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Yenher Holdings Berhad

Company Update
BUY (⇔)
Research Team Coverage / research@mersec.com.my
Thursday, August 27, 2026
Price: RM 0.810
Target Price: RM 1.000 (⇓)

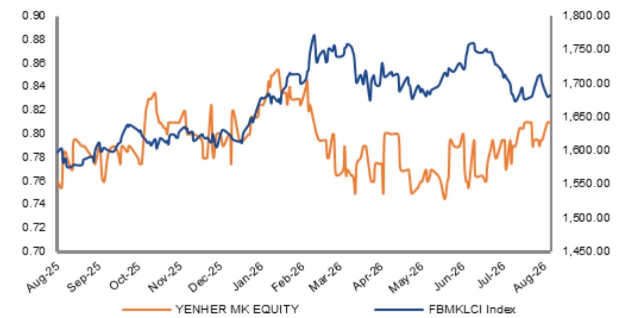
Growth Catalysts Nearing, Valuations Remain Undemanding

Yenher's 2QFY26 post-results briefing reinforced our constructive view on the Group, with stronger earnings conversion despite a softer topline and several growth catalysts approaching commercialisation. 6MFY26 PATAMI rose 47% YoY despite revenue declining 7%, supported by a better product mix, stronger feed-additive contribution and improved cost efficiency. Management expects ASPs to remain broadly flat to slightly lower, while margins should be sustained around 6MFY26 levels. The new GMP-compliant facility remains targeted for completion by end-2026, while European Protein is approaching commissioning and the Black Soldier Fly (BSF) venture has commenced operations. We trim FY26E/FY27E earnings by 4%/2% solely to reflect higher effective tax rates of 27%/25% versus 24% previously, with our operating and margin assumptions unchanged. Consequently, our TP is nudged down by 1% to RM1.00 from RM1.01, offering c.23% upside. Maintain BUY.

We attended Yenher Holdings Berhad's 2QFY26 post-results briefing, with key takeaways as follows:

1. **Stronger earnings conversion despite softer topline, with margins expected to remain resilient.** Recap, 6MFY26 revenue declined 7% YoY to RM139.5m, reflecting softer Manufacturing revenue following changes in the sales mix between complete feed and premix products, alongside marginally weaker Distribution sales. Nevertheless, gross profit increased 10% to RM29.0m, lifting gross margin to 20.8% from 17.5%, while PATAMI surged 47% to RM12.4m and PATAMI margin expanded to 8.9% from 5.6%. Sequentially, 2QFY26 revenue rebounded 28% to RM78.4m and PATAMI increased 27% to RM6.9m, led by stronger Distribution sales, particularly feed additives. Management indicated that ASPs were broadly flat to slightly lower, suggesting the profitability improvement was primarily mix- and efficiency-driven rather than price-led. Going forward, management expects margins to remain around levels achieved in 6MFY26, reinforcing our view that the current earnings quality is sustainable without assuming further material margin expansion. The Group also declared an interim DPS of 1.50 sen, consistent with its policy of distributing at least 40% of PATAMI.
2. **Distribution remains the near-term earnings anchor while Manufacturing offers the next growth leg.** Distribution revenue rose 17% YoY to RM51.1m in 2QFY26 and 61% QoQ, driven predominantly by stronger feed-additive demand, while Manufacturing revenue fell 22% YoY to RM27.4m on changes in product mix. Importantly, management does not view the softer Manufacturing performance as structural, with existing capacity constraints limiting the Group's ability to expand production meaningfully until the new plant becomes operational. Export performance was also encouraging, with overseas revenue rising 27% YoY to RM11.8m in 2QFY26, increasing its contribution to approximately 15% of Group revenue. We expect Distribution to continue providing near-term earnings stability, while the progressive shift towards higher-value proprietary Manufacturing products should increasingly drive growth and earnings quality from FY27 onward.

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)			1,748.54
YTD KLCI chg.			4.1%
YTD Stock Price chg.			-1.2%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	1.9%	6.6%	3.8%
Relative to KLCI (%)	-0.2%	3.7%	-6.7%

Stock Information	
Market Cap (RM m)	243.0
Issued Shares (m)	300.0
52-week High (RM)	0.86
52-week Low (RM)	0.72
Est. Free Float (%)	27%
Beta vs FBM KLCI	0.6
3-month Avg Vol. (m)	39,376
Shariah Compliant	No
Bloomberg Ticker	YENHER MK EQUITY

Top 3 Shareholders	%
Cgh Holdings Sdn Bhd	45.0%
Cheng Mooh Tat	7.5%
Chye Cheng Mooh	3.5%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	291.4	293.9	320.7
EBITDA	30.3	35.1	39.5
EBIT	27.5	32.2	36.5
PBT	27.4	32.1	36.5
Core Net Profit	**20.7**	**23.3**	**27.2**
Consensus Net Profit	-	*25.0*	*29.1*
Earnings Revision (%)	-	*-3.9%*	*-1.8%*
Core EPS (sen)	**6.90**	**7.78**	**9.07**
Core EPS Growth (%)	-4.0%	12.8%	16.5%
Net Div. Yield (%)	3.8%	3.9%	4.6%
BVPS (sen)	0.90	0.97	1.06
PER (x)	11.7	10.4	8.9
PBV (x)	0.9	0.8	0.8
Net Gearing (x)	N.Cash	N.Cash	N.Cash

3. **The new GMP plant and downstream feedmill remain the principal medium-term earnings catalysts.** Completion of the highly automated GMP-compliant facility remains targeted by end-2026, subject to local-authority approvals. The integrated site will centralise manufacturing, R&D, warehousing and headquarters functions and will triple premix and formulated-product capacity to 31,200 tonnes per annum. The revised facility also incorporates downstream feed production for livestock, aquaculture and pet food, providing approximately 120,000 tonnes per annum of feedmill capacity. Beyond additional volume, the expansion should increase Yenher's flexibility in product mix, broaden its addressable market and deepen vertical integration. However, earnings contribution should build progressively as utilisation ramps up; hence, we continue to avoid assuming an aggressive immediate step-up in capacity utilisation in our forecasts.
4. **European Protein and BSF broaden Yenher's growth platform into sustainable animal nutrition.** The 60%-owned YH European Protein Asia JV with Fermentationexperts A/S is progressing towards installation, test runs and targeted commencement during 4Q2026. Key machinery has arrived from Europe, production staff have undergone technical training in Denmark, while distributors have been identified across Malaysia, Thailand, Vietnam, Indonesia and the Philippines. Commercial contribution should nevertheless build gradually following GMP+ certification and individual-country registrations. Meanwhile, Yenher Bio Green's BSF bioconversion operation commenced during 2QFY26, with targeted annual output of 1,000 tonnes of fresh larvae and 5,000 tonnes of organic fertiliser. Both ventures complement Yenher's existing animal-nutrition ecosystem and provide longer-term exposure to sustainable alternative proteins, aquaculture and regional markets, although we expect meaningful earnings contributions to develop progressively rather than immediately.
5. **Regional optionality and a debt-free balance sheet provide room to fund the next growth phase.** Management continues to seek opportunities to replicate Yenher's one-stop animal-health model across Southeast Asia and selected Middle Eastern markets, leveraging its established technical capabilities, proprietary formulations and existing distribution channels. Financially, Yenher remains conservatively positioned with zero bank borrowings, RM276.0m in total equity and a current ratio of 3.8x as at end-June 2026. Cash, deposits and money-market funds declined to RM10.7m from RM33.1m at end-FY25 as investment in the new plant accelerated, but management highlighted that the debt-free balance sheet provides flexibility to introduce leverage should funding requirements increase. Combined with its ≥40% dividend-payout policy, the Group retains a favourable balance between funding expansion and shareholder distributions.

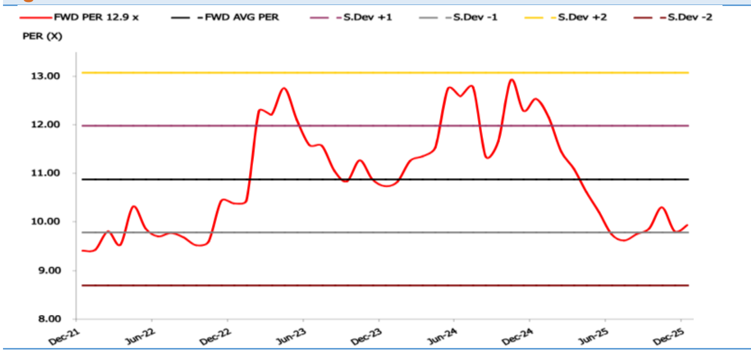
Post Update, we trim our FY26E/FY27E earnings by 4%/2% to RM23.3m/RM27.2m, respectively. The revisions are solely attributable to our higher effective tax-rate assumptions of 27%/25% for FY26E/FY27E, compared with 24% previously, following management guidance that FY26's tax rate should remain around the 6MFY26 level before normalising towards c.25% in FY27. We make no changes to our revenue or operating-margin assumptions, with gross margins maintained at approximately 19.5%/20.0% for FY26E/FY27E. Correspondingly, FY26E/FY27E core EPS is revised to 7.78 sen/9.07 sen, implying earnings growth of approximately 13%/17%, respectively. We view the revisions as largely technical rather than reflective of any deterioration in the underlying operating outlook.

Valuation. Following the earnings revisions, we lower our TP marginally by 1% to RM1.00 from RM1.01, based on an unchanged 11x target P/E applied to FY27E EPS of 9.07 sen. At RM0.81, our revised TP implies approximately 23% capital upside, before dividend yield. Valuations remain undemanding, with Yenher's FY27E P/E 8.9X is below peer's c.9.5x with valuation remains attractive given Yenher's stronger profitability profile, debt-free balance sheet, improving earnings mix and approaching capacity-expansion catalysts. Reiterate **BUY**.

Investment Case. We like Yenher for its combination of a defensive animal-health and nutrition franchise with an emerging structural growth story. Its integrated one-stop solutions model supports customer stickiness and recurring demand, while the new GMP facility should unlock constrained Manufacturing capacity and increase exposure to higher-value proprietary products. The downstream feedmill, European Protein and BSF platforms broaden the Group's addressable markets and provide additional medium-term growth avenues, while its strong balance sheet provides flexibility to execute the expansion without placing undue strain on gearing.

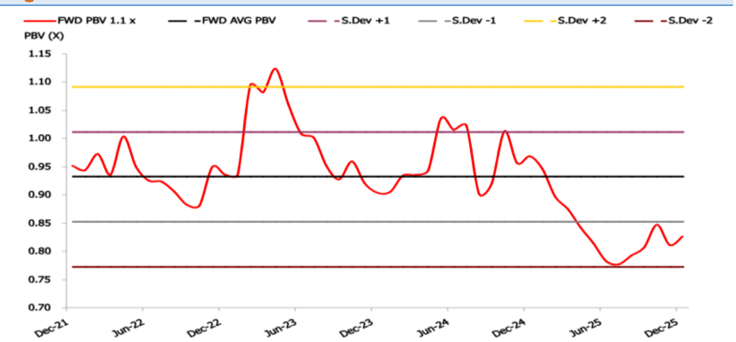
Key risks include: (i) weaker livestock-industry conditions, (ii) animal-disease outbreaks, (iii) volatility in raw-material, freight and foreign-exchange costs, (iv) reliance on the Malaysian market, (v) competitive pricing and ASP pressure, and (vi) slower-than-expected commissioning, ramp-up and capacity utilisation at the new GMP plant.

Figure 1: 5-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 5-Year P/B Band



Source: Bloomberg, Mercury Research

Key Financial Data

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 & Amortization	(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)
Profit Before Tax	28.4	27.4	32.1	36.5	44.7
Taxation	(6.9)	(6.8)	(8.7)	(9.1)	(10.7)
Net Profit	21.5	20.6	23.5	27.3	34.0
PATAMI	**21.6**	**20.7**	**23.3**	**27.2**	**33.8**

Balance Sheet

Fixed Assets	110.4	145.5	185.5	194.8	203.5
ROU Assets	3.1	2.0	1.3	0.9	0.6
Intangible Assets	3.0	2.8	4.6	6.3	8.1
Other Fixed Assets	0.0	6.7	6.7	6.7	6.7
Receivables	66.7	81.2	81.8	88.2	102.5
Other Current Assets	-	-	-	-	-
Cash	18.6	13.9	9.9	39.5	70.9
Total Assets	**289.5**	**310.5**	**364.2**	**415.9**	**479.7**
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	291.3	318.5	353.6
Minority Interests	0.15	0.63	-	-	-
Total Equity	**256.3**	**268.5**	**291.3**	**318.5**	**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	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%	14.0%	16.5%	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%	8.0%	8.5%	8.9%
Effective Tax Rate	24.3%	24.9%	27.0%	25.0%	24.0%
ROA	7.5%	6.7%	6.7%	6.6%	7.6%
ROE	8.4%	7.7%	8.0%	8.5%	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	(18.6)	(13.9)	(9.9)	(39.5)	(70.9)
Net Debt/Equity (x)	(0.1)	(0.1)	(0.0)	(0.1)	(0.2)
Valuations					
Core EPS (sen)	7.2	6.9	7.8	9.1	11.3
NDPS (sen)	3.0	3.0	3.1	3.6	5.0
BV/sh (RM)	0.9	0.9	1.0	1.1	1.2
PER (x)	11.3	11.7	10.4	8.9	7.0
Div. Yield (%)	0.0	0.0	0.0	0.0	0.1
PBV (x)	0.9	0.9	0.8	0.8	1.5

Source: Mercury Securities, Company

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