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BURSA RISE+
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Results Note
BUY (↑)

ahmadramzani@mersec.com.my
Wednesday, November 19, 2025
Price: RM 1.04
Target Price: RM 1.11 (↑)

Teo Seng Capital Berhad

Resilient Demand Cushions Subsidy Lift

Teo Seng's 9MFY22 results beat our expectations as its 3Q sales posted its best ever performance post pandemic and surpassed that of 2Q despite the absence of pre-festive buying, signalling the recovery in the general consumption. Its outlook will continue to be buoyed by the normalisation of consumption post pandemic, easing of inflationary pressure and margin recovery driven by easing food commodity prices. We raise our FY25E/FY26E earnings by 4%/19% each and increase TP by 19% to RM1.11 (from RM0.93). Upgrade to BUY from HOLD.

Teo Seng's 9MFY25 core net profit accounted for 83% of our full-year forecast, exceeding expectations. The key variance against our forecast came from i) 3Q sales posting its best sales & surpassing 2Q, despite the absence of pre-festive buying, signalling the recovery in the general consumption and ii) ETR of 5% (vs 24% of ours).

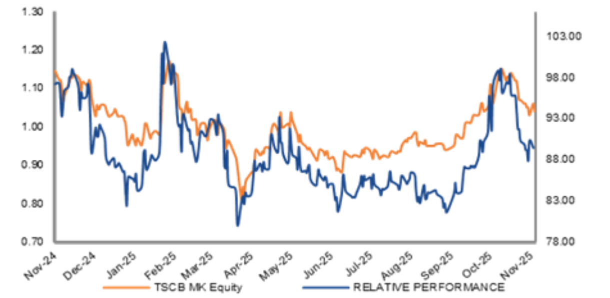
YoY, revenue fell 4.2% to RM541.5m due to a 5.8% contraction in revenue contribution by poultry farming segment from weaker average selling price of eggs despite the growing sales quantity of eggs. On the contrary, the distribution of pet food, medicine and other animal health related products segment recorded growth by 4.9%, supported by higher demand for animal health products. Core net profit dropped 8.4% to RM108.6m, driven by higher OPEX at RM81.1m (9MFY24: RM46.3m).

QoQ, revenue climbed 17.6% from RM171.4m to RM201.5m on the back of higher sales quantity of eggs and improved contribution from the animal health products segment. OPEX felled 25.8% with margins falling 6ppts to 12.8% implying on-going cost efficiency. However, PBT declined 28.0% from RM45.1m to RM32.5m, due to lower egg subsidy received from the government c.RM13.1m (2QFY25: c.RM41.0m). Core net profit also dropped 39.8% to RM25.3m due to higher tax expenses at RM7.1m (2QFY25: RM3.0m)

Looking Forward. Management remains cautiously optimistic, noting that core layer-farming operations continue to be supported by resilient egg demand despite the removal of the blanket egg subsidy on 1st August 2025. The Group expects the impact to be manageable, aided by: (i) stable feed prices, (ii) steady demand for eggs and (iii) ongoing efficiency improvement across the Group. Capacity expansion and operational excellence remain key priorities, underpinned by a strong balance sheet, disciplined execution and a sustainability-led management approach. Nonetheless, softer average selling price of eggs remains a key concern.

Post results, we raise our FY25E/FY26E earnings by 4%/16% each to reflect: (i) stronger top lines (FY25E), (ii) improving ASP's by 15ppt (FY26E) – to reflect normalisation ahead and iii) Opex margins slashed by 3ppts to 15% (FY26E) to reflect operational efficiency.

Share Price Performance



Business Overview

Teo Seng Capital Bhd. is an investment holding company principally involved in poultry farming as well as the manufacture and marketing of paper egg trays and animal feeds, along with the distribution of animal health products.

Return Information	
KLCI (pts)	1,614.06
YTD KLCI chg.	-1.7%
YTD Stock Price chg.	-5.5%

Price Performance	1M	3M	12M
Absolute (%)	-1.9%	5.6%	-7.3%
Relative to KLCI (%)	-2.3%	3.7%	-7.9%

Stock Information	
Market Cap (RM m)	610.4
Issued Shares (m)	586.9
52-week High (RM)	1.24
52-week Low (RM)	0.83
Est. Free Float (%)	84.0%
Beta	1.4
3-month Avg Vol.	836,395
Shariah Compliant	Yes
Bloomberg Ticker	TSCB MK Equity

Top 3 Shareholders	%
Advantage Valuations	53.0%
Khing Kong Goon	3.4%
Leong Hup Sdn Bhd	2.4%

FY Dec (RM m)	FY24A	FY25E	FY26E
Revenue	753.8	743.1	891.8
EBITDA	229.5	189.4	110.5
EBIT	200.1	156.8	73.7
PBT	198.4	156.2	72.2
Net Profit	183.4	135.9	54.9
Core Net Profit	183.4	135.9	54.9
Core EPS (sen)	30.9	22.9	9.3
Core EPS Growth (%)	18%	-26%	-60%
Net DPS (sen)	0.1	0.1	0.0
BV Per Share (sen)	104.3	127.3	136.5
Net Div. Yield (%)	6.0%	10.6%	4.3%
P/E (x)	3.4	4.5	11.2
ROE (%)	29.6%	18.0%	6.8%

Valuations and Recommendation. We raise our TP valuation to **RM1.11 (RM0.93) previously**) ascribing an unchanged FY26E PER of 12x based on the 10-year average P/E of domestic peers, adjusted to exclude subsidies-related income for a more accurate reflection of a normalised operating condition. **Upgrade to BUY from HOLD.**

Investment case. We are turning optimistic on Teo Seng's long-term outlook. BNM in its 3QGDP report are positive on rising consumer demand ahead as macro uncertainties eased coupled with lower inflationary pressures. Moving ahead Teo Seng's outlook will be driven by: (i) resilient market demand for eggs, (ii) vertically integrated operations, and (iii) downstream expansion growth and iii) better margins on easing inputs cost and operational efficiency.

Risks to our recommendation include: (i) risk of poultry disease, (ii) feed cost volatility, (iii) forex volatility, and (iv) softer average selling price of eggs.

Results Highlights

Y/E : Dec (RM m)	3Q25	2Q25	QoQ Chg. %	3Q24	YoY Chg. %	9M25	9M24	YoY Chg. %
Turnover	201.5	171.4	17.6%	190.3	5.9%	541.5	565.4	-4.2%
Gross Profit	54.4	46.3	17.6%	51.4	5.9%	146.2	152.6	-4.2%
OPEX	(25.8)	(33.2)	-22.2%	(23.6)	9.5%	(81.1)	(46.3)	75.1%
EBITDA	41.6	54.1	-23.1%	71.3	-41.6%	150.5	160.5	-6.2%
EBIT	33.6	46.2	-27.4%	64.0	-47.6%	126.9	138.9	-8.6%
PBT/(LBT)	32.5	45.1	-28.0%	62.6	-48.2%	123.7	134.8	-8.2%
Taxation	7.1	3.0	141.2%	4.6	56.6%	15.1	16.3	-7.4%
Net Profit	25.3	42.1	-39.9%	58.1	-56.4%	108.6	118.5	-8.4%
PATAMI	25.3	42.1	-39.8%	58.1	-56.3%	108.6	118.5	-8.4%
Core EPS (sen)	4.3	7.1	-39.8%	9.8	-56.0%	18.4	20.0	-8.1%
DPS (sen)	1.5	1.5	0.0%	3.0		5.0	8.5	
Margins								
Gross	27.0%	27.0%		27.0%		27.0%	27.0%	
Opex	-12.8%	-19.4%		-12.4%		-15.0%	-8.2%	
EBITDA	20.6%	31.6%		37.4%		27.8%	28.4%	
EBIT	16.7%	27.0%		33.6%		23.4%	24.6%	
PBT	16.1%	26.3%		32.9%		22.8%	23.8%	
PATAMI	12.6%	24.6%		30.5%		20.0%	21.0%	
ETR	22.0%	6.6%		7.3%		12.2%	12.1%	
Revenue by Business Segments (RMm)								
Poultry Farming	172.3	141.4	21.8%	162.4		456.0	483.9	-5.8%
Distribution of pet food, medicine and other animal health related products	29.2	29.9	-2.3%	27.9		85.5	81.5	4.9%

Source: Company, Bursa Malaysia, Mercury Securities

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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