



Cuckoo International

Every Sip Adds to EPS

Main Market
Consumer Sector
SUBSCRIBE
IPO Price: RM1.29
Fair Value: RM1.33

Valuation / Recommendation

We have a **SUBSCRIBE** recommendation on Cuckoo with a **FV of RM1.33 based on 8.5x FY26E EPS**, implying a modest **3% upside** from its IPO price.

Our target P/E reflects a **20% discount to Aeon's forward P/E of 10.7x**, to account for Cuckoo's smaller business scale, younger brand, and more limited product range. While both companies operate a similar subscription-based rental and direct sales model for lifestyle appliances, **Cuckoo's relatively nascent ecosystem and narrower offerings warrant a valuation discount**.

That said, we are positive on Cuckoo's **long-term growth potential**, supported by its expanding **Co-Created rental business**, **resilient margins**, and **stronger net cash position**.

Investment Highlights

Market leadership with room for expansion. Cuckoo is one of the largest player in Malaysia's home appliance and household goods rental industry, holding a 19.6% revenue share and 23.1% market share based on active orders in 2024. Despite solid revenue of RM1.0–1.2bn annually from FY21 to FY24E, Cuckoo has only tapped into 10–15% of the total addressable market. With the industry projected to reach RM10bn by 2029, we believe a steady 3-year organic CAGR of 15.7% from FY24E to FY26E is achievable, driven by improving SSSG, strong momentum in its rental business with broadened product and service offerings, and ongoing expansion of its omni-channel distribution network—including the launch of 10 Cuckoo “cash and carry” brandshops—as well as deeper penetration into the Singapore market.

Multi-segment growth through affordability. In a challenging macro backdrop where Malaysia's household debt-to-GDP ratio remains elevated at 83.8%, Cuckoo's rental model offers a highly attractive and flexible alternative to traditional outright purchases. By offering low monthly instalments and bundled aftersales maintenance services, the company caters to middle- and lower-income consumers who are increasingly constrained in their discretionary spending. This affordability-first approach positions Cuckoo as a go-to brand for essential household appliances, driving further market share across all income segments. Moreover, the company also sees rising potential in the corporate segment—servicing offices, healthcare facilities, hospitality spaces, and public venues—with current corporate clients contributing ~5% of revenue.

Strong uptake in Co-Created line. As part of its strategy to expand product offerings, it has teamed up with partners like OGAWA Malaysia, LSK, and Fujiaire to create locally developed products, all in line with its goal to be a ‘Healthy Home Creator.’ With such partnerships, the company can leverage their partners' brand strength and manufacturing expertise. With new SKUs constantly being launched, we've seen impressive growth on their rental business—from RM24.3m in FY21 to RM119.6m in FY23. With this momentum, it's no surprise that Cuckoo Co-Created is set to hit RM479.7m by FY26E with a 3-year CAGR of 61.5% from FY24E to FY26E.

Risk factors for Cuckoo include (1) Supply chain disruption; (2) Capital and cash flow needs for rental plans; and (3) Customers payment default.

| FYE Dec | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RM bn) | 1,046.4 | 1,116.6 | 1,249.8 | 1,452.1 | 1,727.3 |
| EBITDA (RM m) | 148.6 | 222.6 | 256.5 | 315.7 | 378.6 |
| PAT (RM m) | 2.1 | 86.9 | 144.3 | 174.2 | 222.7 |
| Adj. PAT (RM m) | 151.1 | 100.6 | 144.3 | 174.2 | 222.7 |
| PAT Margin (%) | 0.2 | 7.8 | 11.5 | 12.0 | 12.9 |
| Adj. PAT Margin (%) | 14.4 | 9.0 | 11.5 | 12.0 | 12.9 |
| EPS (sen) | 0.2 | 6.7 | 10.1 | 12.2 | 15.5 |
| Adj. EPS (sen) | 11.7 | 7.8 | 10.1 | 12.2 | 15.5 |
| EPS Growth (%) | -98.9 | 4,127.2 | 43.5 | 68.0 | 54.3 |
| BV Per Share (sen) | 54.8 | 61.8 | 78.7 | 87.8 | 99.5 |
| PE (x) | 809.5 | 19.1 | 12.8 | 10.6 | 8.3 |
| Net Gearing (x) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |
| ROE (%) | 0.3 | 10.9 | 12.8 | 13.8 | 15.6 |

Business Overview

Cuckoo International (MAL) Berhad (“Cuckoo”) specializes in the trading and rental of home appliances, mattresses and furniture, as well as beauty care products, home care services, and investment holding in Malaysia, Singapore, and Brunei. The company operates across four key segment: CUCKOO-branded, CUCKOO Co-Created, WonderLab, and WonderKlean.

Listing Details

| | |
|--------------------|-------------|
| Listing date | 24 Jun 2025 |
| New shares (m) | 143.3 |
| Offer for sale (m) | 222.1 |
| Fund raised (RM m) | 184.8 |

Post Listing

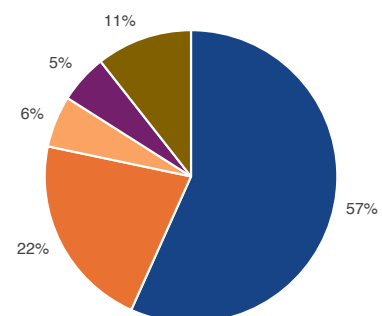
| | |
|---------------------|---------|
| Ordinary shares (m) | 1,432.8 |
| Market cap (RM m) | 1,848.3 |
| Free float (%) | 25.5 |
| P/E (FY24F) | 16.0 |

Top 3 Shareholders

| | % |
|----------------|------|
| CKH | 52.0 |
| Koo Bon Hak | 11.0 |
| Hoe Kian Choon | 10.0 |

Utilisation of Proceeds

| | RM m |
|---------------------------------|-------|
| Expansion of rental business | 104.7 |
| Repayment for bank borrowings | 40.0 |
| Capital expenditure | 10.6 |
| Expansion of Singapore business | 10.0 |
| Estimated listing expenses | 19.5 |

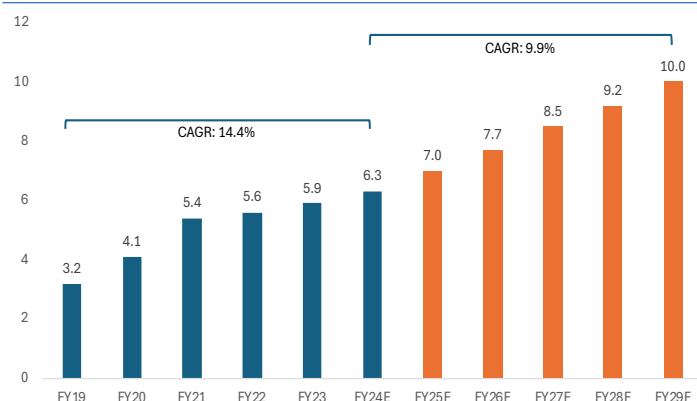


Source: Company, Mercury Securities



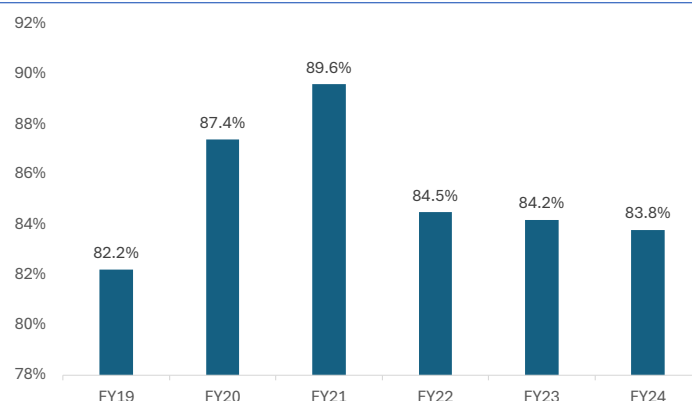
Financial Highlights and Valuation

Chart 1: Market Size in Malaysia (RM bn)



Source: Frost & Sullivan

Chart 2: Household Debt-to-GDP Ratio (%)

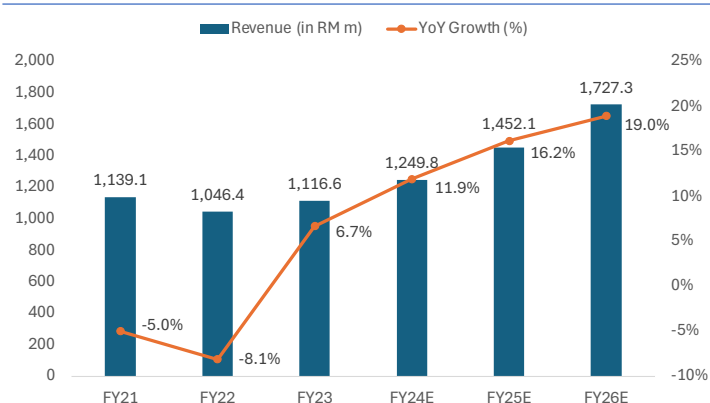


Source: Bank Negara Malaysia

A market leader in home appliance rentals. Cuckoo is one of the largest player in Malaysia's home appliance and household goods rental industry, with a strong footprint of 263 outlets in Malaysia and 3 outlets in Singapore. Backed by a strong workforce of 11,128 sales and service personnel and a 97% customer satisfaction rate, Cuckoo holds a 19.6% share in terms of revenue and leads the water purifier segment with a 23.1% market share based on active orders in 2024, according to Frost & Sullivan. Despite generating solid revenue of around RM1.0bn-RM1.2bn annually from FY21 to FY24E, the company has only captured an 10–15% of the total addressable market. As shown in Chart 1, the industry is projected to expand to RM10bn by 2029. Given this untapped potential, we believe a steady 3-year organic CAGR of 15.7% from FY24E to FY26E is achievable, driven by improving same-store sales growth (SSSG), strong momentum in its rental business with broadened product and service offerings, and ongoing expansion of its omni-channel distribution network—including the launch of 10 Cuckoo “cash and carry” brandshops—as well as deeper penetration into the Singapore market.

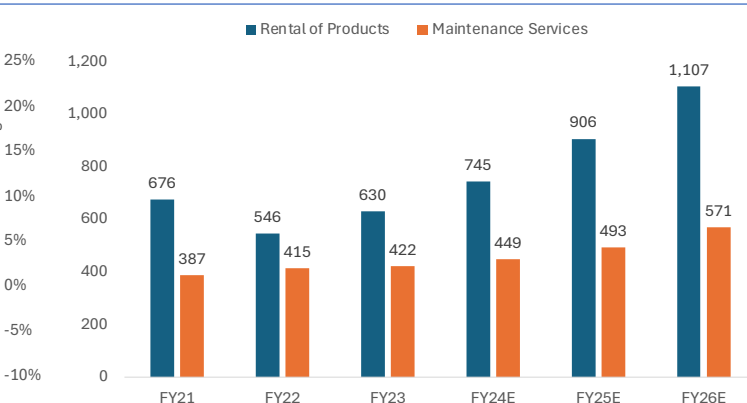
Affordability wins in tight economy. Malaysia's persistently high household debt levels remain a key macroeconomic trend to shaping the consumer behaviour. As illustrated in Chart 2, the household debt-to-GDP ratio stood at 83.8% as of June 2024—higher than the 82.2% recorded during the time of COVID-19 pandemic—and also among the highest in ASEAN. With many households allocating a large portion of income to debt repayments, discretionary spending is increasingly constrained, particularly among lower- and middle-income groups. In this environment, Cuckoo's rental model, which offers low monthly instalments and bundled aftersales maintenance services, presents an attractive and accessible alternative to traditional upfront purchases. This flexible, asset-light approach allows the company to reach a broader consumer base and positions it well to capture further market share across all income segments.

Chart 3: Revenue Trend (RM m)



Source: Company, Mercury Securities

Chart 4: Revenue Breakdown (RM m)

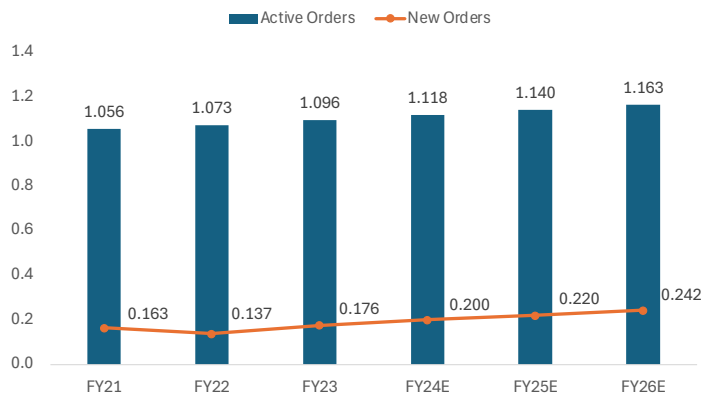


Source: Company, Mercury Securities

More room to grow in corporate segment. The company intend to grow their market share in corporate customer segment, as businesses often prefer renting appliances like water purifiers due to the convenience of hassle-free service. Air purifiers are also commonly provided within business premises and public venues such as airports, healthcare facilities, food and hospitality businesses, as well as offices in both the commercial and industrial sectors. As at the Latest Practicable Date (LPD), the company do have supplied water purifiers to two of its corporate clients, contributing approximately 5% to its total revenue, and plans to further enhance this portfolio.

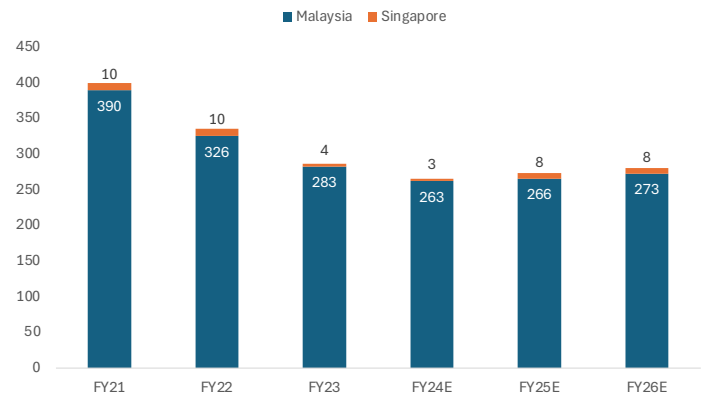


Chart 5: Active and New Orders ('000')



Source: Company, Mercury Securities

Chart 6: Number of Retail Outlets

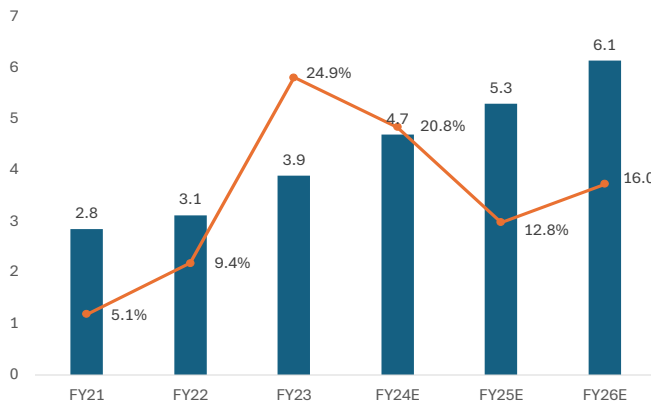


Source: Company, Mercury Securities

Rising momentum in orders. Cuckoo continues to ride on solid growth momentum, supported by a healthy influx of new orders and a strong base of active customers. FY23, new orders climbed to 176,000 and based on management guidance and encouraging trends across retail and digital channels, we have forecast the number to rise between 200,000 and 242,000 annually moving forward. Cuckoo also had maintains a robust portfolio of 1,096,000 active orders as of FY23, and is targeted at 1,163,000 by FY26E as on high customer stickiness and ongoing engagement with its product ecosystem. Importantly, Cuckoo has kept its healthy churn rate of 10%-14% over the past three years. While we will expect a slight increase to a range of 15%-18% in the coming years, largely due to natural churn on contract expiry following the strong customer acquisition surge after the pandemic, as the average rental period is about 5 years.

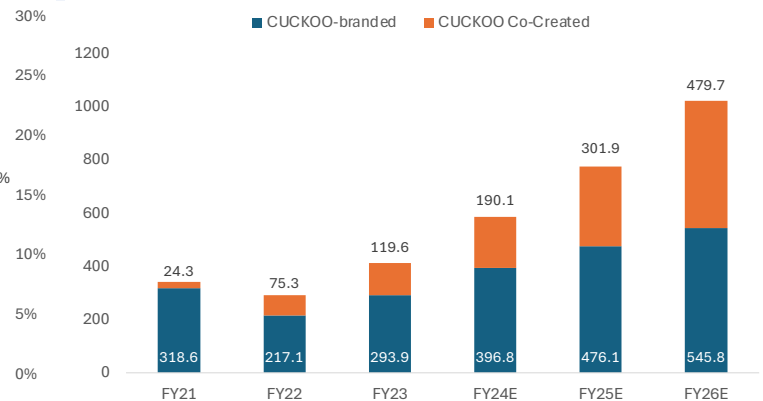
Smart expansion in key retail markets. The company omni-channel distribution network had evolved in tandem with its strategic shift toward more efficient and targeted growth. With the total outlet count has declined from FY21 to FY24 due to a rationalisation exercise, which saw the closure for underperforming locations and non-renewal or termination of rental contracts for outlets in Malaysia that didn't secure necessary operating licenses. Rather than focusing on quantity, the company is now optimising for quality and relevance—offering different retail through online and offline and open 10 new “cash and carry” Brandsops across Malaysia and 5 third party retail outlets in Singapore by FY26, funded by IPO proceeds. Moreover, this refined strategy is already yielding results, with SSSG rose from RM2.8m in FY21 to RM3.9m in FY23 supported by improved store productivity, stronger cross-selling, better integration across channel. Cuckoo is also strategically expanding in high-density residential areas, with most of its outlets concentrated in Peninsula Malaysia, particularly in Selangor (72 outlets), Kuala Lumpur (30 outlets), and Johor (29 outlets).

Chart 7: Cuckoo's SSSG (RM m)



Source: Company, Mercury Securities

Chart 8: Finance Lease Sales by Business Segment (RM m)



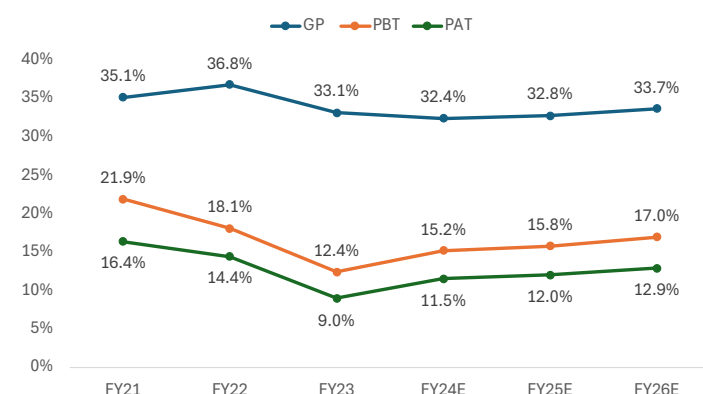
Source: Company, Mercury Securities

The boom of Co-Created products. As part of its strategy to expand product offerings, it has teamed up with partners like OGAWA Malaysia, LSK, and Fujiare to create locally developed products, all in line with its goal to be a 'Healthy Home Creator.' With such partnerships, the company can leverage their partners' brand strength and manufacturing expertise. With new SKUs constantly being launched, we've seen impressive growth on their rental business—from RM24.3m in FY21 to RM119.6m in FY23. With this momentum, it's no surprise that Cuckoo Co-Created is set to hit RM479.7m by FY26E with a 3-year CAGR of 61.5% from FY24E to FY26E.



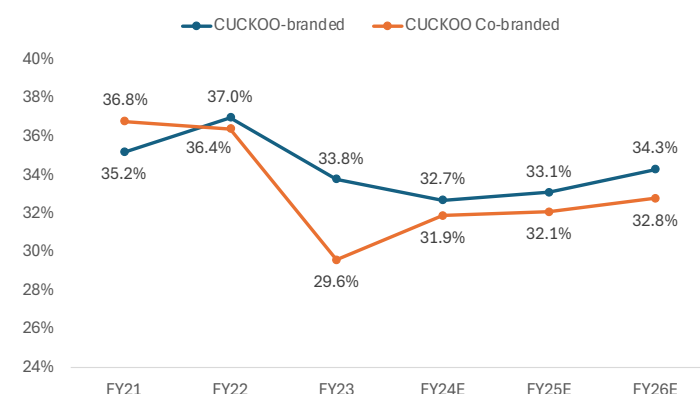
Brand governance under the spotlight. While Kim Soo Hyun has played a high-profile role as one of Cuckoo's key brand ambassadors, the company remains focused on navigating recent developments involving him and Kim Sae Ron with care and responsibility. Management has confirmed that, to date, there has been no material impact on sales or operational performance, and the brand continues to engage customers actively through its ongoing campaigns and initiatives. The team is closely monitoring public sentiment and remains anchored in its long-term brand vision—prioritising customer trust, product quality, and service excellence. Its calm and measured handling of the current situation reflects its resilience and focus on ensuring business continuity, even amid external uncertainties.

Chart 9: Margin Trend (%)



Source: Company, Mercury Securities

Chart 10: GP Margin Trend by Business Segment (%)



Source: Company, Mercury Securities

Margins expected to hold steady. After experiencing a margin decline from FY21 to FY23—driven by broader product offerings, business expansion, and transitional cost pressures—the company's profitability is expected to stabilise between FY24E and FY26E. This is supported by a more matured cost structure, disciplined pricing strategy, ongoing operational efficiency, and productivity improvements funded by IPO proceeds. Margins have also been normalised to reflect a more sustainable cost base and stronger economies of scale. Meanwhile, impairment losses are expected to remain manageable, ranging between RM50m to RM70m over FY24E–FY26E, with the impairment ratio hovering around 4% of revenue—well within management's expectations, given that default risks are already factored into the company's pricing framework. On the forex front, the weakening of the USD against the MYR between FY23 and FY24 helped reduce currency-related losses, allowing the company to save an estimated RM20m. However, as on FY25, we anticipate some upward pressure on costs as the USD is likely to strengthen in response to persistent global economic uncertainties. As such, we have factored in potential forex-related costs of approximately RM10m. Separately, revenue from the rental segment—once driven by operating lease contracts (RM260.0m in FY21)—has tapered off to RM79.3m as of 9MFY24, following the adoption of transfer-of-ownership clauses since February 2019. This segment is expected to fully wind down by FY26.

Strong balance sheet with net cash flow. The company generates strong free cash flow and maintain a solid balance sheet with a net cash position even prior to its IPO. While there is no formal dividend policy, management has targeted a payout ratio of 20%.

Fair Value of RM1.33 based on 8.5x FY26E EPS. We derive a fair value of RM1.33 for Cuckoo, based on a target P/E multiple of 8.5x FY26E EPS, representing a 20% discount to Aeon's forward P/E of 10.7x. This valuation implies a 3% potential upside from the IPO price of RM1.29. The valuation discount is justified by Cuckoo's smaller business scale, shorter operating track record, and narrower product diversification compared to Aeon. While both companies operate a similar subscription-based rental model and offer outright sales of lifestyle appliances, Aeon benefits from a more established ecosystem, encompassing a wider array of products such as mattresses, personal wellness devices, and bundled daily-use solutions. This broader offering also supports Aeon's stronger gross profit margins. In contrast, Cuckoo — despite its rapid expansion—still trails in terms of brand maturity, consumer stickiness, and consistent profitability.

That said, Cuckoo boasts a stronger balance sheet, with a net cash position, versus Aeon's relatively higher gearing. This financial strength, along with superior profitability and resilient margins, supports a more moderate discount to peers. We also factor in heightened economic uncertainties, which may weigh on consumer discretionary spending and could temper Cuckoo's subscription growth momentum in the near term.

Peer Comparison (as of 09 April 2025)

| Company | Bloomberg Ticker | Share Price (RM) | Mkt Cap (RM m) | EPS (sen) | P/E FY25E | P/E FY26E | P/E FY27E | P/B (x) | ROE (%) | Net Yield (%) | PATM (%) |
|-----------------------------------|------------------|------------------|----------------|------------|-------------|-------------|-------------|------------|------------|---------------|------------|
| Malaysia | | | | | | | | | | | |
| Aeon Co (M) Bhd | AEON MK | 1.32 | 1,853.3 | 9.0 | 11.4 | 10.7 | 10.0 | 1.0 | 6.7 | 3.4 | 3.5 |
| Simple Average | | | | 9.0 | 11.4 | 10.7 | 10.0 | 1.0 | 6.7 | 3.4 | 3.5 |
| Cuckoo International (MAL) Berhad | CKI MK | 1.29 | 1,848.3 | 10.1 | 10.6 | 8.3 | - | 1.6 | 12.8 | 2.2 | 11.5 |

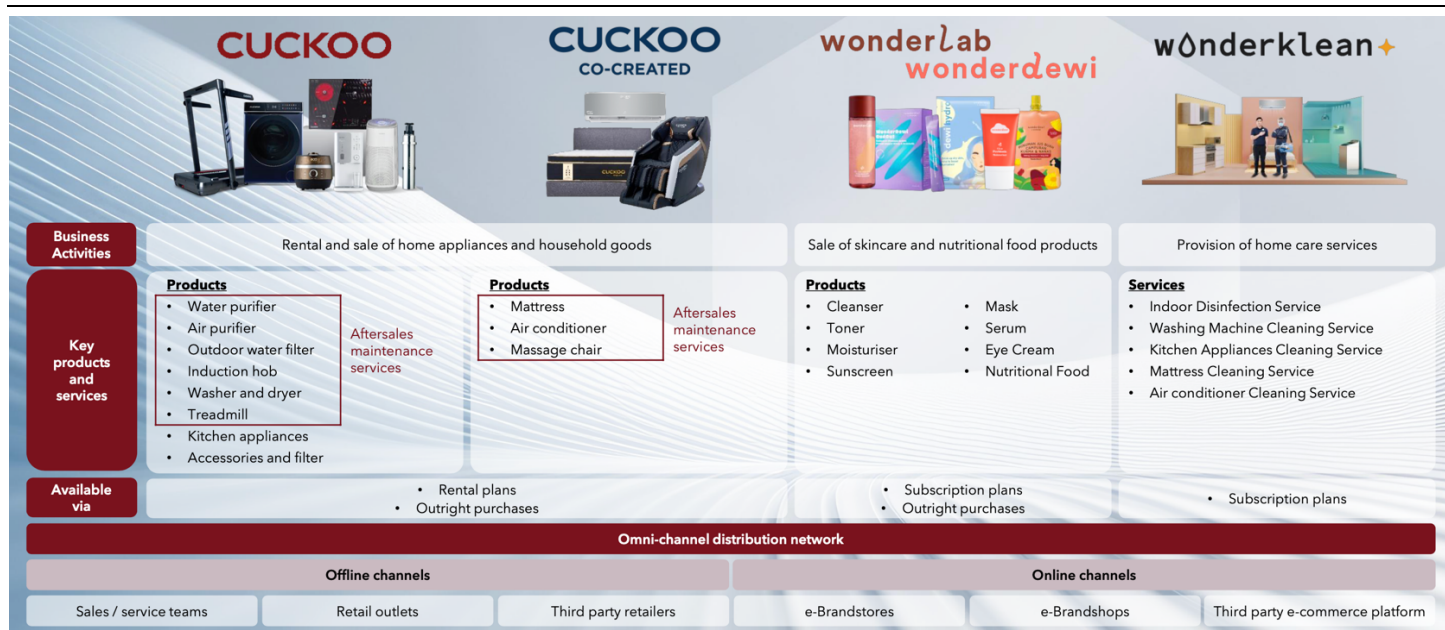


Company Background

CUCKOO is a company driven by its vision to be a “Healthy Home Creator,” offering a diverse range of home appliances, household goods, skincare and nutritional products, and home care services. Guided by its ‘Beyond Standards’ philosophy, the company continuously innovates to deliver high-quality products and services that enhance everyday living. Since its inception in 2014, CUCKOO has expanded beyond its initial distribution of rice cookers and water purifiers to include a broader portfolio encompassing air purifiers, kitchen appliances, outdoor water filters, and other household essentials, catering to evolving consumer needs.

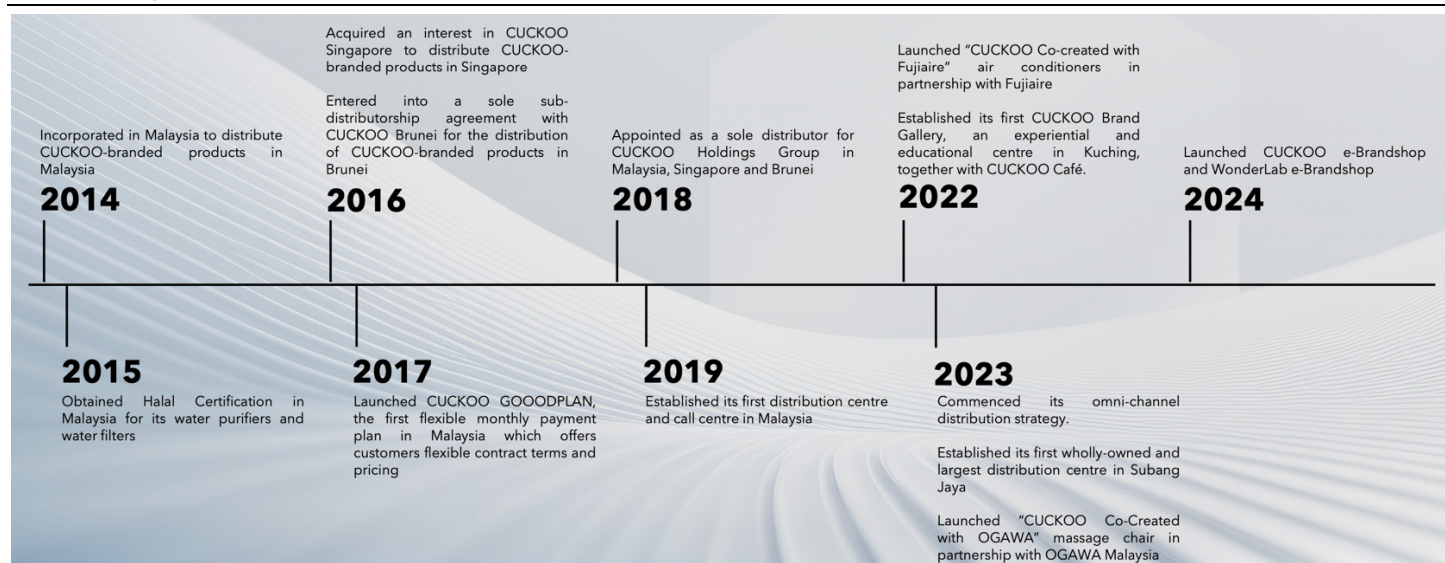
Beyond product diversification, CUCKOO has extended its geographical reach, establishing a presence in Singapore and Brunei to strengthen its regional footprint. Its flexible business model allows for tailored product offerings and services to meet local market demands. In addition to outright sales, the company offers rental plans for selected home appliances and household goods, providing customers with greater accessibility. These rental plans are complemented by comprehensive aftersales maintenance services, ensuring continued product reliability and customer satisfaction.

Chart 11: Business Overview



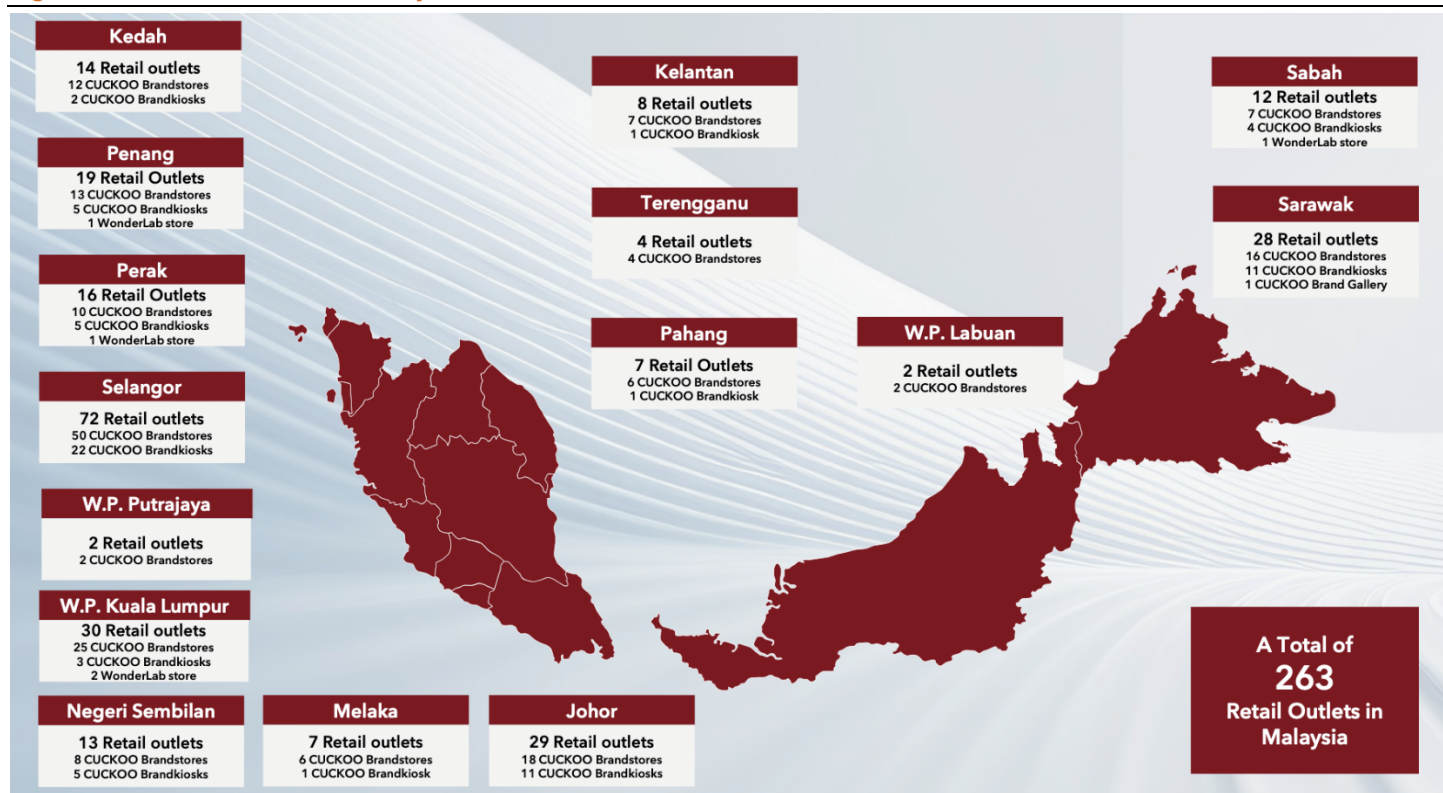
Source: Company, Mercury Securities

Chart 12: Key Events and Milestones



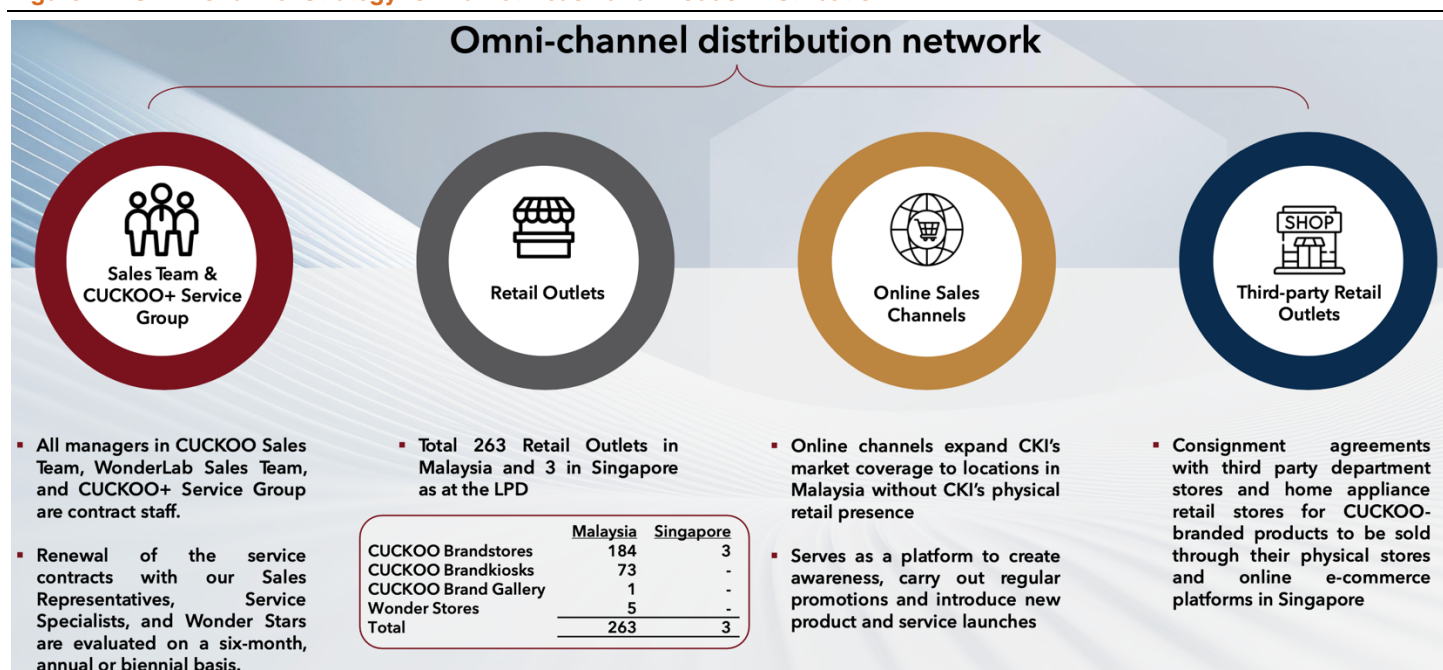
Source: Company, Mercury Securities

Figure 13: Number of Outlet in Malaysia



Source: Company, Mercury Securities

Figure 14: Omni-Channel Strategy for Market Reach and Product Distribution



Source: Company, Mercury Securities

Since adopting its omni-channel distribution strategy in 2023, CUCKOO has broadened its network to include e-Brandshops, third-party e-commerce platforms, home appliance retailers, personal care stores, and department stores, complementing its traditional offline channels of sales teams and retail outlets. This approach allows customers to shop and browse products at any time and from anywhere in Malaysia, extending market reach to regions without physical outlets and enhancing brand visibility. While e-Brandshops and e-Brandstores are accessible for browsing in Singapore and Brunei, products are currently only shipped within Malaysia.



Figure 15: Recipient of Numerous Awards in Malaysia



Source: Company, Mercury Securities

Figure 16: Product Analysis

| | | CUCKOO | Coway | SK Magic |
|-----------------|---------------------------------------|--|---|-----------------------------|
| Water purifier | Total no of water purifier | 11 | 13 | 8 |
| | Price range for rental (RM per month) | 65 - 123 (1st - 3rd year); 60 - 118 (4th - 5th year) | 69 - 190 | 80 - 185 |
| | Price range for outright (RM) | 1,999 - 4,500 | 2,490 - 8,000 | 2,400 - 6,500 |
| | Rental period | 5 years (or flexible period from 3 to 7 years under CUCKOO GOODPLAN™ for selected model) | 5 years (except two models up to 7 years) | 3, 5 or 7 years |
| Air Purifier | Total no of air purifier | 7 | 4 | 5 |
| | Price range for rental (RM per month) | 70 - 130 (1st - 3rd year); 65 - 125 (4th - 5th year) | 98 - 142 | 100 - 140 |
| | Price range for outright (RM) | 1,800 - 4,000 | 3,190 - 4,700 | 3,500 - 4,800 |
| | Rental period | 5 years | 5 years | 3, 5 or 7 years |
| Outdoor filter | Total no of outdoor filter | 1 | 1 | 1 |
| | Price range for rental (RM per month) | 85 | 100 | 105 |
| | Price range for outright (RM) | 2,400 | 3,500 | 3,000 |
| | Rental period | 5 years | 5 years | 3 or 5 years |
| Air conditioner | Total no of air conditioner | 2 | 2 | 2 (2 series) |
| | Price range for rental (RM per month) | 98-108 | 100 - 110 | 150 - 190 (without service) |
| | Price range for outright (RM) | N/A | N/A | N/A |
| | Rental period | 5 years | 5 years | 5 years |
| Massage chair | Total no of massage chair | 1 | 3 | N/A |
| | Price range for rental (RM per month) | 139 | 120-145 | N/A |
| | Price range for outright (RM) | 7,999 | 6,000 - 8,199 | N/A |
| | Rental period | 5 years | 5 years | N/A |
| Mattress | Total no of mattress | 4 (2 Series) | 11 (4 series) | N/A |
| | Price range for rental (RM per month) | 99 - 129 (queen); 119 - 149 (king) | 109 - 139 (queen); 129 - 159 (king) | N/A |
| | Price range for outright (RM) | 3,699 - 5,199 (queen); 3,999 - 5,499 (king) | 4,500 - 5,780 (queen); 5,200 - 6,380 (king) | N/A |
| | Rental period | 3 - 7 years (CUCKOO GOODPLAN™) | 5 years | N/A |

Source: Company, Mercury Securities

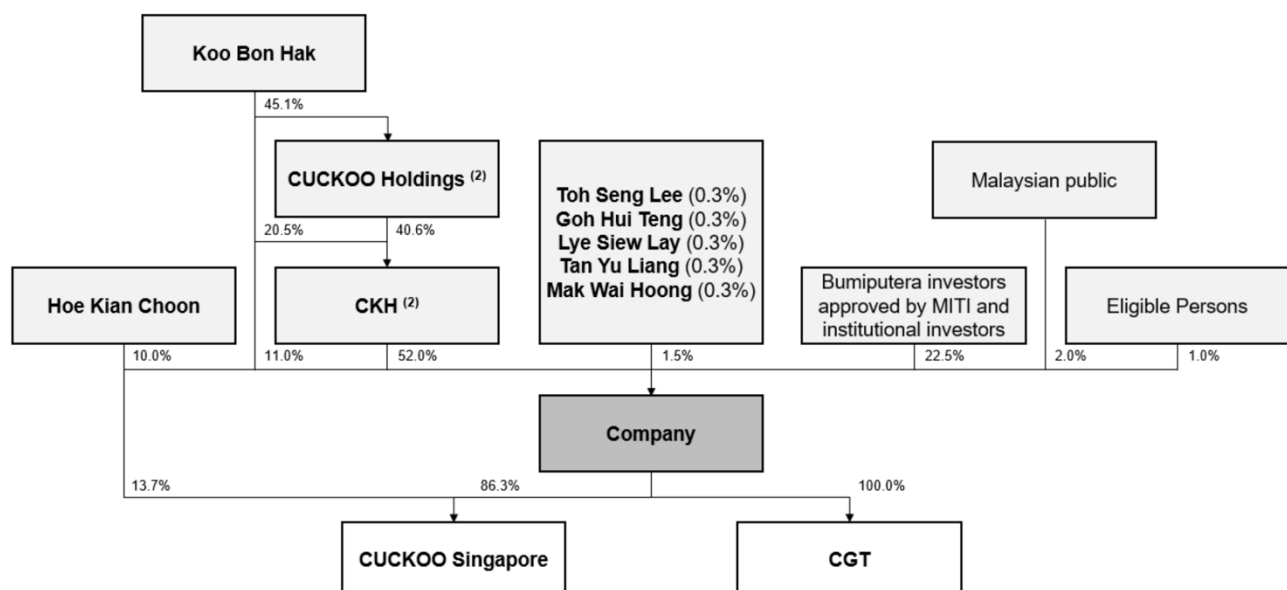


Figure 17: Key Management Team

| Name and Designation | Age | Profile |
|--|-----|--|
| Hoe Kian Choon Promoter, CEO | 50 | <ul style="list-style-type: none"> Spearheads the Group's overall strategic direction, developing and implementing plans to ensure business sustainability and growth. Holds a Bachelor of Business Administration from Universiti Putra Malaysia (Aug 1999). Launched his career by co-founding a restaurant business and joining AsiaEP.com Berhad (2000–2004), co-founded Isomedia (later One2Source) (2004–2008), advanced to Senior Sales General Manager at Coway (2007–2014), and founded our Company in 2014 to distribute CUCKOO products; subsequently founded Abletech Solutions in 2020, earning multiple CEO awards before divesting his stake in 2024. |
| Yeong Kian Peng CFO | 50 | <ul style="list-style-type: none"> Oversees the Group's financial planning, cash flow management, financial reporting, and legal & compliance matters. Holds a bachelor's degree in business administration, Universiti Putra Malaysia (Aug 1999); Member & Fellow of the Association of Chartered Certified Accountants; Chartered Accountant, MIA. Began his career at KPMG Malaysia (2000–2003), held senior audit roles at Malaysian Airline System and Ernst & Young in Shanghai, advanced at KPMG Huazhen (2006–2008), then served as Senior Finance Manager at Trangolo and held leadership positions at Huawei and redONE Network before joining our Group as CFO in May 2018. |
| Toh Seng Lee COO | 51 | <ul style="list-style-type: none"> Oversees the Group's operations including sales, service, collection, business expansion, supply chain management, and IT. Holds a Diploma in Mass Communication, Han Chiang College Malaysia (Jun 2004); Bachelor of Arts in Journalism and Mass Communication, Ming Chuan University, Taiwan (Jun 2008). Started as an Assistant Franchise Manager at WaterShop Matrix Valley (2004), advanced at Coway from Senior Sales Admin Executive to Manager (2008–2014), joined our Group in 2014 handling sales and overseas operations (including a stint as President Director of CUCKOO Indonesia), then served as Chief Credit Officer and Chief Customer Officer before being promoted to COO in July 2022. |
| Goh Hui Teng CMO | 42 | <ul style="list-style-type: none"> Oversees marketing, product development, HR & administration, retail and asset management, customer service, and training. Certificate in Communication Studies (IACT College, Jun 2002); Diploma in Advertising and Diploma in Marketing Communications (IACT College, Aug 2004). Began as a Client Servicing Executive and Event Management Executive (2004–2006), joined Coway in 2007 where she advanced from Advertising & Promotion Executive to Manager (2007–2014), then joined our Group in Sept 2014 as Senior Marketing Manager, promoted to Director of Marketing in Jan 2017, and re-designated as Chief Marketing Officer in July 2019. |

Source: Company, Mercury Securities

Figure 18: Post-Listing Corporate Structure



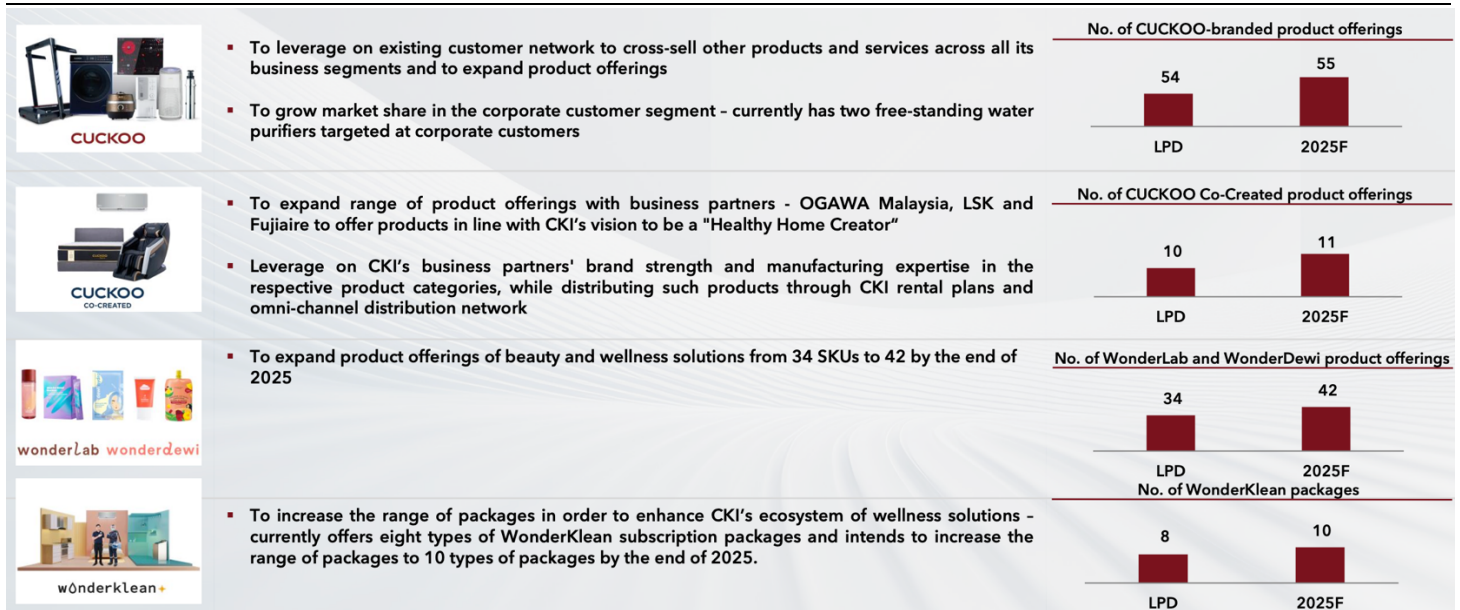
Source: Company, Mercury Securities



Future Plans & Business Strategies

Expansion of product and service offerings. CUCKOO is expanding its market share by diversifying its product offerings and enhancing its services to meet evolving customer needs. Building on its strong brand presence in home appliances, the company is introducing new SKUs across its CUCKOO-branded, CUCKOO Co-Created, WonderLab, and WonderKlean segments while leveraging its existing customer base to drive cross-selling opportunities. Recent launches, such as treadmills and washer-dryers, reflect its commitment to innovation, with products tailored to different markets. CUCKOO is also strengthening its corporate segment by offering business-friendly appliances and refining its outreach strategies. Through continuous product development and strategic partnerships, the company aims to solidify its position as a leader in home and wellness solutions.

Figure 19: Product and Service Offerings



Expansion and enhancement of offline and online customer touchpoints. CUCKOO plans to expand both offline and online customer touchpoints to enhance customer experience and brand presence. As of the latest period, CUCKOO operates 263 retail outlets across Malaysia and three in Singapore. The company intends to:

- 1. Introduce "cash and carry" Brandshops:** These new outlets will provide a seamless shopping experience and feature repair and exchange services for CUCKOO-branded rice cookers. The plan includes opening three new "cash and carry" Brandshops in 2025 and seven more in 2026 across key locations in Malaysia.
- 2. Expand online product offerings:** CUCKOO will increase the number of SKUs on its WonderLab and CUCKOO e-Brandshops from 64 to 74 by the end of 2025 to meet customer demand and keep pace with product trends.
- 3. Expand third-party retail outlets:** The company will also open five additional third-party retail outlets in Singapore and broaden its distribution network by partnering with department stores and retail shops to boost brand awareness.

Expansion of sales and service team. CUCKOO plans to expand its sales and service teams significantly, aiming for a 20% growth in the CUCKOO Sales Team to over 7,000 personnel by 2025 and a 25% increase in the CUCKOO+ Service Group. This expansion will focus on regions with lower retail outlet penetration, supported by the establishment of new CUCKOO Training Hubs and CUCKOO+ Service Centres, with plans to increase these hubs from 27 to 52 by 2026 and service centres from 149 to 202. The CUCKOO+ Service Group will continue to drive cross-selling efforts to existing customers, contributing to higher sales. The costs for setting up these new hubs and service centres are estimated at RM3.1m in 2025 and RM3.5m in 2026, to be funded through internally generated funds.

Expansion of sales and service team. CUCKOO aims to enhance operational efficiency and expand its market reach by improving logistics capabilities, upgrading its warehouse management system, and strengthening data infrastructure. The company plans to increase its in-house delivery of CUCKOO Co-Created massage chairs and mattresses from 31.3% in 2024 to 83.0% by the end of 2025, enhancing last-mile efficiency and reducing long-term costs. Additionally, CUCKOO will implement a barcode system in its warehouses to automate product tracking and streamline supply chain processes, with an estimated cost of RM3.5m funded by IPO proceeds. To bolster data security and accommodate a growing customer base, CUCKOO will also set up a physical server alongside its existing cloud system and migrate data to a public cloud server, with an investment of RM2.1m.



Key Risks

Supply chain disruptions. Since the company does not manufacture CUCKOO-branded products, it depends entirely on CUCKOO Holdings and other business partners for product supply. Any disruptions in production, including manufacturing delays, component shortages, quality control issues, or logistical problems, could lead to delayed deliveries, stock shortages, and potential loss of revenue. Additionally, supply constraints could affect the company's ability to meet customer demand, damaging its reputation and customer satisfaction levels.

Capital and cash flow needs for rental plans. The company's business model is heavily focused on rental plans, where customers pay for products in installments over time. This structure requires the company to bear significant upfront costs to acquire products and pay commissions to sales agents before receiving full payments from customers. As a result, the company requires a strong cash flow position to sustain its operations and expand its rental business. If cash inflows from customer rentals are delayed or lower than expected, it could lead to cash flow shortages, impacting the company's ability to meet financial obligations, fund growth, or introduce new products.

Customer payment defaults. A significant portion of the company's revenue comes from customers making installment payments under rental plans. This exposes the company to credit risks, as customers may default on payments due to financial difficulties, job losses, or economic downturns. If default rates increase, the company may suffer financial losses and experience difficulties in maintaining its cash flow. Additionally, higher default rates could require the company to implement stricter credit approval processes, potentially limiting customer acquisition and revenue growth.

Brand reputation risks. The CUCKOO brand plays a critical role in attracting customers and maintaining market trust. Any damage to the brand's reputation—whether from product safety issues, negative customer reviews, counterfeiting, or lawsuits—could lead to declining customer confidence and lower sales. The company also faces reputational risks from external factors, such as regulatory scrutiny or controversies involving CUCKOO Holdings, which could indirectly impact the company's public perception.

IPO Details

| | Public Issue (m) | Offer for Sale (m) | Total (RM m) | (%) |
|--|------------------|--------------------|--------------|-------------|
| Malaysian Public - Bumiputera | 14.3 | - | 18.5 | 1.0 |
| Malaysian Public - Non-Bumiputera | 14.3 | - | 18.5 | 1.0 |
| Eligible Persons | 14.3 | - | 18.5 | 1.0 |
| Institutional and Selected Investors | 100.3 | 43.0 | 184.8 | 10.0 |
| Identified Bumiputera Investors Approved by MITI | - | 179.1 | 231.0 | 12.5 |
| Total | 143.3 | 222.1 | 471.3 | 25.5 |



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| | |
|-------------|---|
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| HOLD | Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield) |
| SELL | Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield) |

Published & Printed By:

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