# CAB Cakaran Corporation Berhad (CAB)

## Broadly-In-Line 2QFY26 Despite Margin Pressure

Results Note – 2QFY26

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### Summary

- **Broadly-in-line.** CAB registered a 2QFY26 core PATMI of RM21.7m (+10.0% YoY, -21.9% QoQ). For 1HFY26, core PATMI reached RM49.5m (+3.4% YoY), accounting for 43.5% of our FY26f earnings forecast of RM113.9m and 47.1% of consensus estimate of RM105.1m. We believe CAB's overall performance is broadly-in-line and should be able to recover in 2HFY26.

- **YoY.** Revenue for 2QFY26 rose 9.1% YoY to RM625.9m (vs RM573.7m in 2QFY25). This expansion was predominantly driven by the integrated poultry division, bolstered by higher feed sales from the newly acquired subsidiaries, CAB Feed Sdn Bhd and Desa CAB Sdn Bhd, which collectively accounted for 11.3% of the division's revenue. Alongside the higher base of operations, core PATMI grew 10.0% YoY, from RM19.8m in 2QFY25 to RM21.7m in 2QFY26.

- **QoQ.** On a sequential basis, revenue ticked up marginally by 1.3% QoQ. However, core PATMI slumped by 21.9% QoQ to RM21.7m (down from RM27.8m in 1QFY26). Profitability was hit by lower feed sales to contract farmers (-4.2% volume) and broiler sales (-5.6% volume) due to a restructuring of broiler production, coupled with an increase in production costs, administrative expenses and higher finance costs from expanded bank borrowings.

- **YTD.** For 1HFY26, CAB registered a cumulative revenue of RM1.24bn, a 6.5% YoY higher compared to RM1.17bn in 1HFY25, while core PAT increased 3.4% from RM47.9m to RM49.5m, supported by the contribution of newly acquired subsidiaries in the integrated poultry division.

- **Improvement in both Integrated Poultry and Retail segments.** Operating profit for the Integrated Poultry segment rose marginally to RM56.4m (vs RM54.3m in 2QFY25), held back by lower ASPs for broilers and processed chicken, while Retail operating losses narrowed significantly to RM0.1m (vs RM0.6m loss in 2QFY25), on the back of 3 new outlets.

- **Fast Food segment underperformed and Drone segment disposed.** Fast Food losses widened to RM0.4m (vs RM0.3m loss in 2QFY25) due to the closure of an underperforming outlet, while as a strategic move to cut non-core drag, CAB completely disposed its 51% stake in Dronexcel Sdn Bhd on 21 April 2026 for a nominal consideration of RM2.

- **Phase 1 implementation of Salim JV.** The JV with Indonesia's Salim Group has been revived under a new 5-year plan, with Phase 1, establishment of a USD10m food processing plant, will start CY2Q26.

- **Outlook.** As the US-Iran conflict has fueled volatility in feed commodities like corn and soybean, logistics, and energy costs, we believe CAB is able to preserve its margin in 2HFY26 through higher ASPs and internal supply integration of CAB Feed (formerly Cargill) to lower input dependencies. The Group will also implement its Phase 1 JV plan with Salim Group, including establishing a USD10m food processing plant in CY2Q26. CAB's management remains cautiously optimistic on its outlook.

## BUY

| | |
|---|---|
| **Share price** | **RM0.520** |
| **Target price** | **RM0.890** |
| **Previous TP** | **RM0.890** |
| Capital upside | 71.2% |
| Dividend return | - |
| Total return | 71.2% |

### Company profile

CAB Cakaran Corporation Berhad operates across the full value chain from breeding and broiler farming to slaughtering, processing and value-added production, supported by its supermarket and Kyros Kebab retail businesses.

### Stock information

| | |
|---|---|
| Bursa Code | 7174 |
| Bloomberg ticker | CAB MK |
| Listing market | MAIN |
| Share issued (m) | 701.9 |
| Market Cap (m) | 365.0 |
| 52W High/Low | 0.885 / 0.495 |
| Est. Free float (%) | 22.5 |
| Beta (x) | 0.8 |
| 3-mth avg vol ('000) | 371.5 |
| Shariah compliant | Yes |

| Major shareholders | % |
|---|---|
| Chuah Ah Bee | 45.9 |
| Chan Kim Keow | 17.6 |
| Plant Wealth Holdings | 15.2 |

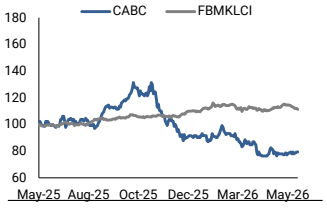
### Share price vs. KLCI (%)

| Hist. return | 1M | 3M | 12M |
|---|---|---|---|
| Absolute | 4.0 | -11.9 | 20.6 |
| Relative | 5.9 | -11.0 | -28.8 |

### Earnings snapshot

| FYE (Sep) | FY25 | FY26f | FY27f |
|---|---|---|---|
| PAT (m) | 90.7 | 113.9 | 119.9 |
| EPS (sen) | 12.9 | 16.2 | 17.1 |
| P/E (x) | 4.0 | 3.2 | 3.0 |

### Relative performance chart



## Quarterly performance 2QFY26

| Quarterly performance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **FYE Sep (RM m)** | **2QFY25** | **1QFY26** | **2QFY26** | **QoQ (%)** | **YoY (%)** | **1HFY25** | **1HFY26** | **YoY (%)** |
| Revenue | 573.7 | 617.8 | 625.9 | *1.3* | *9.1* | 1,167.3 | 1,243.8 | *6.5* |
| EBIT | 40.6 | 55.7 | 42.0 | *(24.6)* | *3.5* | 84.7 | 97.7 | *15.3* |
| PBT | 32.4 | 47.8 | 33.6 | *(29.6)* | *4.0* | 77.7 | 81.4 | *4.8* |
| Core PAT | 19.8 | 27.8 | 21.7 | *(21.9)* | *10.0* | 47.9 | 49.5 | *3.4* |
| Reported PAT | 19.8 | 27.8 | 21.7 | *(21.9)* | *10.0* | 47.9 | 49.5 | *3.4* |
| Core EPS (sen) | 2.8 | 4.0 | 3.1 | *(21.9)* | *10.0* | 6.8 | 7.1 | *3.4* |
| | | | | | | | | |
| EBIT margin (%) | 7.1 | 9.0 | 6.7 | | | 7.3 | 7.9 | |
| PBT margin (%) | 5.6 | 7.7 | 5.4 | | | 6.7 | 6.5 | |
| Core PATMI margin (%) | 3.4 | 4.5 | 3.5 | | | 4.1 | 4.0 | |

*Source: CAB Cakaran Corporation Berhad, M+ Research*

## Valuation & Recommendation

- **Forecast.** As we expect the Group to recover in 2HFY26, we maintain our forecast.
- **Maintained BUY with an unchanged TP of RM0.89.** We reiterate our BUY recommendation for CAB with a TP of RM0.89, implying a potential upside of 71.2% from the current share price of RM0.52. This valuation is based on a 5.5x P/E ratio, pegged to FY26F EPS of 16.23 sen.
- **Downside risks.** Risks to our recommendation include (i) slower-than-expected project progress in CAB-Salim Group JV timeline, (ii) slower-than-expected Nibong Tebal plant expansion, (iii) disease outbreaks risk and (iv) higher raw material prices caused by ongoing geopolitical crisis.

### Financial Forecast

*All items in (RM m) unless otherwise stated*

**Balance Sheet**

| FYE Sep (RM m) | FY24 | FY25 | FY26f | FY27f | FY28f |
|---|---|---|---|---|---|
| Cash | 74 | 94 | 11 | 138 | 267 |
| Receivables | 241 | 225 | 273 | 289 | 297 |
| Inventories | 101 | 88 | 111 | 117 | 120 |
| PPE | 668 | 693 | 671 | 659 | 649 |
| Others | 475 | 521 | 521 | 521 | 521 |
| **Assets** | **1,559** | **1,621** | **1,587** | **1,723** | **1,855** |
| | | | | | |
| Debts | 360 | 324 | 324 | 324 | 324 |
| Payables | 252 | 247 | 292 | 309 | 318 |
| Others | 86 | 91 | 91 | 91 | 91 |
| **Liabilities** | **698** | **661** | **707** | **724** | **733** |
| | | | | | |
| Shareholder's equity | 683 | 766 | 880 | 1,000 | 1,122 |
| Minority interest | 178 | 194 | - | - | - |
| **Equity** | **861** | **960** | **880** | **1,000** | **1,122** |

**Cash Flow Statement**

| FYE Sep (RM m) | FY24 | FY25 | FY26f | FY27f | FY28f |
|---|---|---|---|---|---|
| Profit before taxation | 132 | 150 | 178 | 188 | 191 |
| Depreciation & amortis | 58 | 59 | 64 | 67 | 70 |
| Changes in working cap | (8) | 23 | (25) | (5) | (3) |
| Share of JV profits | (2) | (3) | (3) | (3) | (3) |
| Taxation | (38) | (42) | (42) | (44) | (45) |
| Others | 18 | (26) | - | - | - |
| **Operating cash flow** | **159** | **162** | **172** | **202** | **210** |
| | | | | | |
| Net capex | (56) | (77) | (50) | (55) | (60) |
| Others | (2) | 5 | - | - | - |
| **Investing cash flow** | **(58)** | **(72)** | **(50)** | **(55)** | **(60)** |
| | | | | | |
| Changes in borrowings | (50) | (36) | (0) | 0 | 0 |
| Issuance of shares | - | (0) | - | - | - |
| Dividends paid | (1) | (10) | - | - | - |
| Others | (23) | (13) | - | - | - |
| **Financing cash flow** | **(74)** | **(59)** | **(0)** | **0** | **0** |
| | | | | | |
| **Net cash flow** | **26** | **32** | **(83)** | **127** | **129** |
| Forex | (3) | 0 | - | - | - |
| Others | (45) | (12) | - | - | - |
| Beginning cash | 96 | 74 | 94 | 11 | 138 |
| Ending cash | 74 | 94 | 11 | 138 | 267 |

**Income Statement**

| FYE Sep (RM m) | FY24 | FY25 | FY26f | FY27f | FY28f |
|---|---|---|---|---|---|
| **Revenue** | **2,297** | **2,306** | **2,701** | **2,854** | **2,935** |
| EBITDA | 203 | 219 | 251 | 263 | 270 |
| EBIT | 145 | 160 | 187 | 197 | 200 |
| Net finance income/ (co | (15) | (13) | (12) | (12) | (12) |
| Associates & JV | 2 | 3 | 3 | 3 | 3 |
| **Profit before tax** | **132** | **150** | **178** | **188** | **191** |
| Tax | (38) | (42) | (42) | (44) | (45) |
| **Net profit** | **93** | **108** | **136** | **143** | **146** |
| Minority interest | (18) | (18) | (22) | (23) | (24) |
| **Core earnings** | **75** | **91** | **114** | **120** | **122** |
| Exceptional items | - | - | - | - | - |
| Reported earnings | 75 | 91 | 114 | 120 | 122 |

**Valuation & Ratios**

| FYE Sep (RM m) | FY24 | FY25 | FY26f | FY27f | FY28f |
|---|---|---|---|---|---|
| Core EPS (sen) | 10.8 | 12.9 | 16.2 | 17.1 | 17.4 |
| P/E (x) | 4.8 | 4.0 | 3.2 | 3.0 | 3.0 |
| EV/EBITDA (x) | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| DPS (sen) | 0.2 | 1.4 | - | - | - |
| Dividend yield | 0.3% | 2.7% | 0.0% | 0.0% | 0.0% |
| BVPS (RM) | 0.97 | 1.09 | 1.25 | 1.42 | 1.60 |
| P/B (x) | 0.5 | 0.5 | 0.4 | 0.4 | 0.3 |
| | | | | | |
| EBITDA margin | 8.8% | 9.5% | 9.3% | 9.2% | 9.2% |
| EBIT margin | 6.3% | 6.9% | 6.9% | 6.9% | 6.8% |
| PBT margin | 5.7% | 6.5% | 6.6% | 6.6% | 6.5% |
| Net margin | 3.3% | 3.9% | 4.2% | 4.2% | 4.2% |
| | | | | | |
| ROE | 11.7% | 12.5% | 13.8% | 12.8% | 11.5% |
| ROA | 4.9% | 5.7% | 7.1% | 7.2% | 6.8% |
| Net gearing | 41.8% | 30.0% | 35.5% | 18.6% | 5.1% |

Source: M+ Research

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## Stock recommendation guide

| | |
|---|---|
| **BUY** | The share price is expected to appreciate more than 10% over the next 12 months |
| **HOLD** | The stock price is expected to range between -10% and +10% over the next 12 months |
| **SELL** | The share price is expected to fall more than 10% over the next 12 months |
| **TRADING BUY** | The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months |
| **TRADING SELL** | The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months |
| **NOT RATED** | No recommendation is assigned |