RM4.00
Target Price: RM3.88 ↓

Share Price Performance



KLCI	1,727.71
YTD KLCI chg	2.8%
YTD stock price chg	-3.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KTRI MK
Market Cap (RM m)	593.3
Shares Outstanding	148.3
52-week range (H)	4.49
52-week range (L)	3.95
3-mth avg. daily vol.	9,579
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	230.9	237.5
EBITDA	61.8	64.7	69.8
PBT	51.4	49.5	49.0
Net Profit	42.5	38.2	37.7
Core Net Profit	42.5	38.2	37.7
Consensus (NP)	-	-	-
Earnings Revision	-	-21%	-23%
EPS (sen)	28.7	25.8	25.5
EPS Growth (%)	(4.8)	(10.2)	(1.2)
NDPS (sen)	25.5	24.5	24.5
PER (x)	13.9	15.5	15.7
PBV (x)	2.1	1.9	1.7
Net Gearing (%)	Cash	Cash	Cash
Net Div. Yield (%)	6.4%	6.1%	6.1%

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Results Highlight

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FY Jun (RM m)	FY26	FY26	Chg %	FY25	Chg %	FY25	FY26	Chg %
Turnover	52.5	61.1	(14.0)	58.3	(10.0)	178.4	172.0	(3.6)
EBITDA	14.0	15.9	(11.9)	16.7	(15.8)	47.2	45.2	(4.4)
Depreciation	(3.5)	(3.4)	0.6	(3.3)	5.9	(10.0)	(10.3)	3.2
Net interest income	0.3	0.5	(43.3)	0.6	(57.4)	2.2	1.3	(41.5)
PBT	10.8	12.9	(16.3)	14.0	(22.7)	39.4	36.2	(8.3)
Taxation	(2.7)	(2.8)	(2.3)	(2.1)	31.9	(6.8)	(7.9)	16.0
Net Profit (NP)	8.1	10.1	(20.2)	11.9	(32.2)	32.6	28.3	(13.3)
EPS (sen)	5.5	6.8	(20.2)	8.1	(32.2)	22.0	19.1	(13.3)
EBITDA margin (%)	26.7	26.1		28.6		26.5	26.3	
PBT margin (%)	20.7	21.2		24.0		22.1	21.0	
Effective tax rate (%)	25.3	21.7		14.8		17.2	21.7	

Source: Bursa Malaysia, 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.				
Stocks Under Coverage																	
DUOPHARMA BIOTECH BERHAD	OP	1.28	1.72	34.4%	1,231.3	Y	12/2026	11.5	12.1	14.0%	5.4%	11.1	10.6	1.5	14.0%	4.6	3.6%
IHH HEALTHCARE BHD	MP	9.05	8.50	-6.1%	79,967.2	Y	12/2026	23.8	25.9	15.1%	8.5%	37.9	35.0	2.5	6.8%	10.0	1.1%
KOTRA INDUSTRIES BHD	MP	4.00	3.88	-3.0%	593.3	Y	06/2026	28.7	25.8	-4.7%	-10.1%	13.9	15.5	2.1	15.3%	24.5	6.4%
KPJ HEALTHCARE BHD	MP	3.41	2.80	-17.9%	15,093.7	Y	12/2026	7.6	8.8	8.5%	15.7%	44.7	38.6	5.6	13.0%	4.2	1.2%
NOVA WELLNESS GROUP BHD	OP	0.345	0.470	36.2%	110.0	Y	06/2026	3.6	3.8	49.4%	4.3%	9.5	9.1	0.9	10.1%	1.6	4.6%
PHARMANIAGA BHD	UP	0.240	0.200	-16.7%	1,573.7	Y	12/2026	1.0	1.1	34.0%	8.0%	24.2	22.4	3.2	13.9%	0.0	0.0%
SCOMNET BHD	OP	0.555	1.00	80.2%	471.0	Y	12/2026	4.2	4.9	38.5%	18.1%	13.3	11.2	1.1	8.3%	2.3	4.1%
SUNWAY HEALTHCARE HOLDINGS BHD	MP	1.85	1.75	-5.4%	21,275.3	Y	12/2026	2.5	3.5	11.7%	43.3%	75.5	52.7	6.5	9.7%	6.0	3.2%

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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