MERCURY SECURITIES SDN. BHD.

BURSA RISE+
Brought to you by Bursa Malaysia
Supported by Capital Market Development Fund

# Yenher Holdings Berhad

## *Nurturing Growth Beyond Nutrition*

**Initiate Coverage**

***Research Team Coverage / research@mersec.com.my***

**Wednesday, August 5, 2026**

**Last Price: RM0.805**

**Fair Value: RM1.010**

### Valuation / Recommendation

**We initiate coverage on Yenher Holdings Berhad with a BUY recommendation and a target price of RM1.010, based on 11x target P/E ascribed to FY27E EPS of 9.19 sen. The target multiple represents a 20% premium to the peers 1-year best forward PER of selected peers. The company stands out for its strong positioning in Malaysia's animal health and nutrition industry, supported by (i) its role as One-Stop Animal Health Solutions Provider, ii) Capacity Expansion Boosting Higher-Margin Manufacturing Growth, iii) Integrated Solutions Model Enhancing Customer Stickiness and Earnings Resilience and iv) Superior Profitability Profile.**

### Investment Highlights

**One-Stop Animal Health Solutions Provider.** Yenher offers an integrated animal health and nutrition ecosystem, supported by in-house R&D and manufacturing capabilities across premixes, feed additives, and animal health products. Its proprietary Yenmix range and tailored solutions strengthen customer relationships, complemented by its Distribution segment.

**Capacity Expansion Boosting Higher-Margin Manufacturing Growth.** Yenher's upcoming GMP plant will triple premix capacity to 31,200 tonnes per annum, while the downstream feedmill expansion enables in-house complete feed production. The higher-margin Manufacturing segment, with a GP margin of 23.9% versus 13.9% for Distribution in FY2025, provides further earnings upside.

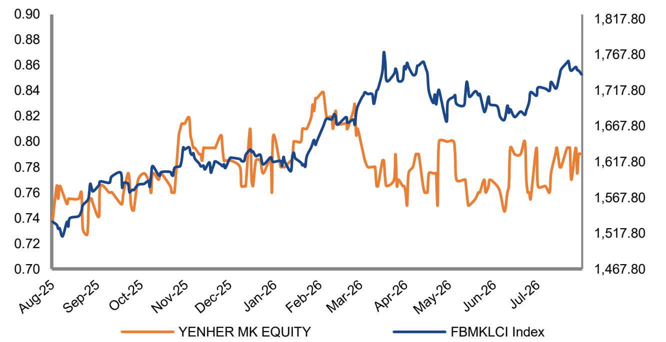
**Integrated Solutions Model Enhancing Customer Stickiness and Earnings Resilience.** Yenher's value-added services, including technical testing, farm management, disease diagnosis, and nutrition consultancy, strengthen its role as a long-term partner to farmers and integrators. This integrated ecosystem supports recurring demand, cross-selling opportunities, and a more resilient earnings profile.

**Superior Profitability Profile.** Yenher delivers stronger profitability versus local peers, with FY2025 EBITDA and PAT margins of 10.5% and 7.1% compared to peer averages of 8.1% and 3.2%. Its debt-free balance sheet, strong returns, and high interest coverage ratio of 425.4x further highlight its financial resilience and earnings quality.

**Financial Highlights**. We expect Yenher's core earnings to register a two-year CAGR of 18% (FY2026E-FY2028E), driven by a 14% revenue CAGR from expanded production capacity, resilient livestock demand, and product expansion. From FY26E onwards, we expect GP margins to remain stable at around 20%-21% while PBT/PATAMI margins to improve gradually from c.11%/8% in FY26E to c.12%/9% for FY28E.

**Key risks include:** (i) dependence on livestock industry conditions, (ii) exposure to disease outbreaks (iii) exposure to raw material price volatility, (iv) reliance on Malaysian market and customer concentration, (v) margin pressure from competitive industry landscape and (vi) ramp-up and capacity utilisation risk from new GMP plant.

### Share Price Performance




### Business Overview

Yenher Holdings Berhad is a Malaysia-based animal healthcare solutions provider engaged in the manufacturing and distribution of animal health and nutrition products. The Group offers a range of proprietary and distributed solutions, supported by in-house R&D capabilities, serving both domestic and selected overseas markets. The Company is listed on the Main Market under Consumer Products and Services.

| Return Information | |
|---|---|
| KLCI (pts) | 1,732.66 |
| YTD KLCI chg | 3.1% |
| YTD Stock Price chg | -1.8% |

| Price Performance | 1M | 3M | 12M |
|---|---|---|---|
| Absolute | 5.2% | 0.6% | 5.2% |
| Relative to KLCI | 3.2% | 2.2% | -6.9% |

| Stock Information | |
|---|---|
| Market Cap (RM m) | 241.5 |
| Issued Shares (m) | 300.0 |
| 52-week High (RM) | 0.86 |
| 52-week Low (RM) | 0.72 |
| Free Float | 27% |
| Beta | 0.5 |
| 3-mth Average Vol.(m) | 32,895 |
| Shariah Compliant | No |
| Bloomberg Ticker | YENHER MK EQUITY |

| Top 4 Shareholders | % |
|---|---|
| CGH Holdings Sdn Bhd | 45.0% |
| Dato' Cheng Mooh Tat | 7.5% |
| Cheng Mooh Chye | 3.5% |
| Cheng Mooh Kheng | 3.5% |

| FY DEC (RM m) | FY25A | FY26E | FY27E |
|---|---|---|---|
| Revenue | 291.4 | 293.9 | 320.7 |
| EBITDA | 54.1 | 57.2 | 64.1 |
| EBIT | 30.3 | 35.1 | 39.5 |
| PBT | 27.5 | 32.2 | 36.5 |
| **Core Net Profit** | **27.4** | **32.1** | **36.5** |
| Core EPS (sen) | 6.90 | 8.10 | 9.19 |
| Core EPS Growth (%) | (4.0%) | 17.4% | 13.4% |
| Net DPS (sen) | 3.00 | 3.52 | 4.04 |
| Net Div. Yield (%) | 3.8% | 4.5% | 5.1% |
| BVPS (RM) | 0.90 | 0.97 | 1.07 |
| PER | 11.4 | 9.7 | 8.6 |
| PBV (x) | 1.1 | 1.2 | 1.3 |
| Net Gearing | Net Cash | Net Cash | Net Cash |

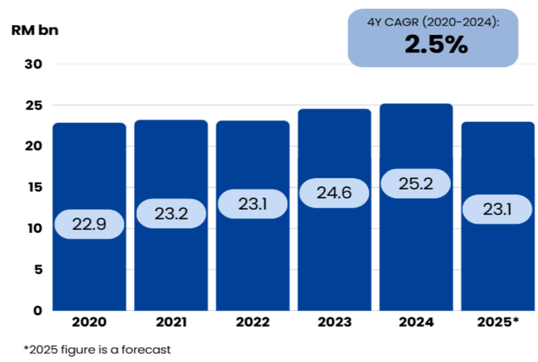
## Company Overview

Yenher Holdings Berhad ("Yenher", the "Company" or the "Group") is a **one-stop animal healthcare solutions provider** with an over 35 years of operating track record through its subsidiaries, Yenher Agro-Products Sdn Bhd, Yenher Biotech Sdn Bhd, YH European Protein Asia Sdn Bhd and Yenher Bio Green Sdn Bhd. Incorporated in 1991, the Group's core business lies in the **manufacturing and distribution of animal health and nutrition products**. The **manufacturing** segment includes **premixes (Yenmix), complete feed, feed additives, animal health products, European protein, and black soldier fly larvae protein**. Meanwhile, the **distribution** segment comprises **feed additives, animal health products, biosecurity solutions, commodities, farm equipment, reproduction products, and livestock**. The Group's in-house team of chemists, nutritionists, and veterinarians underpins its research and development capabilities, enabling the formulation of proprietary products tailored to meet customers' specific nutritional requirements. To further support its product offerings, Yenher provides **value-added services** such as microbiological, chemical, and serological testing, as well as **complimentary consultancy services** in farm management, disease diagnosis, and the development of animal health programmes, including biosecurity measures, vaccination plans, and nutrition strategies to enhance overall farm performance and promote growth of their customers' livestock. Headquarted in Simpang Ampat, Penang, the Group serves farmers, feed millers and livestock integrators while remain committed to continuous production improvements and goals to minimise disease risks in livestock farms. The Group's revenue is predominantly derived from the Malaysian market (85% in FY2025), with the remaining 15% contributed by its **overseas presence via distributors** in Indonesia, Pakistan, South Korea, Taiwan, Vietnam, Nigeria, and the Philippines.

## Industry Overview

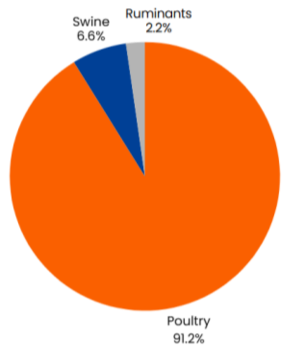
**Resilient Growth in Malaysia's Livestock Industry.** Yenher's animal health and nutrition business is closely linked to the underlying growth of Malaysian livestock industry, a sector that plays a strategic role in supporting the nation's food security. According to the *Department of Veterinary Services ("DVS") Malaysia*, the industry's production value grew from RM22.9bn in 2013 to RM25.2bn in 2024, representing a 4-year CAGR of approximately 2.5% between 2020 and 2024 (refer to Figure 1). This growth is supported by favourable tropical climate for livestock farming, a steadily expanding population driving protein demand, and continued government backing under policies such as the National Agrofood Policy 2.0. The industry is segmented into three sub-sectors by production value as at 2024: poultry (91.2%), swine (6.6%), and ruminants (2.2%) (refer to Figure 2). Poultry continues to be the dominant driver, supported by Malaysia's high chicken consumption levels, with per-capita poultry meat consumption reaching approximately 31.1kg in 2024, according to the *Organisation for Economic Co-operation and Development ("OECD"),* positioning Malaysia among the highest poultry-consuming countries globally. Looking ahead, the Malaysia poultry market is projected to grow at a CAGR of 7.74% between 2025 and 2029, according to *6Wresearch*, supported by rising urbanisation, increasing penetration of modern retail formats, and sustained demand for affordable animal protein. The sector's resilience is further underpinned by Malaysia's high poultry *self-sufficiency ratio ("SSR")*, which averaged approximately 96.6% between 2020 and 2024 according to the *Department of Veterinary Services ("DVS")* Malaysia's *Livestock Statistics 2024*, reflecting the industry's strong domestic production capacity. As poultry sector growth is closely tied to livestock population and farming intensity, Yenher's Manufacturing and Distribution segments are well positioned to benefit from the continued expansion of Malaysia's livestock ecosystem.

**Figure 1: Malaysia's Livestock Production Value (2020-2025)**




*Source: Department of Veterinary Services, Mercury Securities*

**Figure 2: Malaysia's Livestock Production Output, 2024**

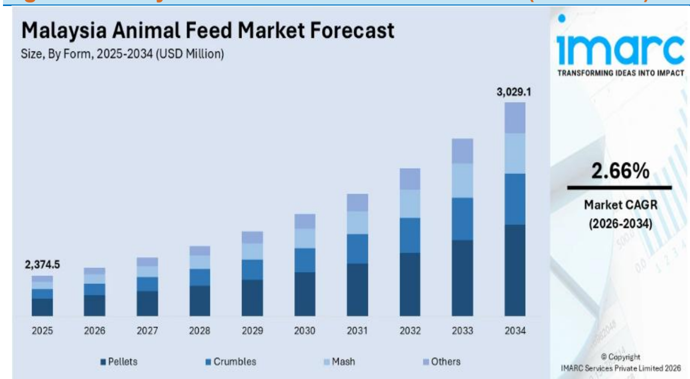



*Source: Department of Veterinary Services, Mercury Securities*

**Expanding Animal Feed and Premix Manufacturing Industry.** Yenher's Manufacturing segment, which produces premixes, complete feed, formulated products, and biotech animal feed ingredients mainly for the livestock and poultry industries, is closely tied to the animal feed industry in Malaysia. According to *IMARC Group*, the Malaysia animal feed market was valued at approximately USD2,374.5m in 2025, on a volume base of around 7m tonnes, and is projected to grow at a CAGR of 2.8% by value through 2034 to reach USD3,029.1m, or a CAGR of 2.7% by volume to reach approximately 8.8m tonnes by 2034 (refer to Figure 3). A separate estimate by *6Wresearch* projects a steeper CAGR of 5.3% between 2025 and 2031, reflecting rising demand for premium and specialised feed formulations. Growth is further supported by the *Malaysian Investment Development Authority ("MIDA")*, which had approved 139 animal feed projects worth RM3.8bn in cumulative investments as of 2023, alongside liberalised import policies granting 0% tariffs on key feed inputs such as corn and soybean meal. As feed typically accounts for 70–90% of total livestock production cost according to DVS and the *Federation of Livestock Farmers' Association of Malaysia ("FLFAM"),* sustained demand for cost-efficient, nutrition-optimised feed and premix solutions is expected to underpin continued growth in Yenher's higher-margin Manufacturing segment, particularly as its new GMP-compliant plant in Batu Kawan triples production capacity to 31,200 tonnes per annum by 2H2026.

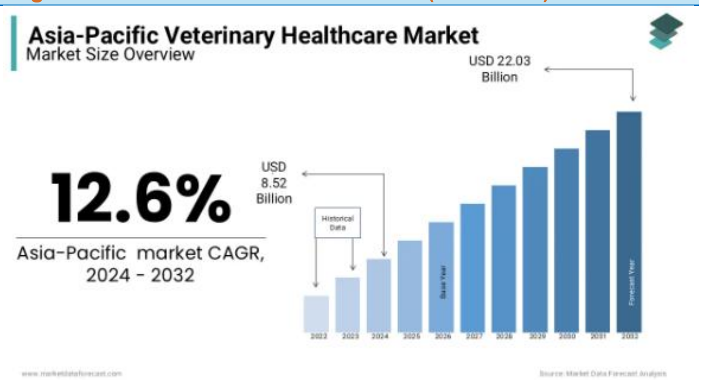
**Rising Demand for Animal Health and Veterinary Pharmaceutical Products.** Yenher's Distribution segment covers feed additives, vitamins, minerals, veterinary pharmaceuticals, veterinary vaccines, farm equipment, and livestock reproduction products across the poultry, livestock, aquaculture and companion animal sectors. According to *Ken Research (a global market research and consulting firm based in India)*, the Malaysia veterinary pharmaceuticals market is valued at approximately USD430m, driven by rising pet ownership, greater awareness of animal health, and demand for higher-quality veterinary care. On a regional basis, the Asia Pacific veterinary healthcare market is forecast to grow from USD8.5bn in 2024 to USD24.8bn by 2033, a CAGR of 12.6% according to Market Data Forecast (refer to Figure 4), while the Asia-Pacific veterinary/animal vaccines market is separately projected to grow at a CAGR of 6.1-7.2% through 2027-2028 across multiple industry estimates. This growth is driven by increasing disease-prevention spending (biosecurity, vaccines, disinfectants), a rising incidence of zoonotic and livestock diseases prompting greater therapeutic treatment demand, and increasingly premiumisation trends in companion animal healthcare as pet ownership rises across the region. Given that veterinary pharmaceuticals and vaccines form a core part of Yenher's Distribution offering, the segment is well-placed to capture this structural growth in animal health spending across both livestock and companion animal end-markets.

**Figure 3: Malaysia Animal Feed Market Forecast (2025-2034)**




*Source: IMARC, Mercury Securities*

**Figure 4: Asia-Pacific Market Forecast (2024-2033)**




*Source: Market Data Forecast Analysis, Mercury Securities*

**Industry Headwinds.** Despite the structural growth underpinning Malaysia's livestock and animal health industry, Yenher operates in a sector exposed to several risks. Livestock disease outbreaks such as Newcastle Disease, Foot and Mouth Disease, Lumpy Skin Disease, and Rabies remain key industry challenges as they can disrupt production cycles, increase mortality risks, and affect farm productivity, reinforcing the importance of preventive animal health solutions such as vaccines, pharmaceuticals, and nutritional supplements. The industry also carries meaningful input cost risk, given that feed accounts for 70–90% of total livestock production cost, with Malaysia reliant on Argentina, Brazil, and India for approximately 90% of its corn imports, exposing manufacturers to global commodity price swings, freight cost volatility, and forex fluctuations that may not always be fully passed through to customers. Additionally, the domestic market remains concentrated among a handful of large poultry integrators, and the broader animal health and nutrition space is fragmented with multiple local and multinational players competing across feed, pharmaceuticals, and vaccines, which can pressure pricing and margins. Regulatory shifts around food safety, environmental compliance, and animal health standards also pose ongoing compliance costs. While long-term demand is supported by Malaysia's food security agenda and rising protein consumption, near-term earnings visibility can still be affected by disease cycles and commodity price swings.

## Investment Merits

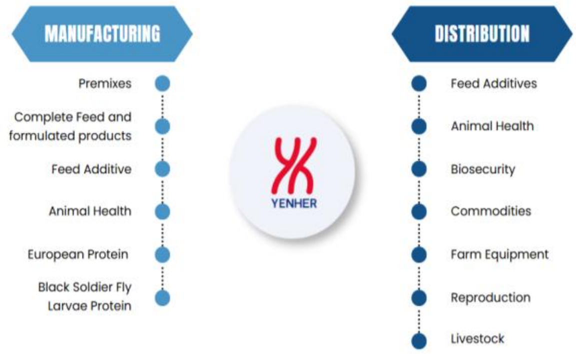
**One-Stop Animal Health Solutions Provider.** Yenher differentiates itself as a comprehensive one-stop animal health solutions provider, offering an integrated suite of products and services across the livestock value chain. Its key competitive advantage lies in the Manufacturing segment, where products are developed through in-house R&D and produced internally, ensuring consistency in quality, formulation precision, and the flexibility to tailor solutions to specific customer requirements. This end-to-end capability enables Yenher to move beyond being merely a product supplier, positioning the Group as a strategic solutions partner to farmers and integrators in improving farm productivity and livestock quality.

A key highlight of the Group's product portfolio is its premix range, Yenmix, which is continuously refined to meet the precise nutritional requirements of different livestock species and growth stages. Its feed additives are also formulated for targeted applications such as broilers, breeders, and layers, ensuring optimal inclusion rates and performance outcomes. This high level of customization supports better feed efficiency and overall animal health. Complementing its in-house offerings, the Distribution segment provides selected third-party solutions that broaden Yenher's product offerings and create additional cross-selling opportunities. This integrated approach allows Yenher to provide a more complete animal health and nutrition ecosystem for its customers.

**Capacity Expansion Boosting Higher-Margin Manufacturing Growth.** Yenher's upcoming GMP plant, expected to commence operations in early 2027 upon obtaining the *Certificate of Completion and Compliance ("CCC")*, represents a key inflection point in its growth trajectory. The facility will triple the Group's premix production capacity to 31,200 tonnes per annum, addressing existing constraints as current operations run above optimal utilisation. Supported by sustained demand for its Manufacturing segment (4-year CAGR of 3.9%), the expansion will enable Yenher to scale in-house production, improve efficiency and product quality, and better meet customer demand. In addition, the Group's downstream feedmill will allow in-house production of complete feed, supported by a capacity of 9,880 tonnes per month (118,560 tonnes annually), strengthening vertical integration and broadening its product offerings. Given the higher margin profile of manufacturing (FY2025 GP margin: 23.9% vs. 13.9% for distribution), a larger manufacturing contribution is expected to support earnings growth and margin expansion.

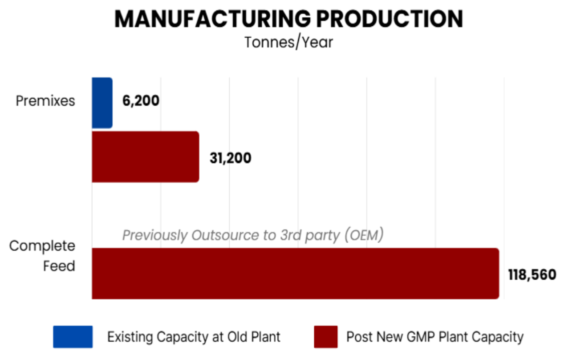
Beyond operational improvements, the new GMP plant enhances Yenher's ability to support future expansion and diversify its revenue base. Domestically, the Group aims to broaden its presence across multiple livestock segments, including poultry, ruminants, aquaculture, and companion animals, reducing reliance on any single segment. Internationally, Yenher is exploring growth opportunities in regional markets such as Indonesia and selected Middle Eastern countries, where demand for quality animal nutrition products is increasing. While Malaysia will remain a key market, future growth is expected to be increasingly driven by geographical expansion, product diversification, and new customer segments, supported by improved operating leverage and efficiencies from the expanded facilities.

**Figure 5: Yenher's Business Activities**




*Source: Company, Mercury Securities*

**Figure 6: Manufacturing Production Capacity Comparison**




*Source: Company, Mercury Securities*

**Integrated Solutions Model Enhancing Customer Stickiness and Earnings Resilience.** Yenher's competitive advantage extends beyond its product offerings, with the Group providing a comprehensive suite of value-added services that strengthens its position as a long-term partner to farmers, feed millers, and livestock integrators. Supported by its in-house team of chemists, nutritionists, and veterinarians, Yenher provides technical expertise through microbiological, chemical, and serological testing, as well as consultancy services covering farm management, disease diagnosis, biosecurity programmes, vaccination planning, and nutrition strategies. These services enable customers to improve livestock performance and productivity, creating deeper relationships and increasing customer reliance on Yenher's integrated solutions.

This integrated approach enhances the resilience of Yenher's business model by creating multiple touchpoints with customers and supporting recurring demand across different stages of livestock production. The Group's diversified product portfolio, spanning premixes, feed additives, animal health products, biosecurity solutions, and farm-related products, allows Yenher to serve as a one-stop partner rather than a single-product supplier. This broad ecosystem provides cross-selling opportunities, reduces reliance on individual product categories, and supports more stable earnings despite cyclical fluctuations within the livestock industry.

**Superior Profitability Profile**. Yenher demonstrates a superior profitability profile compared to its local peers, outperforming across key earnings and return metrics despite operating within the same animal health and nutrition industry. While its gross profit margin of 18.5% in FY2025 remained below the peer average of 22.1%, this was largely attributable to the higher contribution from its lower-margin Distribution segment. Nevertheless, Yenher achieved stronger profitability at the operating and bottom-line levels, recording EBITDA, PBT, and PAT margins of 10.5%, 9.4%, and 7.1%, respectively, compared to peer averages of 8.1%, 4.6%, and 3.2%. This highlights the Group's stronger cost discipline, efficient operations, and ability to convert revenue into sustainable earnings.

Beyond margins, Yenher's integrated business model and conservative balance sheet further strengthen its financial profile. The Group delivered superior returns with ROE of 8.7%, ROA of 7.5%, and ROC of 7.8%, outperforming its peer averages of 3.1%, 2.4%, and 7.4%, respectively. Additionally, Yenher's strong interest coverage ratio of 425.4x, significantly above the peer average of 16.1x, reflects its debt-free position and robust ability to meet financial obligations. Looking ahead, the increasing contribution from the higher-margin Manufacturing segment, supported by the new GMP plant expansion, provides further upside potential for margin improvement and earnings quality enhancement.

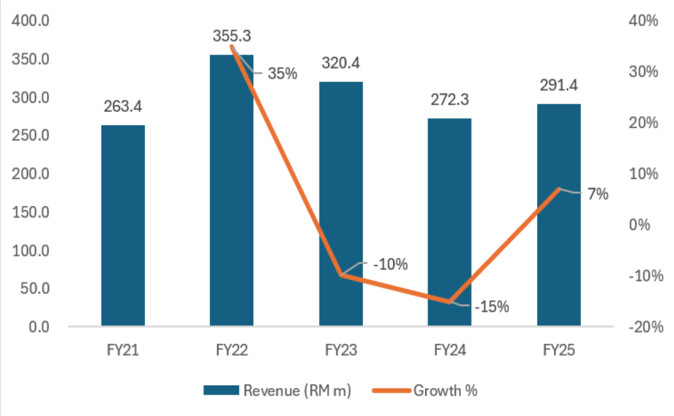
## Financial Highlights

**Revenue Performance and Mix.** Yenher's revenue trajectory reflects overall resilience, despite periodic fluctuations driven by demand conditions within the livestock industry. Revenue increased from **RM263.4m in FY2021 to RM291.4m in FY2025**, representing a **four-year CAGR of 2.56%**. Growth peaked in FY2022 with a strong 34.9% YoY expansion to RM355.3m, before moderating to RM320.4m in FY2023 (-9.8% YoY) and further declining to RM272.3m in FY2024 (-15.0% YoY) amid softer industry conditions.

In FY2025, recovery was seen in the topline, primarily supported by the Manufacturing segment, which recorded a **robust 20.4% YoY increase to a record RM135.2m** (FY2024: RM112.3m). This performance underscores rising demand for animal nutrition products, particularly premix and formulated solutions, as industry players focus on improving feed efficiency, animal health, and overall productivity. In contrast, the Distribution segment **declined marginally by 2.4% YoY to RM156.2m**, weighed down by lower sales volumes.

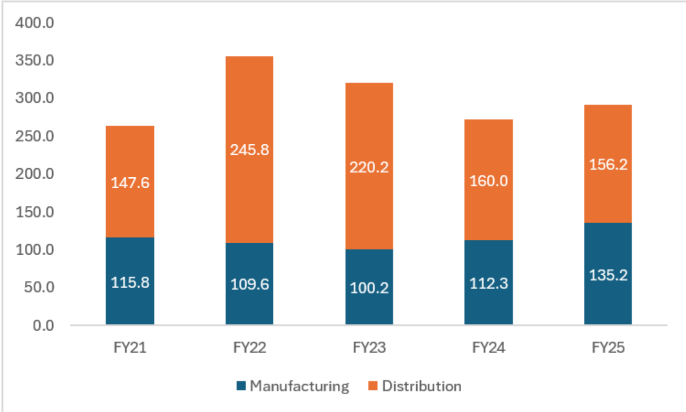
From a segmental perspective, Distribution has historically been the dominant contributor, accounting for approximately 60% of Group revenue in most years. However, a notable shift is underway. **Manufacturing's contribution has risen** meaningfully to **46.4% in FY2025 from 41.2% in FY2024**, reflecting its growing strategic importance within the Group. Importantly, this shift is structurally positive, as the Manufacturing segment comprises Yenher's in-house products and proprietary brands, which typically carry higher value-add and strengthen brand positioning. At the same time, this reduces the Group's reliance on distribution and third-party products, which now primarily serve as complementary offerings that support and enhance its core manufacturing business.

**Figure 7: Revenue Profile from 2021-2025**




*Source: Company, Mercury Securities*

**Figure 8: Revenue by Segment**



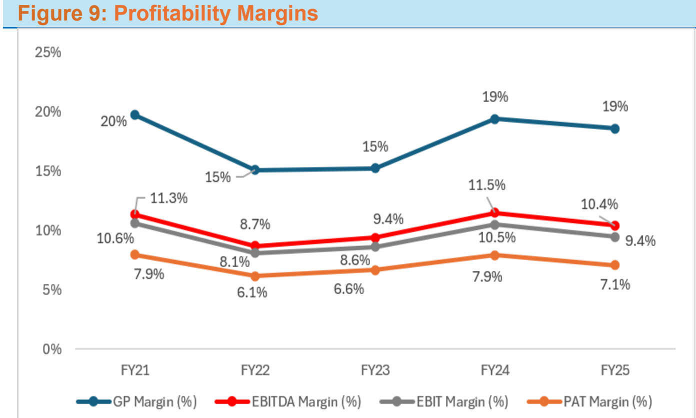

*Source: Company, Mercury Securities*

**Profitability remained steady.** Gross profit increased modestly from **RM51.8m in FY2021 to RM54.1m in FY2025**. However, gross profit margin declined from 19.7% in FY2021 to 18.5% in FY2025, after falling to 15.1% in FY2022 and remaining relatively flat at 15.2% in FY2023, before recovering to 19.4% in FY2024. The slight compression in GP margin was primarily attributable to shifts in revenue mix. While the Manufacturing segment has shown steady growth in recent years (46.4% of revenue in FY2025), the Distribution segment, continues to contribute a larger share of total revenue (53.6% in FY2026) despite a gradual decline. Given that Distribution products typically comprise lower-margin items such as feed additives, raw materials, and commodities, its continued dominance in the revenue mix has weighed on overall margins.

**Steady earnings performance.** Despite experiencing volatility at the topline, Yenher delivered resilient earnings, consistently maintaining PAT within a narrow range of approximately **RM20.7m to RM21.7m throughout FY2021 to FY2025**. This consistency highlights the Group's ability to preserve bottom-line stability amid fluctuating demand conditions in the livestock industry. Notably, this earnings resilience was achieved despite a gradual moderation in margins. Gross profit margin softened from **19.7% in FY2021 to 18.5% in FY2025**, while EBITDA margin eased from **11.3% to 10.4%**, and PAT margin declined from **7.9% to 7.1%** over the same period. The ability to sustain earnings despite margin compression suggests effective cost management and operational discipline, as well as the defensive nature of demand within the animal health and nutrition segment.

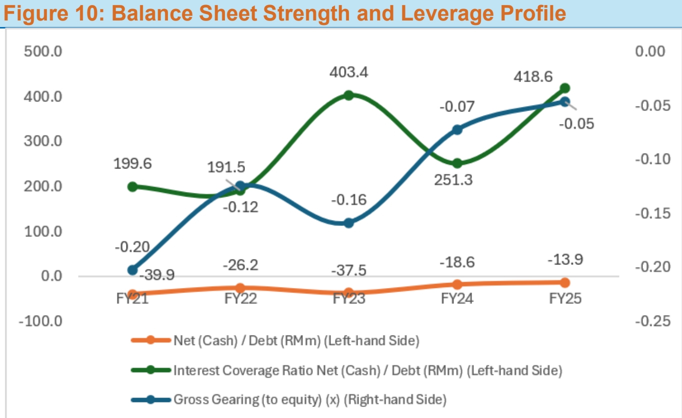
**Balance sheet and cash flows.** Yenher's balance sheet remains robust, underscoring its strong financial position and capacity to support future growth. As at FY2025, the Group held **RM33.1m in cash and cash equivalents and short-term investments,** (vs a 5-year average of RM62.1m) with the decline largely attributable to utilisation for the construction of its GMP plant. Despite this, Yenher maintained a **sizeable working capital base of RM115.8m**, translating into a healthy **current ratio of 4.1 times** (vs 5-year average of 6.3x). Total assets stood at **RM310.5m**, underpinned by trade and other receivables of RM81.2m and inventories of RM39.1m. Meanwhile, total liabilities remained manageable at **RM42.0m**. Notably, the Group is effectively **debt-free, with no bank borrowings (since FY2020)** and only minimal lease liabilities, resulting in negligible gearing. This conservative capital structure provides ample financial flexibility to fund strategic initiatives, including the development of its new plant, joint venture contributions, and sustained dividend distributions.

**Figure 9: Profitability Margins**




*Source: Company, Mercury Securities*

**Figure 10: Balance Sheet Strength and Leverage Profile**

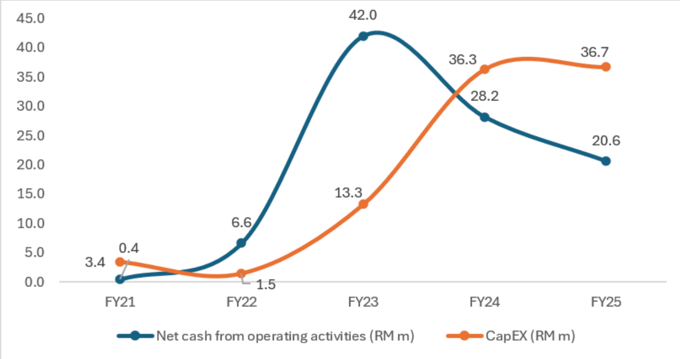



*Source: Company*

On the cash flow front, the Group continued to generate **solid operating cash flows**, with net cash from operating activities of **RM20.6m in FY2025** (FY2024: RM28.2m). The decline was primarily driven by working capital movements, particularly higher trade receivables and inventory build-up during the year. Nevertheless, free cash flow improved significantly to **RM16.0m** (FY2024: RM8.1m), supported by lower capital expenditure. This suggests an improvement in cash conversion efficiency and more disciplined capital deployment relative to the prior year. From a financing perspective, Yenher recorded net cash outflows of RM9.5m in FY2025, largely attributable to dividend payments of RM9.0m and lease repayments of RM1.1m. This implies a **dividend payout ratio of 43.5%**, slightly above its stated policy of 40%, reflecting management's commitment to shareholder returns. Importantly, the Group's ongoing expansion, particularly the development of its GMP-compliant facility, is primarily funded by IPO proceeds rather than internally generated cash. As such, despite continued capital investment, Yenher's balance sheet and liquidity position remain largely unstrained.

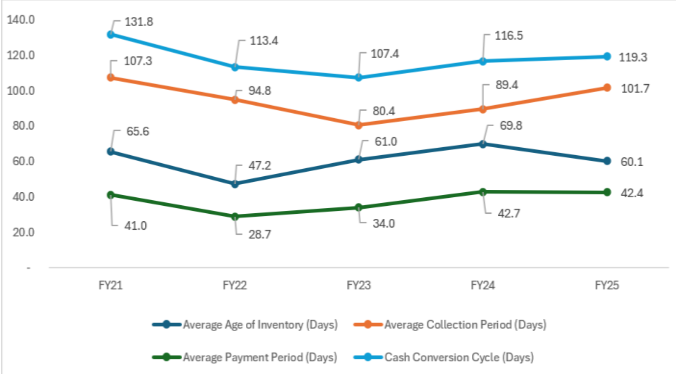
**Working capital trend.** Working capital management remained relatively stable throughout the period, although the Group faced some pressure from slower customer collections. Inventory days decreased **from 66 days in FY2021 to 60 days in FY2025**, indicating improved inventory management as revenue increased from RM263.4m in FY2021 to RM291.4m in FY2025. Receivable days ranged between 80 and 107 days, with an increase to 102 days in FY2025, reflecting slower customer payments and higher funds tied up in receivables. Meanwhile, payable days increased to 54 days in FY2025 as the Group took longer to settle payments to suppliers, potentially due to slower collection from customers. Consequently, Yenher's CCC has gradually improved over the period **(from 132 days in FY21 to 108 days in FY25)**, although working capital management remains an area to monitor given the longer customer collection period. The increase in receivable days suggests higher funds tied up in trade receivables, partially offset by extended supplier payment periods. Nonetheless, supported by its strong cash position, healthy working capital base, and debt-free balance sheet, Yenher has sufficient financial flexibility to support its ongoing operations and expansion plans.

**Figure 11: Capex vs. Net Operating Cash Flow**




*Source: Company, Mercury Securities*

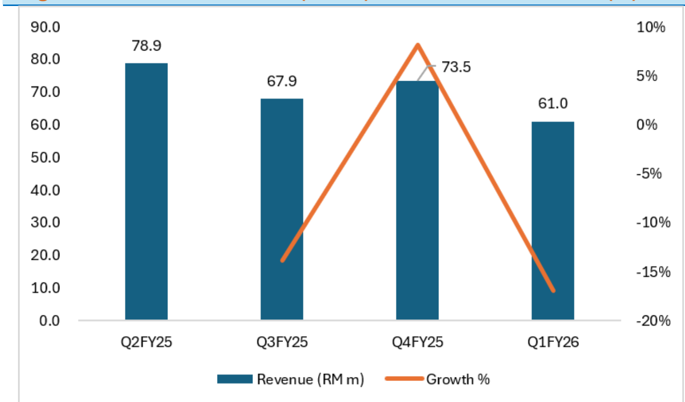
**Figure 12: Capex vs. Net Operating Cash Flow**




*Source: Company*

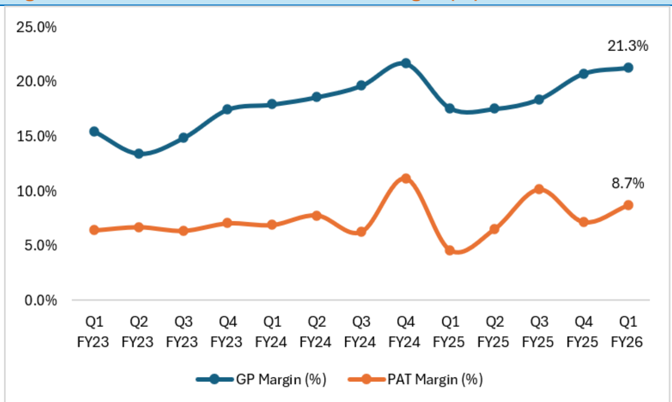
**Quarterly results.** For 1QFY26, Yenher reported revenue of **RM61.0m**, representing a **decline of 17.0% QoQ from RM73.5m in 4QFY25 and 14.2% YoY from RM71.1m in 1QFY25**, primarily due to weaker sales in the Distribution segment, while the Manufacturing segment remained relatively stable. Despite the softer topline, gross profit margin **improved to 21.3% (1QFY25: 17.6%),** supported by a more favourable product mix, cost discipline, and operational efficiency. The Group recorded **PBT of RM7.3m and PAT of RM5.3m in 1QFY26**, compared to RM7.0m and RM5.3m in 4QFY25, respectively. Correspondingly, both PBT and PAT margins improved on a sequential basis, underscoring **stronger earnings quality despite the lower revenue base**. Overall, the quarterly performance highlights Yenher's ability to defend profitability in a softer demand environment, with the Manufacturing segment continuing to anchor margins and support earnings resilience.

**Figure 13: Yenher Revenue (RM m) and QoQ Growth Rate (%)**




*Source: Company, Mercury Securities*

**Figure 14: Yenher QoQ GP and PAT Margin (%)**

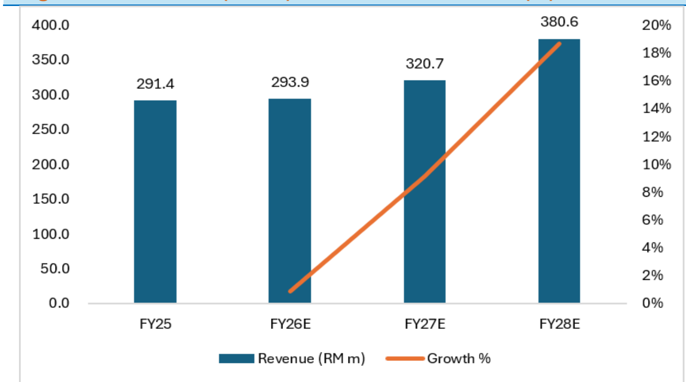



*Source: Company, Mercury Securities*

**Moving Forward.** Yenher is expected to sustain a positive growth trajectory over FY2026E–FY2028E, supported by a stronger product mix, expansion in Manufacturing capacity, and increasing contribution from higher value-added products. Revenue is projected to grow from RM293.9m in FY2026E to RM320.7m in FY2027E and RM380.6m in FY2028E, representing YoY growth of 0.8%, 9.1% and 18.7%, respectively. Our base-case assumptions are underpinned by stable Manufacturing revenue in FY2026E as existing capacity remains fully utilised beyond its maximum capacity. From FY2027E onwards, growth is expected to accelerate following the commencement of operations at the new GMP plant, which will **increase premix capacity to 31,200 tonnes per annum**, approximately **three times the existing capacity**. Additionally, the introduction of complete feed production, supported by a **feed mill capacity of 9,880 tonnes per month**, will further expand Yenher's product portfolio and strengthen the Manufacturing segment's contribution, potentially surpassing the traditionally dominant Distribution segment. The appreciation of the ringgit also provides a supportive cost backdrop, as a stronger currency could help reduce imported input costs for the Distribution segment, particularly for feed additives, raw materials, and third-party products, thereby supporting margin recovery and overall cost efficiency.

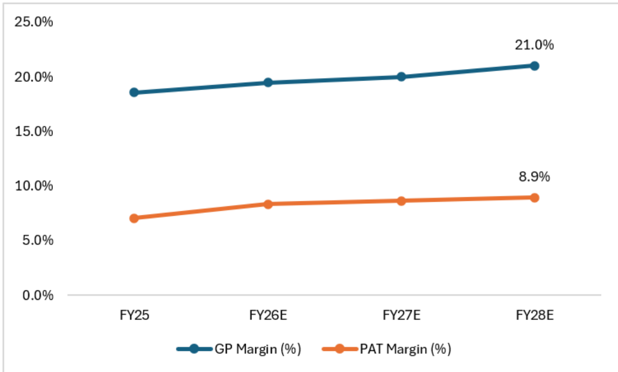
**On profitability**, we forecast gradual margin expansion, with gross profit margins improving from 19.5% in FY2026E to 20.0% in FY2027E and 21.0% in FY2028E, driven by a higher contribution from the Manufacturing segment and greater sales of higher-margin in-house products. EBITDA margins are expected to improve from 12.0% to 12.6% over the same period, supported by stronger operating leverage as the new GMP facility ramps up production and fixed costs are progressively absorbed by higher sales volumes. We project PAT of RM24.3m, RM27.7m and RM34.0m for FY2026E–FY2028E, translating into YoY growth of 18.7%, 13.4% and 22.7%, respectively. PAT margins are expected to improve from 7.1% in FY2025 to 8.3%, 8.6% and 8.9%, supported by improved revenue mix, better cost efficiencies and Yenher's ability to sustain profitability as the Group scales.

**Figure 15: Revenue (RM m) and YoY Growth Rate (%)**



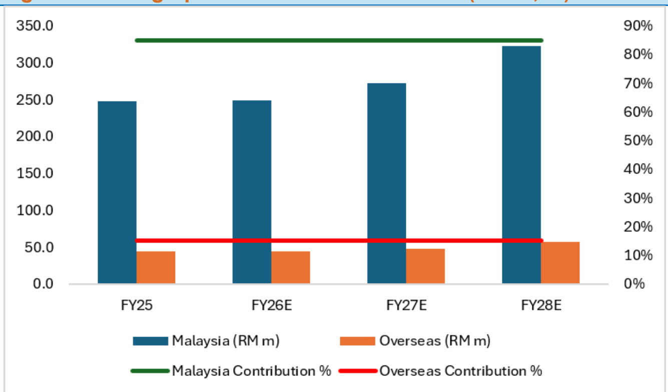

*Source: Company, Mercury Securities*

**Figure 16: YoY GP and PAT Margin (%)**



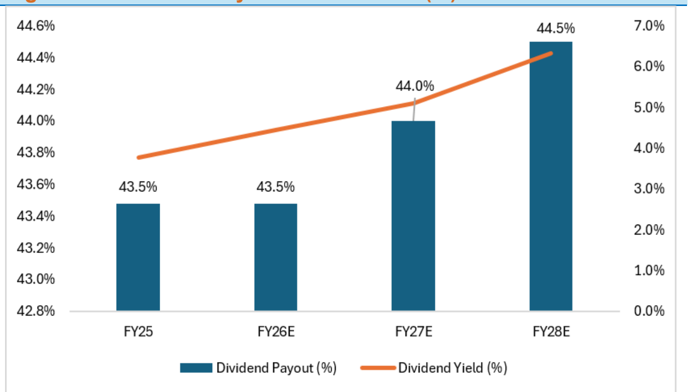

*Source: Company, Mercury Securities*

**Figure 17: Geographical Revenue Breakdown (RM m, %)**




*Source: Company, Mercury Securities*

**Figure 18: Dividend Payout Ratio & Yield (%)**




*Source: Company, Mercury Securities*

***This section is left blank intentionally***

**Valuation/Recommendation.** We assign a BUY recommendation on Yenher Holdings Berhad with a Target Price (TP) of **RM1.010**, representing a **25% upside** from the current share price. Our TP is derived based on a **target P/E multiple of 11.0x** applied to our **projected FY27E EPS of 9.19 sen.** This target multiple represents a **20% premium** to the selected local animal health peers' one-year **best forward P/E of 9.5x**, namely Rhone Ma Holdings Berhad and Peterlabs Holdings Berhad, which serve as the closest comparable companies within Malaysia's animal health and nutrition space. At current valuation, this implies a 0.25 standard deviation above its 5-year historical average PER mean of 10.9x.

The premium valuation is anchored by the target P/E to the peers' one-year best forward P/E of 9.5x, reflecting FY27 earnings expectations when Yenher's new GMP plant commences operations. We expect this expansion to drive a step-up in earnings, supported by increase in manufacturing capacity of 31,200 tonnes per annum for premixes and 9,880 tonnes per month for complete feed. The premium is further justified by Yenher's stronger margin profile relative to its peers, underpinned by improving profitability, higher contribution from in-house manufacturing, and increasing exposure to higher-margin products. Nonetheless, we maintain a conservative stance by benchmarking against the one-year best forward P/E rather than the peers' higher historical average of approximately 13.0x. This reflects our cautious view on earnings sustainability during the initial phase of the plant's operations, as we factor in potential execution risks, particularly in terms of ramp-up efficiency and capacity utilisation given the plant's high level of automation. As such, we believe this approach balances the recognition of Yenher's growth prospects while still taking into account near-term operational uncertainties.

**Figure 19: Best Forward P/E of Selected Local Peers**

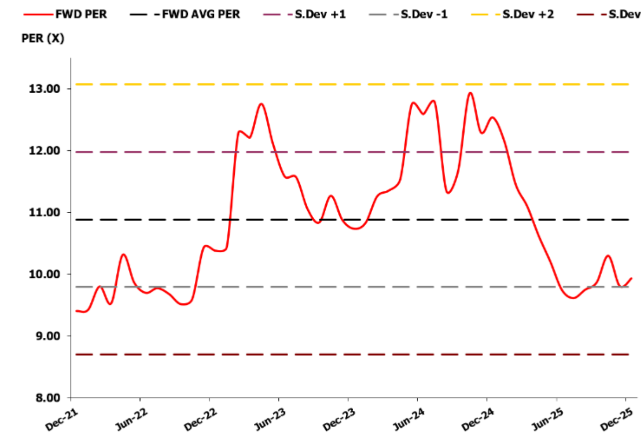
| Company | Bloomberg Ticker | FYE | Share Price (RM) | Mkt Cap (RM m) | Best Forward P/E (x) 2026 | 2027 |
|---|---|---|---|---|---|---|
| Rhone Ma Holdings Berhad | RMH MK EQUITY | Dec | 0.70 | 155.0 | 10.0 | 9.5 |
| Peterlabs Holdings Berhad | PLAB MK EQUITY | Dec | 0.23 | 63.3 | n/a | n/a |
| **Simple Avg.** | | | | **109.20** | **10.0** | **9.5** |

**Figure 20: Direct Peers Margins Comparison (as per the latest Financial Year recorded)**

| Company | Bloomberg Ticker | Margin (%) GP | EBITDA | PBT | PAT | % ROE | ROA | ROC | Interest Coverage Ratio |
|---|---|---|---|---|---|---|---|---|---|
| Rhone Ma Holdings Berhad | RMH MK EQUITY | 31.3 | 13.4 | 9.4 | 6.3 | 8.1 | 6.1 | 7.4 | 28.3 |
| Peterlabs Holdings Berhad | PLAB MK EQUITY | 12.8 | 2.9 | (0.2) | 0.0 | (1.3) | (1.3) | n/a | 4.0 |
| **Simple Avg.** | | **22.1** | **8.1** | **4.6** | **3.2** | **3.1** | **2.4** | **7.4** | **16.1** |
| **Yenher Holdings Berhad** | YENHER MK EQUITY | **18.5** | **10.5** | **9.4** | **7.1** | **8.7** | **7.5** | **7.8** | **425.4** |

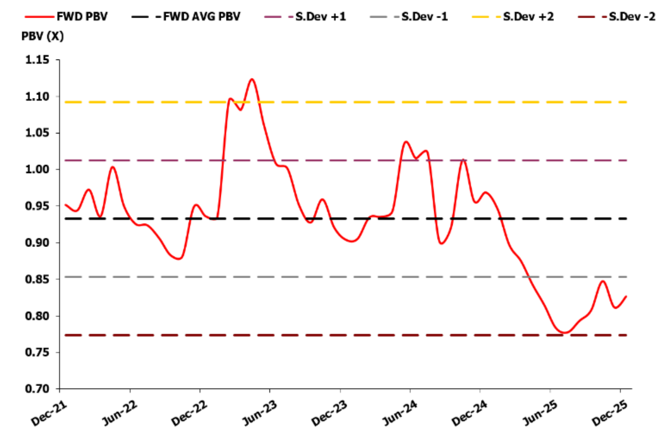
*Source: Bloomberg, Mercury Securities*

**Figure 21: Yenher Historical P/E Band**




*Source: Bloomberg, Mercury Securities*

**Figure 22: Yenher Historical PBV Band**




*Source: Bloomberg, Mercury Securities*

***This section is left blank intentionally***

## Company Background

**Yenher Holdings Berhad** ("Yenher", the "Company" or the "Group") is an established one-stop animal healthcare and nutrition solutions provider with over 35 years of industry experience. Incorporated in 1991, the Group has built a strong reputation through its key subsidiaries, namely Yenher Agro-Products Sdn Bhd, Yenher Biotech Sdn Bhd, YH European Protein Asia Sdn Bhd and Yenher Bio Green Sdn Bhd. At its core, Yenher specialises in animal nutrition, serving feed millers, farmers, and livestock integrators with a comprehensive range of products and services. Its manufacturing segment encompasses premixes (under its flagship Yenmix brand), complete feed, feed additives, animal health products, European plant-based protein, and black soldier fly larvae protein. Complementing this, the Group's distribution segment offers a wide portfolio of third-party products, including feed additives, veterinary pharmaceuticals, biosecurity solutions, commodities, farm equipment, and livestock, creating a fully integrated ecosystem that supports customers across the entire value chain.

The Group places strong emphasis on research and development, supported by an in-house team of chemists, nutritionists and veterinarians, alongside value-added services such as nutrient analysis, microbiological, chemical, and serological testing, alongside consultancy in farm management, disease diagnostics, and tailored animal health programmes. Headquartered in Simpang Ampat, Penang, Yenher primarily serves the Malaysian market while expanding its presence across regional and international markets. Looking ahead, the Group is developing a new GMP-compliant integrated facility, expected to commence operations in early 2027 upon obtaining the Certificate of Completion and Compliance (CCC). This new plant will centralise the Group's headquarters, R&D, and warehousing functions, enhancing operational efficiency while tripling existing premix capacity to 31,200 tonnes per year and incorporating a downstream feedmill to enable in-house complete feed production. This expansion strengthens vertical integration, improves cost efficiency and product consistency, and supports long-term growth, with an estimated feedmill capacity of 9,880 tonnes per month.

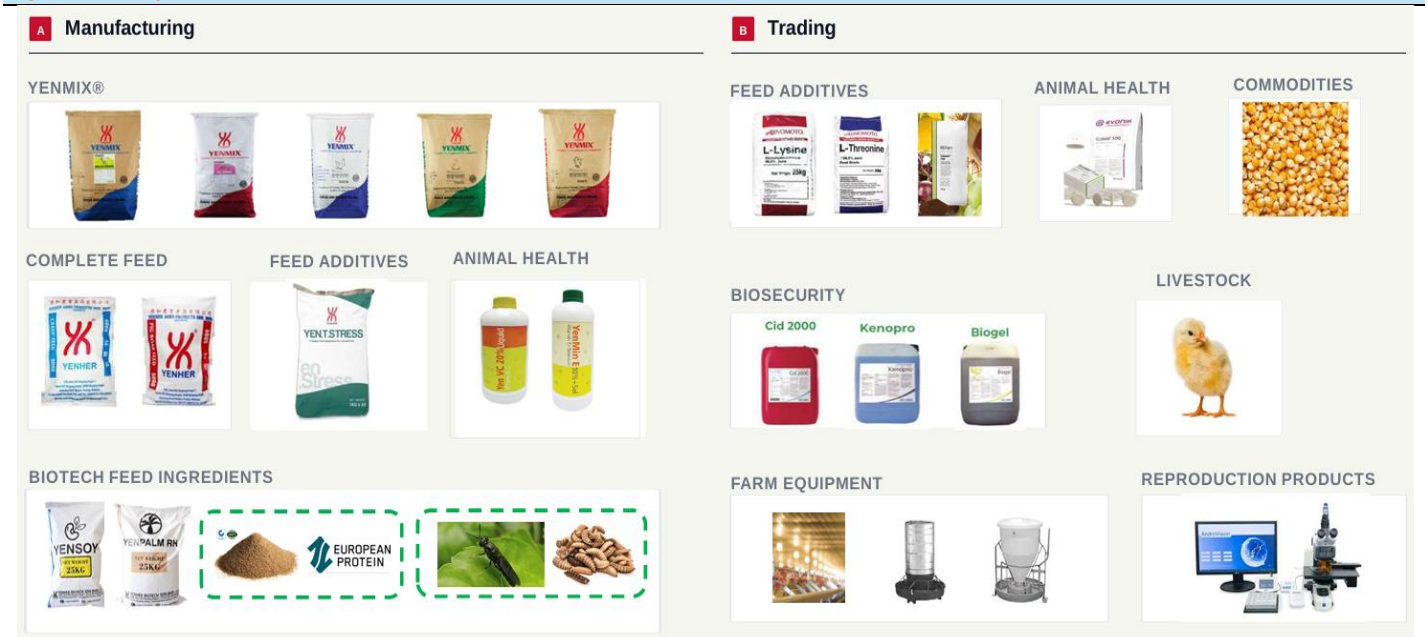
Its manufacturing product offerings include:

- i) **Premixes:** Nutrient-dense additives blended into basic feed to enhance livestock health, digestion and productivity. Yenher's premixes, marketed under the Yenmix® brand, consist of vitamins, minerals, enzymes, amino acids and other functional ingredients, formulated using its "Green iDeal Protein" concept to optimise nutrition, improve feed conversion ratios and reduce environmental impact. The Group also offers customised premix solutions tailored to specific customer requirements.

- ii) **Complete feed:** Fully formulated feed designed to meet livestock's complete nutritional requirements, combining macronutrients such as corn and grains with premixes and feed additives. Yenher also provides customised feed formulations and produces formulated products such as protein substitutes (e.g. YenProtide), to support growth and feed efficiency.

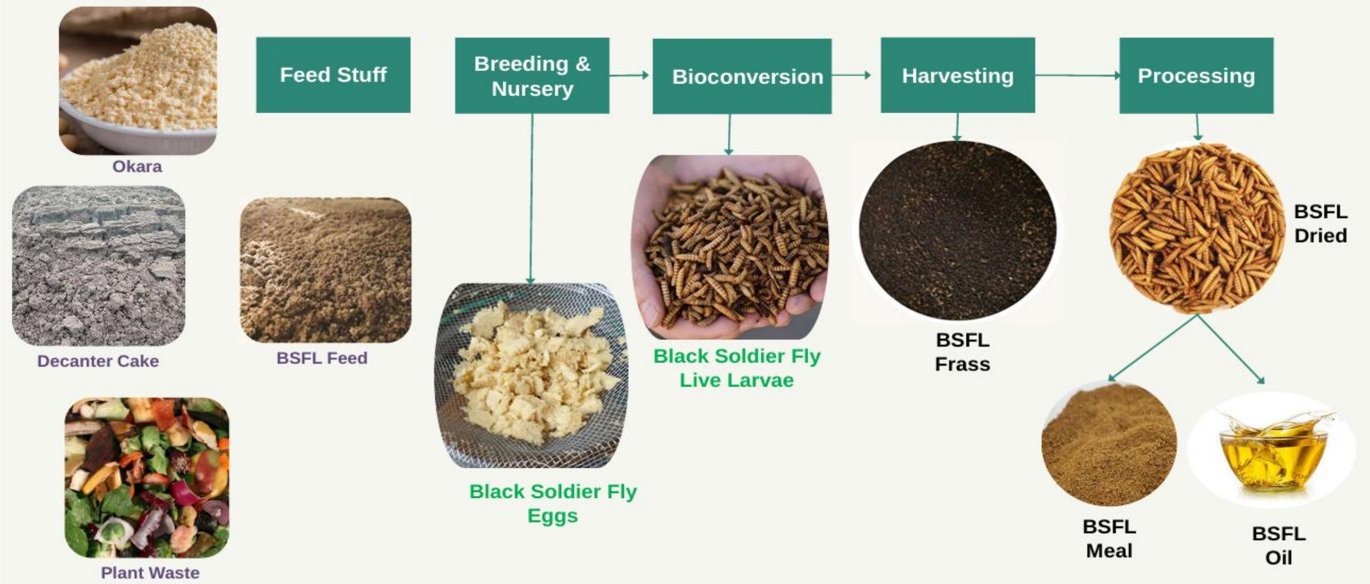
- iii) **Biotech animal feed ingredients:** Fermentation-based feed ingredients derived from soybean meal and palm kernel meal, marketed under the YenSoy® and YenPalm RH® brands. Developed through in-house R&D, these products enhance feed utilisation, protein digestibility and gut health, while supporting overall livestock performance. YenPalm RH® also provides additional functional benefits such as probiotics, fibre and toxin-binding properties.

**Figure 23: Key Products & Services**




*Source: Company*

**Figure 24: Yenher Bio Green Process**

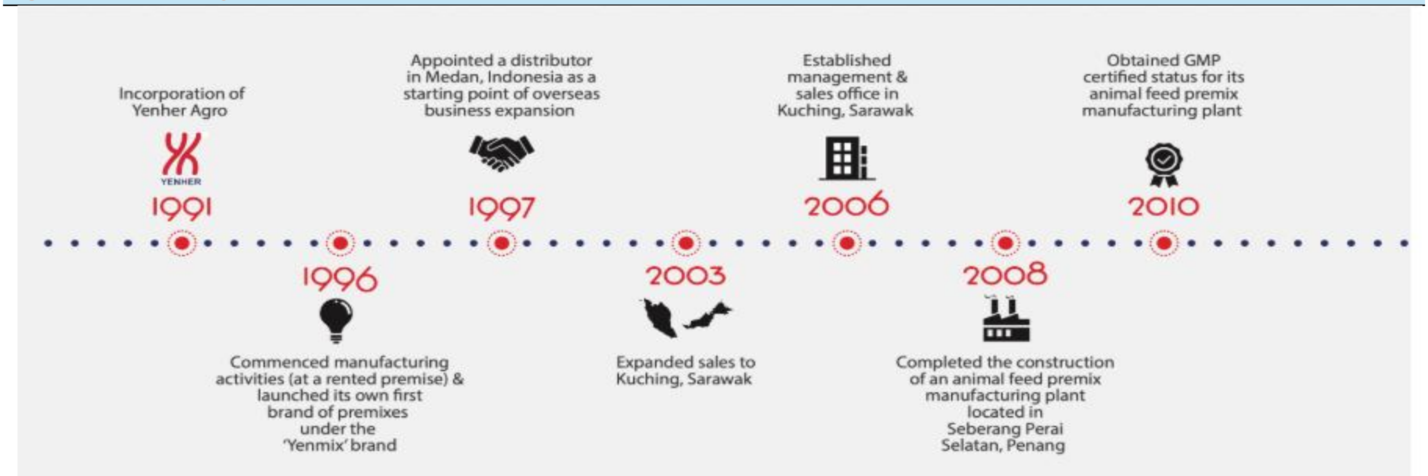



*Source: Company*

**Figure 25: Corporate Structure**

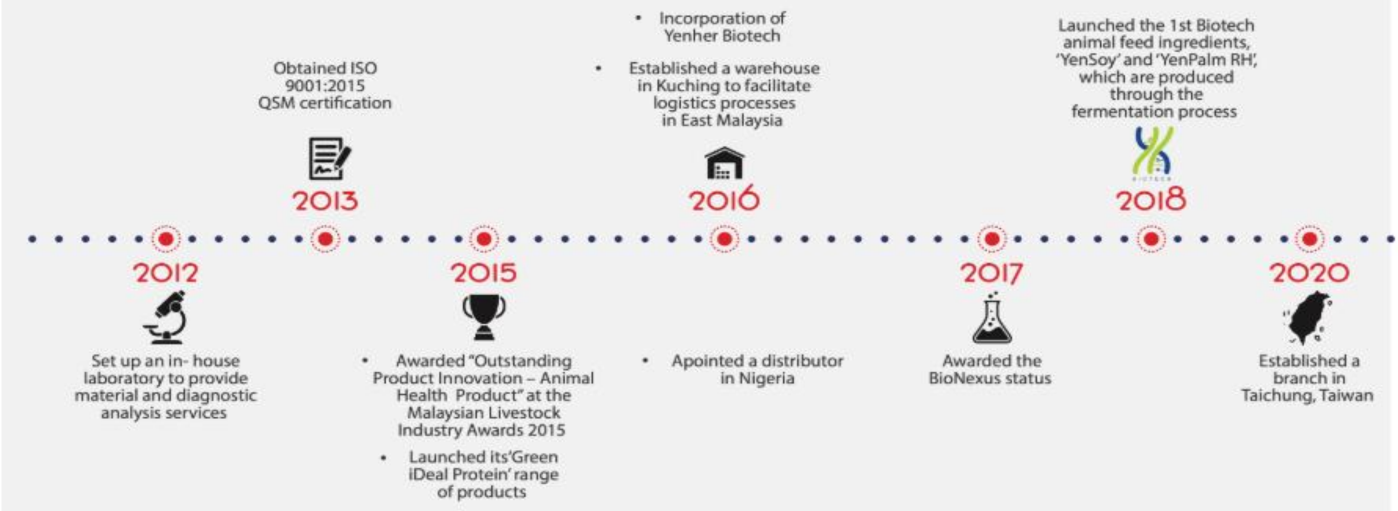

*Source: Company*

**Figure 26: Company Milestone (1991-2010)**




*Source: Company*

## Figure 27: Company Milestone (2012-2020)




*Source: Company*

## Figure 28: New GMP Plant Site

*Source: Company*

*This section is left blank intentionally*

## SWOT Analysis

| S<br>STRENGTHS | W<br>WEAKNESS |
|---|---|
| **Integrated One-Stop Animal Health Solutions:** Yenher offers a comprehensive range of products from premixes and feed to veterinary pharmaceuticals and vaccines alongside technical consulting services, positioning itself as a one-stop solutions provider for livestock producers.<br><br>**Strong Industry Expertise & Technical Support:** The group leverages in-house veterinarians and technical teams to provide consultancy services, enhancing customer relationships and positioning itself as a value-added solutions provider.<br><br>**Solid Financial Position with No Borrowings:** The Group maintains a strong balance sheet with no bank borrowings and growing equity, providing financial flexibility to fund expansion and withstand industry volatility. | **Dependence on Livestock Industry Cycles:** Business performance is closely tied to the livestock sector, making it vulnerable to fluctuations in demand, disease outbreaks, and changes in farming activities.<br><br>**Geographical Concentration in Malaysia:** Although exports exist, the core market remains Malaysia, limiting exposure to larger international markets and increasing reliance on domestic demand.<br><br>**Lower Value-Add in Distribution Segment:** The distribution business may face pricing pressure and lower margins compared to manufacturing, reducing overall profitability quality. |
| **T<br>THREATS** | **O<br>OPPORTUNITIES** |
| **Animal Disease Outbreak Risks:** Diseases (e.g., poultry or swine outbreaks) can reduce livestock populations, directly impacting demand for Yenher's products and services.<br><br>**Global Supply Chain Disruptions:** Dependence on imported raw materials (e.g., vitamins, minerals) exposes the Group to risks from geopolitical tensions, logistics disruptions, and cost fluctuations.<br><br>**Livestock Industry Cyclicality:** Profitability of farmers and producers influences demand for feed and animal health products, making Yenher sensitive to industry cycles and economic conditions. | **Technological Advancements Enhancing R&D Capabilities:** The adoption of advanced technologies in animal nutrition and biotechnology enables Yenher to enhance its R&D capabilities, develop higher-value products, and improve margins.<br><br>**Growing Global Demand for Animal Protein:** Rising consumption of animal protein supports long-term demand for feed, nutrition, and veterinary solutions, providing structural growth tailwinds.<br><br>**Regional Market Expansion:** Existing export presence across Asia and beyond offers opportunities to further penetrate international markets and diversify revenue geographically. |

**Figure 29: Key Management Team**

| Name and Designation | Age | Profile |
|---|---|---|
| **Dato' Cheng Mooh Tat**<br>Executive Chairman | 63 | Appointed to the Board on 9 March 2020, Dato' Cheng Mooh Tat serves as Executive Chairman and oversees the overall strategic direction and business operations of the Group. A co-founder of key subsidiaries within the Group, he brings more than 40 years of experience in the animal health and nutrition industry. He has played an instrumental role in the Group's growth, particularly in expanding its product portfolio and strengthening its technical capabilities through the establishment of in-house R&D functions. |
| **Cheng Mooh Kheng**<br>Executive Director | 57 | Appointed to the Board on 9 March 2020, Cheng Mooh Kheng serves as Executive Director and oversees the Group's sales and marketing strategies. A co-founder of key subsidiaries within the Group, he brings more than 30 years of experience in the animal health and nutrition industry. He plays a key role in driving the Group's commercial growth and market expansion. |
| **Datin Theoh Mooi Teng**<br>Executive Director | 59 | Appointed to the Board on 9 March 2020, Datin Theoh Mooi Teng serves as Executive Director and oversees the Group's finance and administrative functions, including accounting, human resources, and operations support. With more than 30 years of experience in management roles, she plays a key role in ensuring the Group's operational efficiency and financial management. |
| **Tan Peng Lam**<br>Independent Non-Executive Director | 67 | Appointed to the Board on 10 November 2020, Tan Peng Lam serves as Independent Non-Executive Director and is the Chairman of the Audit and Risk Management Committee, as well as a member of the Nomination and Remuneration Committees. He brings nearly 40 years of experience in auditing, finance, and corporate finance, including prior service as Chief Financial Officer of Texchem Resources Berhad. He is also an Independent Non-Executive Director of Berjaya Property Berhad and RGT Berhad. |
| **Dr. Ong Bee Lee**<br>Independent Non-Executive Director | 72 | Appointed to the Board on 1 July 2022, Dr Ong Bee Lee serves as Independent Non-Executive Director and is the Chairman of the Nomination Committee, as well as a member of the Audit and Risk Management and Remuneration Committees. She brings extensive experience in veterinary public health and epidemiology, with prior roles in the Department of Veterinary Services Malaysia and the World Health Organization. She has also held academic positions and contributes her expertise in zoonotic disease management and animal health to the Group. |

| | | |
|---|---|---|
| **Dato' Lim Choon Khim**<br>Independent Non-Executive Director | 49 | Appointed to the Board on 10 November 2020, Dato' Lim Choon Khim serves as Independent Non-Executive Director and is the Chairman of the Remuneration Committee, as well as a member of the Audit and Risk Management and Nomination Committees. He brings over 20 years of legal experience, specialising in commercial, corporate, banking, and dispute matters. He is currently a Partner at CK Lim Law Chambers and advises corporations, developers, and government-linked companies on Malaysian legal matters. |
| **Cheng Mooh Chye**<br>Executive Director | 67 | Serves as a director of key subsidiaries within the Group, overseeing its warehousing operations. A co-founder of Yenher Biotech, he brings more than 30 years of experience in the animal health and nutrition industry. He is the brother of Dato' Cheng Mooh Tat and Cheng Mooh Kheng, and the brother-in-law of Datin Theoh Mooi Teng. |
| **Lim Sek Yang**<br>Deputy General Manager of Finance | 46 | Serves as Deputy General Manager of Finance, overseeing the Group's accounting and finance functions. With over 15 years of experience in finance and auditing, he previously held roles in Ernst & Young and manufacturing companies before joining the Group in 2017. He has played a key role in strengthening the Group's financial management and was promoted to his current position in 2021. |

## Major Customers

Yenher's customer base spans both domestic and international markets, with key customers including Malaysia's livestock integrators, farmers and feed millers. While the Group has established export channels to markets such as Indonesia, Brunei, Hong Kong, Taiwan, Pakistan, South Korea, and the Philippines, its revenue profile remains largely anchored in Malaysia. Since FY2021, over 85% of total revenue has been consistently derived from the domestic livestock and poultry industry, underscoring Yenher's strong positioning and deep-rooted relationships within the local market. Importantly, no single customer contributes more than 10% of total revenue, reflecting a healthy level of diversification and limited dependency on any individual customer.

Beyond its broad customer reach, Yenher strengthens its value proposition through its role as a distributor of reputable third-party products, particularly from Europe and China. This enables the Group to offer an extensive portfolio of animal health and nutrition solutions, positioning itself as a one-stop solution provider for its customers. The breadth of its offerings allows customers to streamline procurement while benefiting from a comprehensive range of high-quality products under one roof.

Complementing its product distribution, Yenher differentiates itself through technical consulting services tailored to enhance livestock health and productivity. Leveraging industry experience, scientific expertise, and innovative approaches, the Group works closely with customers to optimize performance and outcomes. This integrated approach not only deepens customer relationships but also reinforces Yenher's role as a trusted partner within the animal health and nutrition ecosystem.

## Key Risks

**Dependence on Livestock Industry Conditions.** Yenher's performance is closely tied to the overall health and growth of the livestock sector, particularly poultry and swine. Any slowdown in farming activities, weaker demand for livestock products, or changes in industry dynamics could dampen demand for feed and animal health products, potentially affecting the Group's sales volumes and growth prospects. While the Group partially mitigates this through product diversification and technical support services, its earnings remain sensitive to industry cycles.

**Exposure to Disease Outbreaks.** Disease outbreaks such as African Swine Fever and avian influenza pose a significant risk to the livestock industry. These events can disrupt farming operations, reduce livestock populations, and lead to temporary or prolonged declines in demand for feed and animal health solutions. Although Yenher mitigates this risk through its diversified product offerings and ongoing technical engagement with customers, severe or widespread outbreaks could still adversely impact its performance.

**Exposure to Raw Material Price Volatility.** The Group relies on various feed ingredients, vitamins, and additives, many of which are subject to global commodity price fluctuations. Increases in raw material costs could compress margins if Yenher is unable to pass these costs on to customers in a timely manner, although this risk is partly mitigated by its diversified sourcing strategies and growing contribution from higher-margin manufacturing activities.

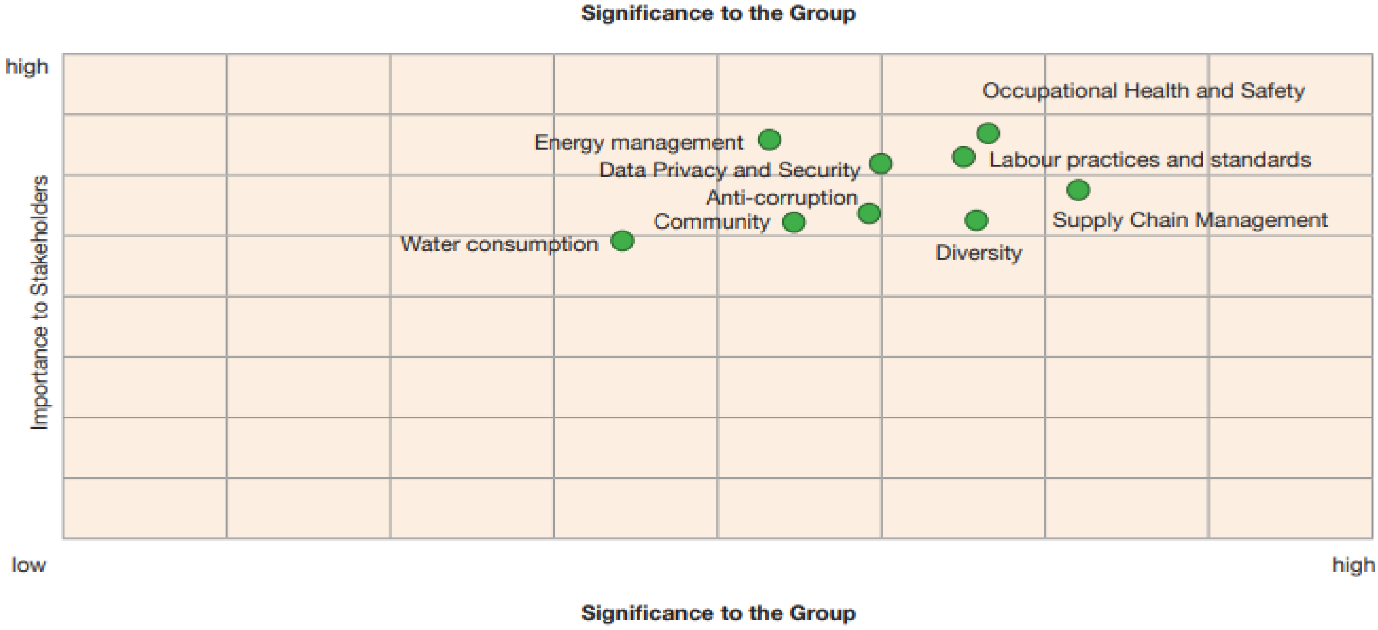
**Reliance on Malaysian Market and Customer Concentration.** Almost ~90% portion of Yenher's revenue is derived from the domestic Malaysian market, exposing the Group to local economic conditions and industry demand trends. While the Group has expanded into export markets, its earnings remain sensitive to domestic livestock industry dynamics and key customer demand, although long-standing relationships and technical engagement help support customer retention.

**Margin Pressure from Competitive Industry Landscape.** The animal health and nutrition industry is highly competitive, with both local and international players offering similar products. Pricing pressure, particularly within the distribution segment, may limit margin expansion and reduce the Group's ability to fully capture cost increases, making profitability dependent on product differentiation, branding, and operational efficiency.

**Ramp-Up and Capacity Utilisation Risk from New GMP Plant.** With the Group's new GMP manufacturing plant nearing completion and expected to commence operations in October 2026, Yenher exposed to potential delays in achieving optimal production efficiency and capacity utilisation. If demand growth does not scale in line with the expanded capacity, the Group may face underutilisation, which could weigh on margins and returns on investment, although this is partially mitigated by anticipated growth in the poultry segment and expansion into higher-value product segment.

## Sustainability Review

**Figure 30: Materiality Matrix**




*Source: Company*

Yenher's materiality assessment identifies key sustainability priorities across Environmental, Economic, Social and Governance ("EESG") themes, aligned with relevant United Nations Sustainable Development Goals (SDGs). The Group's sustainability focus reflects its role in the animal health and nutrition industry, with emphasis on product quality, environmental responsibility and ethical business practices. Among its material matters, three key areas stand out, namely Sustainable Feed Solutions, Product Quality & Animal Health, and Ethical Governance.

Firstly, Sustainable Feed Solutions represent a core environmental priority, as the Group continues to develop eco-friendly and efficient animal nutrition products. This includes initiatives such as plant-based protein solutions and the development of alternative protein sources, which contribute to more sustainable livestock production systems. These efforts support SDG 2 (Zero Hunger), SDG 12 (Responsible Consumption & Production) and SDG 13 (Climate Action). Next, Product Quality & Animal Health remain central to Yenher's value proposition, given its focus on improving livestock health, productivity and food safety through scientifically formulated products and technical support services. By ensuring consistent product quality and effective nutritional solutions, the Group contributes to a more resilient and efficient food supply chain, supporting SDG 3 (Good Health & Well-being) and SDG 8 (Decent Work & Economic Growth). Third, Ethical Governance continues to be a key pillar of Yenher's sustainability framework. The Group emphasizes compliance with regulatory requirements, ethical business conduct and strong corporate governance practices to maintain stakeholder trust. This aligns with SDG 8 (Decent Work & Economic Growth), SDG 12 (Responsible Consumption & Production) and SDG 16 (Peace, Justice & Strong Institutions).

The Group continues to strengthen its sustainability journey, focusing on reducing its carbon footprint and enhancing operational efficiency through structured environmental, social and governance (ESG) initiative:

### Environmental (E)

**1. Energy and Greenhouse Gas ("GHG") Emissions**

- Total energy consumption: 2,063.41 MWh in FY2025, up 3.3% YoY (FY2024: 1,998.12 MWh).
- Energy sources: Comprised of petrol and diesel (1,176.23 MWh), LPG (242.74 MWh), and purchased electricity (644.44 MWh) in FY2025.
- Electricity consumption: 644.44 MWh in FY2025 (FY2024: 622.62 MWh).
- Scope 1 emissions: 355.11 $tCO_2e$ in FY2025 (FY2024: 344.45 $tCO_2e$)., Scope 2 emissions: 461.31 $tCO_2e$ in FY2025 (FY2024: 462.15 $tCO_2e$) and Scope 3 emissions: 89.65 $tCO_2e$ in FY2025 (FY2024: 99.53 $tCO_2e$).
- Moving forward, the Group will continue to monitor and manage its fuel and electricity consumption across operations, while pursuing efficiency improvements to mitigate emissions growth.

**2. Waste Management**

- Total waste generated: 308.18 MT in FY2025, up 15.2% YoY (FY2024: 268.05 MT).
- Waste diverted from disposal: 19.56 MT (6.3%; FY2024: 89.65 MT; 33.4%).
- Waste disposed: 288.62 MT (FY2024: 178.40 MT).

- Waste composition: Primarily non-hazardous industrial waste (306.61 MT), with minor hazardous waste from production (0.83 MT) and laboratory activities (0.74 MT).
- Moving forward, the Group will continue strengthening waste segregation and recycling practices, while working with licensed contractors to ensure responsible disposal and improve diversion rates.

### 3. Water Usage

- Total water consumption: 13,461 $m^3$ in FY2025, down 5.2% YoY (FY2024: 14,194 $m^3$).
- Water source: 100% municipal water, primarily used for domestic purposes, cleaning, and vehicle washing.
- Operational dependency: Water is not a critical input in production processes.
- Moving forward, the Group will focus on leak prevention, improve metering accuracy, and optimise water usage across its facilities.

## Social (S)

### 1. Occupational Safety and Health (OSH)

- LTIR: 0.0 in FY25, maintaining the Group's strong safety performance (FY24: 0.0).
- Work-related fatalities: 0 in both FY25 and FY24.
- Employees trained in safety: 77 (FY24: 120).
- The Group continues to strengthen workplace safety through its Safety and Health Committee, HIRARC assessments, safety procedures and preventive measures across operations.
- Moving forward, the Group will continue enhancing safety awareness and preventive programmes to maintain a safe working environment.

### 2. Supply Chain Management

- In FY2025, approximately 40% of the Group's procurement spending was allocated to local suppliers, increasing from 37% in FY24, supporting local economic participation and supply chain resilience.
- Suppliers are assessed before inclusion into the approved vendor list, considering factors such as product quality, pricing, delivery performance, business ethics and integrity.
- Moving forward, the Group will continue to enhance supply chain resilience while maintaining a balanced mix of local and international suppliers.

### 3. Data Privacy and Security

- The Group recorded zero substantiated complaints relating to customer privacy breaches or loss of customer data in FY25 (FY24: 0).
- Information security is supported through controls including firewalls, antivirus protection, access controls and external IT consultant support.
- Moving forward, the Group will continue to strengthen cybersecurity measures to safeguard corporate, customer and employee information.

### 4. Talent Management

- Total training hours: 3,086.5 hours in FY25, increased by approximately 32% YoY, equivalent to 21.7 training hours per employee.
- Training programmes focused on enhancing employees' skills in areas such as research and development, sales and marketing, and production to support long-term talent development.
- 90.5% of direct employees and 75.0% of indirect employees achieved the Group's minimum annual training hour targets.
- The Group continues to support employee growth through performance appraisals, training needs assessments and succession planning initiatives.
- Moving forward, the Group will continue strengthening talent development initiatives to enhance workforce capabilities and support sustainable growth.

## Governance (G)

In line with its commitment to strong governance standards, the Board remains focused on achieving high levels of transparency, accountability, and ethical conduct across the organisation. To support these objectives, the Group aligns its governance framework with the principles and recommended practices of the Malaysian Code on Corporate Governance (MCCG) 2021, as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This proactive approach reflects the Board's ambition to uphold best-in-class governance practices, strengthen organisational integrity, and reinforce stakeholder confidence in the Group's long-term stewardship.

1. **Ethical Conduct and Regulatory Compliance**

- In FY2025, Yenher recorded zero significant cases of non-compliance related to business ethics and zero confirmed incidents of corruption (FY2024: zero).
- The Group maintains a whistleblowing framework that allows employees, stakeholders, and third parties to report misconduct confidentially, with protection against retaliation and direct access to the Board.
- No substantiated complaints on human rights violations were reported during FY2025 (FY2024: zero).
- Moving forward, the Group will continue strengthening its internal policies, enhance awareness of ethical standards, and reinforce its whistleblowing mechanisms to sustain a culture of integrity and accountability.

2. **Risk Management Internal Controls**

- Internal audit function was outsourced to an independent professional firm, with two (2) internal audit cycles and two (2) follow-up audits conducted during FY25.
- Internal audit activities covered key areas including **sales and marketing, credit control and collection, cybersecurity and data privacy**.
- The Group incurred approximately **RM39,000 in internal audit costs** during FY25 to strengthen governance and internal control processes.

Yenher demonstrates its commitment to sound corporate governance through adherence to the Malaysian Code on Corporate Governance (MCCG) and ongoing stakeholder engagement under its sustainability framework. The Group regularly assesses material ESG matters with a top-down approach as the Board provides strategic oversight on key ESG matters. Meanwhile, Senior Management is responsible for developing, implementing and monitoring sustainability initiative across the Group to ensure alignment with the Group's vision and stakeholder expectations.

As at the latest practicable date (LPD), the Group has adopted key MCCG recommendations, with strong board independence and gender diversity:

| Key MCCG Governance Indicators | |
|---|---|
| **MCCG Governance Application** | Practices Partially Adopted |
| **Independent Directors** | 3 out of 6 (50% of the Board) |
| **Women Directors** | 2 out of 6 (33% of the Board) |
| **Compliance with 30% women target** | Achieved |

*Source: Company, Mercury Securities*

The composition of the Board reflects the Group's emphasis on diversity and independence in decision-making. The Group continues to enhance its governance practices through structured stakeholder engagement, ESG integration and alignment with MCCG principles.

**Overall ESG Performance.** Yenher's ESG performance in FY2025 reflected steady progress in sustainability practices, occupational safety and governance, alongside opportunities for further improvement in waste management and workforce development. Total energy consumption and Scope 1 emissions increased moderately, while Scope 2 and Scope 3 emissions declined, supported by ongoing efforts to manage operational emissions. Waste generation increased during the year, with a lower diversion rate, highlighting the need to further enhance recycling and waste reduction initiatives. Water consumption declined, reflecting improved resource management across operations. Social performance remained strong, with LTIR maintained at zero, no work-related fatalities, zero data privacy breaches and higher employee training hours. Governance remained robust, supported by zero corruption incidents, strengthened internal controls, effective risk management practices and a balanced Board structure with 50% independent directors and 33% female representation. Overall, FY2025 reflects steady ESG progress with targeted areas for further enhancement in environmental efficiency, waste management and talent development.

***This section is left blank intentionally***

## Income Statement

| FY Dec (RM m) | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Revenue** | 272.3 | 291.4 | 293.9 | 320.7 | 380.6 |
| **EBITDA** | 31.2 | 30.3 | 35.1 | 39.5 | 47.8 |
| **Depreciation & Amortz** | (2.7) | (2.8) | (2.9) | (3.0) | (3.0) |
| **Operating Profit** | 28.5 | 27.5 | 32.2 | 36.5 | 44.8 |
| **Interest Inc/(Exp)** | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| **Assoc Earnings** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Profit Before Tax** | **28.4** | **27.4** | **32.1** | **36.5** | **44.7** |
| **Taxation** | (6.9) | (6.8) | (7.7) | (8.7) | (10.7) |
| **Net Profit** | 21.5 | 20.6 | 24.4 | 27.7 | 34.0 |
| **Core PATAMI** | **21.6** | **20.7** | **24.3** | **27.6** | **33.8** |

## Balance Sheet

| | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| Fixed Assets | 110.4 | 145.5 | 185.5 | 194.8 | 203.5 |
| Intangible Assets | 3.0 | 2.8 | 4.6 | 6.3 | 8.1 |
| ROU Assets | 3.1 | 2.0 | 1.3 | 0.9 | 0.6 |
| Other Fixed Assets | 0.0 | 6.7 | 6.7 | 6.7 | 6.7 |
| Inventories | 42.0 | 39.1 | 39.4 | 43.0 | 51.1 |
| Receivables | 66.7 | 81.2 | 81.8 | 88.2 | 102.5 |
| Other Current Assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash | 18.6 | 13.9 | 9.9 | 39.5 | 70.9 |
| **Total Assets** | **289.5** | **310.5** | **362.8** | **412.6** | **474.0** |
| Payables | 26.9 | 35.3 | 35.6 | 42.7 | 55.7 |
| ST Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other ST Liability | 28.0 | 37.7 | 61.5 | 79.3 | 102.9 |
| LT Borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other LT Liability | 5.1 | 4.3 | 4.3 | 4.3 | 4.3 |
| **Net Assets** | **256.3** | **268.5** | **298.4** | **332.2** | **372.5** |
| Shareholders' Equity | 256.2 | 267.9 | 292.2 | 319.8 | 353.6 |
| Minority Interests | 0.15 | 0.63 | - | - | - |
| **Total Equity** | 256.3 | 268.5 | 292.2 | 319.8 | 353.6 |

## Cashflow Statement

| **FY Dec (RM m)** | | | | | |
|---|---|---|---|---|---|
| Operating CF | 28.2 | 20.6 | 29.4 | 31.6 | 33.3 |
| Investing CF | (37.2) | (15.7) | (23.9) | 7.6 | 7.6 |
| Financing CF | (9.5) | (9.5) | (9.5) | (9.5) | (9.5) |
| Change In Cash | (18.6) | (4.6) | (4.0) | 29.6 | 31.4 |
| Free CF | (8.1) | (16.0) | 29.6 | 31.8 | 33.5 |

## Financial Data & Ratios

| FY Dec (RM m) | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **Growth** | | | | | |
| Turnover | -15.0% | 7.0% | 0.8% | 9.1% | 18.7% |
| EBITDA | 4.0% | -2.9% | 16.0% | 12.5% | 20.9% |
| Operating Profit | 3.9% | -3.7% | 17.2% | 13.4% | 22.7% |
| PBT | 3.7% | -3.6% | 17.3% | 13.4% | 22.7% |
| Core Net Profit | 1.4% | -4.4% | 18.7% | 13.4% | 22.7% |
| **Profitability** | | | | | |
| Gross Profit Margin | 19.4% | 18.5% | 19.5% | 20.0% | 21.0% |
| EBITDA Margin | 11.5% | 10.4% | 12.0% | 12.3% | 12.6% |
| Operating Margin | 10.5% | 9.4% | 11.0% | 11.4% | 11.8% |
| PBT Margin | 10.4% | 9.4% | 10.9% | 11.4% | 11.8% |
| Core Net Margin | 7.9% | 7.1% | 8.3% | 8.6% | 8.9% |
| Effective Tax Rate | 24.3% | 24.9% | 24.0% | 24.0% | 24.0% |
| ROA | 8.4% | 7.7% | 6.7% | 6.6% | 7.6% |
| ROE | 7.5% | 6.7% | 8.3% | 8.6% | 10.1% |
| **Leverage** | | | | | |
| Debt/Asset (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt/Equity (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net (Cash)/Debt | (9.9) | (39.5) | (70.9) | (9.9) | (39.5) |
| Net Debt/Equity (x) | (0.0) | (0.1) | (0.2) | (0.0) | (0.1) |
| **Valuations** | | | | | |
| Core EPS (sen) | 7.2 | 6.9 | 8.1 | 9.2 | 11.3 |
| NDPS (sen) | 3.0 | 3.0 | 3.5 | 4.0 | 5.0 |
| BV/sh (RM) | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 |
| PER (x) | 11.1 | 11.5 | 9.7 | 8.6 | 7.0 |
| Div. Yield (%) | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| PBV (x) | 1.1 | 1.1 | 1.2 | 1.3 | 1.5 |

***Source: Mercury Securities***

# Disclaimer & Disclosure of Conflict of Interest

**This report has been prepared by Mercury Securities pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.**

The information contained in this report is based on data obtained from data and sources believed to be reliable at the time of issue of this report. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the information or opinions in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to Mercury Securities Sdn Bhd. ("Mercury Securities") and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. Mercury Securities expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Accordingly, neither Mercury Securities nor any of its holding company, related companies, directors, employees, agents and/or associates nor person connected to it accept any liability whatsoever for any direct, indirect, or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Mercury Securities has no obligation to update its opinion or the information in this report.

This report does not have regard to the specific investment objectives, financial situation and particular needs of any specific person. Accordingly, investors are advised to make their own independent evaluation of the information contained in this report and seek advice from, amongst others, tax, accounting, financial planner, legal or other business professionals regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you. This report is not intended and should not under no circumstances be considered as an offer to sell or a solicitation of any offer or a solicitation or expression of views to influence any one to buy or sell the securities referred to herein or any related financial instruments.

Mercury Securities and its holding company, related companies, directors, employees, agents, associates and/or person connected with it may, from time to time, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment, share margin facility or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests and should exercise their own judgement before making any investment decisions.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Mercury Securities. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted, or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Mercury Securities takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Mercury Securities own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Mercury Securities' website shall be at your own risk.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

# Recommendation Rating

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

| | |
|---|---|
| **BUY** | Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield) |
| **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:

MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my