Results Note
BUY (↔)
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Wednesday, May 13, 2026
Price: RM 0.90
Target Price: RM 1.17 (↑)

# Teo Seng Capital Berhad

## Results Within Expectations

**Teo Seng's 1QFY26 results came in within expectations as we have anticipated for the impact to its earnings following the removal of government egg subsidies. Both its poultry segment and trading services saw high single digit growth. However on housekeeping we raised our FY26E/FY27E earnings estimates by c.3%. Reiterate our BUY call with raised TP of RM1.17, ascribing a revised FY26E EPS of 9.7 sen to an unchanged P/E multiple of 12.0x.**

**Within Expectations,** Teo Seng's results were broadly in line with our expectations, representing 26% of ours but missed market estimates at 18%. No dividend was declared for the quarter under review as historically dividends are declared in the 2nd and 4th Quarter of the financial year.

**YoY,** topline rose 9.5% to RM184.6m driven by the higher sales quantity of eggs and higher demand for animal health products as both the poultry farming segment and trading of animal health related products segment each recorded growth of 9.5%. However, PBT and PATAMI dropped by 47.7% and 63.9% respectively, mainly attributable to the absence of government subsidies which saw the poultry farming segment's PBT fell by 62.2% to RM12.2m. On the contrary, the Group's trading of animal health related products segment recorded a 44.4% growth to RM6.9m. Stripping out the subsidies, core earnings saw an 11.8% growth from RM13.3m in 3MFY25 to RM14.8m, indicating solid fundamental growth despite the removal of blanket subsidies.

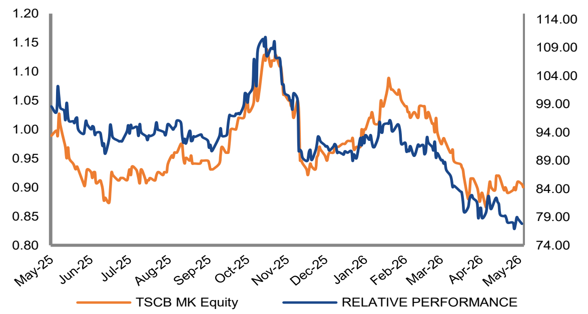
**QoQ**, topline declined by 5.1%, dragged by lower selling price of eggs and lower sales volume of eggs. The poultry farming segment, contributing c.84% to total revenue, contracted by 5.7% while the trading of animal health related products slipped by 1.5%. PBT and PATAMI fell sharply by 56% respectively, registering PBT and PATAMI margins at 10.2% and 8.0% respectively vs 22.1% and 17.2% respectively (4QFY25), mainly attributable to the significantly lower contribution from the Other income segment. Recall that the lift of egg subsidies was in August 2025 and the 4QFY25 was the first quarter post-subsidy removal.

**Outlook.** In the new era of normalised earnings from the removal of blanket government subsidies, we expect the Group to remain resilient, supported by sustained demand for eggs in both Malaysia and Singapore, stable ringgit currency as well as its ongoing diversification into higher-margin downstream products such as egg mayo, liquid eggs and hardboiled eggs. This is evident in the 11.8% YoY growth in core earnings, reflecting the Group's sustained perseverance and solid fundamental strength. Furthermore, the Group had already purchased forward contracts amounting to RM139,000, insulating the Group from volatility in feed prices through 1HFY26 amid disruptions to global shipping.

**Post results,** we tweak our FY26E/FY27E earnings estimates by c.3% on housekeeping, and maintain our margin assumptions; namely GP/PBT/PATAMI at 37%/10%/8% respectively.

**Valuations.** We maintain our 12.0x P/E multiple based on the 10-year average P/E of domestic peers, PWF and LTKM, adjusted to exclude subsidies-related income (FY22-FY25) for a more accurate reflection of a normalised operating condition. TP to RM1.17 (+0.9%) based on revised FY26E EPS of 9.7 sen, reiterating our BUY call.

### 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) | 1,750.56 |
| YTD KLCI chg. | 4.2% |
| YTD Stock Price chg. | -7.7% |

| Price Performance | | | |
|---|---|---|---|
| Absolute (%) | 4.0 | -12.6 | -9.8 |
| Relative to KLCI (%) | -0.1 | -12.3 | -20.4 |

| Stock Information | |
|---|---|
| Market Cap (RM m) | 520.1 |
| Issued Shares (m) | 579.7 |
| 52-week High (RM) | 1.17 |
| 52-week Low (RM) | 0.87 |
| Est. Free Float (%) | 84% |
| Beta | 1.2 |
| 3-month Avg Vol. | 379,787 |
| Shariah Compliant | Yes |
| Bloomberg Ticker | TSCB MK Equity |

| Top 3 Shareholders | |
|---|---|
| Advantage Valuations | 53.9% |
| Khing Kong Goon | 3.5% |
| Leong Hup Sdn Bhd | 2.5% |

| FY Dec (RM m) | FY25A | FY26E | FY27E |
|---|---|---|---|
| Revenue | 735.9 | 762.2 | 848.1 |
| EBITDA | 188.2 | 112.0 | 124.0 |
| EBIT | 156.2 | 76.9 | 87.1 |
| PBT | 156.5 | 76.0 | 85.4 |
| Net Profit | 142.1 | 57.8 | 64.9 |
| Core Net Profit | 142.1 | 57.8 | 64.9 |
| Consensus Net Profit | - | 82.2 | 90.1 |
| Earnings Revision (%) | - | 2.6 | 2.9 |
| Core EPS (sen) | 24.0 | 9.7 | 11.0 |
| Core EPS Growth (%) | -22.5 | -59.3 | 12.4 |
| Net DPS (sen) | 5.0 | 2.4 | 2.7 |
| Net Div. Yield (%) | 4.6 | 2.7 | 3.0 |
| BV Per Share (sen) | 121.7 | 131.5 | 142.4 |
| P/E (x) | 3.8 | 9.2 | 8.2 |
| ROE (%) | 19.7 | 7.4 | 7.7 |

**Investment case.** We continue to like Teo Seng for its long-term outlook, driven by: (i) resilient market demand for eggs, (ii) vertically integrated operations, (iii) downstream expansion growth and (iv) improving macro-economic environment.

**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) | 1Q26 | 4Q25 | *QoQ Chg* | 1Q25 | *YoY Chg* | 3M26 | 3M25 | YoY Chg |
|---|---|---|---|---|---|---|---|---|
| **Turnover** | **184.6** | **194.4** | ***-5.1%*** | **168.6** | ***9.5%*** | **184.6** | **168.6** | ***9.5%*** |
| EBITDA | 29.1 | 52.5 | *-44.4%* | 44.7 | *-34.8%* | 29.1 | 44.7 | *-34.8%* |
| EBIT | 20.3 | 44.1 | *-54.0%* | 37.0 | *-45.3%* | 20.3 | 37.0 | *-45.3%* |
| **PBT/(LBT)** | **18.9** | **42.9** | ***-56.0%*** | **36.1** | ***-47.7%*** | **18.9** | **36.1** | ***-47.7%*** |
| Taxation | (4.1) | (9.4) | *-56.9%* | 5.0 | *-180.4%* | (4.1) | 5.0 | *-180.4%* |
| Net Profit | 14.9 | 33.5 | *-55.6%* | 41.1 | *-63.8%* | 14.9 | 41.1 | *-63.8%* |
| **PATAMI** | **14.8** | **33.5** | ***-55.8%*** | **41.1** | ***-64.0%*** | **14.8** | **41.1** | ***-64.0%*** |
| Core Earnings* | 14.8 | 33.5 | *-55.8%* | 13.3 | *11.8%* | 14.8 | 13.3 | *11.8%* |
| Core EPS (sen) | 2.6 | 5.7 | *-55.3%* | 7.0 | *-63.2%* | 2.6 | 7.0 | *-63.2%* |
| DPS (sen) | 0.0 | 1.0 | | 2.0 | | 0.0 | 2.0 | |
| | | | | | | | | |
| **Margins** | | | | | | | | |
| EBITDA | 27.0% | 27.0% | | 27.0% | | 27.0% | 27.0% | |
| OPEX | -11.5% | -3.7% | | -19.0% | | -11.5% | -19.0% | |
| EBITDA | 15.8% | 27.0% | | 26.5% | | 15.8% | 26.5% | |
| EBIT | 11.0% | 22.7% | | 22.0% | | 11.0% | 22.0% | |
| PBT | 10.2% | 22.1% | | 21.4% | | 10.2% | 21.4% | |
| PATAMI | 8.0% | 17.2% | | 24.4% | | 8.0% | 24.4% | |
| ETR | -21.5% | -21.9% | | 14.0% | | -21.5% | 14.0% | |
| | | | | | | | | |
| **Revenue by Business Segments (RMm)** | | | | | | | | |
| Poultry Farming | 155.8 | 165.1 | *-5.7%* | 142.3 | | 155.8 | 142.3 | *9.5%* |
| Trading of animal health-related products | 28.8 | 29.2 | *-1.5%* | 26.3 | | 28.8 | 26.3 | *9.5%* |

*Source: Company, Bursa Malaysia, Mercury Securities*
**Core earnings is calculated by removing Other income in which government subsidies are present.*

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| | |
|---|---|
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