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BURSA RISE+
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Results Note
BUY (⇔)
research@mersec.com.my
Wednesday, August 19, 2026
Price: RM 0.90
Target Price: RM 1.14 (↓)

Teo Seng Capital Berhad

Core Earnings Improve, while Softer Egg Prices Temper Outlook

Teo Seng's 6MFY26 headline results were below our prior expectation, although core earnings more than doubled (minus subsidies) YoY as higher egg volumes and disciplined cost management partly offset the removal of government egg subsidies. Both poultry farming and animal health products recorded revenue growth. We cut FY26E/FY27E core earnings by 8.8%/8.1% to reflect softer egg ASP. TP lowered by 3% to RM1.14 as we rollover our valuations to FY27E EPS of 10.1 sen ascribing a revised PE multiple of 11.28x (previously 12x). Undemanding valuations we maintain our BUY call.

6MFY26 results came in below our/market expectations, with core net profit of RM22m made up of 38%/32% of ours/market full-year estimates, but we deemed this broadly in line with our estimates, as historically, the drivers for Teo Seng full-year earnings are in 3Q/4Q where it accounts c.61% of the full-year earnings (FY22-FY25). A first interim dividend of 1.0 sen was declared, below our expectation, representing 41% of our FY26E full-year dividend assumption of 2.4 sen.

YoY, 6MFY26 Topline grew by +5% YoY to RM356m (above our expectation of +4% YoY growth and makes up 47% of our full-year FY26 forecast). The growth was driven by higher sales quantity of eggs, with the Poultry Farming segment growing +5% YoY, and stable demand for animal health products, with the trading of animal health-related products segment recording +4% YoY growth. Operating expenses eased 0.8% despite the higher revenue, but other income fell 96.0% to RM2.9m from RM72.3m following the withdrawal of the egg subsidy scheme. Consequently, EBITDA declined 49.0% to RM50.4m and the EBITDA margin narrowed to 14.2% from 29.1%. PBT fell 63.7% to RM29.5m, with margin contracting to 8.3% from 23.9%. Poultry farming PBT declined 76.9% to RM16.3m, whereas animal health products PBT rose 16.2% to RM13.9m. PATAMI decreased 73.4% to RM22.1m, while its margin fell to 6.2% from 24.5%; the decline was compounded by a RM7.3m tax expense versus a RM2.1m tax credit in 6MFY25. Excluding subsidy-related income and applying the same ETR during the 6MFY25, core earnings increased >100% from RM9m to RM22m, underscoring the improvement in underlying operations.

QoQ, revenue declined 7.1% to RM171.4m. The poultry farming segment, which contributed 83% of group revenue, contracted 8.9% as egg ASP softened, while animal health products revenue rose 2.3%. EBITDA fell 27.1% to RM21.3m, with its margin narrowing by 3.4ppts to 12.4%. PBT declined 43.9% to RM10.6m amid the weaker operating result and higher finance and depreciation costs. PATAMI fell 50.1% to RM7.4m, while its margin contracted to 4.3% from 8.0%, partly due to a higher effective tax rate of 30.6% versus 21.5% in 1QFY26.

Outlook. Under the current normalised operating environment following the removal of blanket government subsidies, the Group expects financial performance to remain satisfactory for the remaining half of the year, supported by sustained demand for eggs, stable ringgit currency and recent improved market conditions. We see further upside from the Group's ongoing

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)	1,733.36
YTD KLCI chg.	3.2%
YTD Stock Price chg.	-7.7%

Price Performance			
Absolute (%)	4.7%	7.1%	-7.7%
Relative to KLCI (%)	4.5%	6.8%	-17.1%

Stock Information	
Market Cap (RM m)	509.6
Issued Shares (m)	566.3
52-week High (RM)	1.17
52-week Low (RM)	0.79
Est. Free Float (%)	82%
Beta	1.1
3-month Avg Vol.	435,684
Shariah Compliant	Yes
Bloomberg Ticker	TSCB MK Equity

Top 3 Shareholders	
Advantage Valuations	55.0%
Khing Kong Goon	4.2%
Leong Hup Sdn Bhd	2.5%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	735.9	716.0	798.2
EBITDA	188.2	105.6	117.1
EBIT	156.2	70.5	80.1
PBT	156.5	69.6	78.5
Net Profit	142.1	52.9	59.7
Core Net Profit	142.1	**52.9**	**59.7**
Consensus Net Profit	-	69.5	81.9
Earnings Revision (%)	-	*-8.8%*	*-8.1%*
Core EPS (sen)	24.0	8.9	10.1
Core EPS Growth (%)	-22.5	-62.8%	12.8%
Net DPS (sen)	5.0	2.2	2.5
Net Div. Yield (%)	4.6	**2.5%**	**2.8%**
BV Per Share (sen)	121.7	130.7	140.7
P/E (x)	3.8	10.1	8.9
ROE (%)	19.7%	6.8%	7.2%

diversification into higher-margin downstream products such as egg mayo, liquid eggs and hardboiled eggs. Furthermore, stable demand for animal health products continued to support earnings.

Post results, we cut our FY26E/FY27E core earnings estimates by 8.8%/8.1% to RM52.7m/RM59.6m, mainly to reflect softer egg ASPs.

Valuations. We lower our target price to RM1.14 (previously RM1.17), based on a PE multiple of 11.28x as we rollover our valuation's to FY27E core EPS of 10.1 sen. The target multiple is derived from the five-year average P/E of domestic peers PWF and LTKM on earnings excluding subsidy income, and reflects the softer egg ASPs post Covid. Valuations still undemanding we maintain our **BUY call.**

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, and (iii) downstream expansion growth.

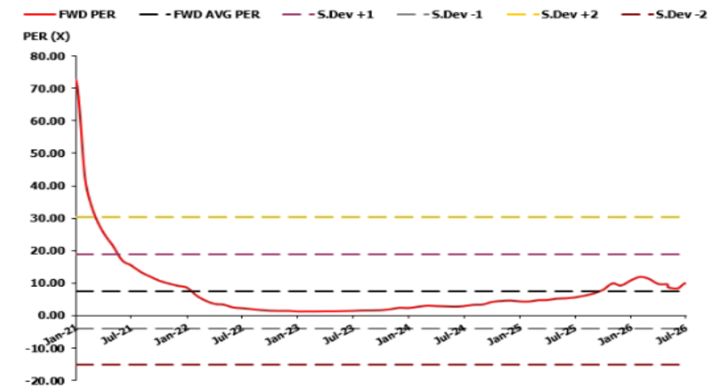
Risks to our recommendation include: (i) risk of poultry disease, (ii) feed cost volatility, (iii) forex volatility, (iv) improving average selling price of eggs, and (v) Escalation of geopolitical issue.

Results Highlights

Y/E: Dec (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
Turnover	**171.4**	**184.6**	***-7.1%***	**171.4**	***0.0%***	**356.0**	**340.0**	*4.7%*
EBITDA	21.3	29.1	*-27.1%*	54.1	*-60.7%*	50.4	98.8	*-49.0%*
EBIT	12.1	20.3	*-40.2%*	46.2	*-73.8%*	32.4	83.3	*-61.1%*
PBT/(LBT)	**10.6**	**18.9**	***-43.9%***	**45.1**	***-76.5%***	**29.5**	**81.2**	***-63.7%***
Taxation	(3.2)	(4.1)	*-19.9%*	(3.0)	*9.7%*	(7.3)	2.1	*-450.6%*
Net Profit	7.4	14.8	*-50.4%*	42.1	*-82.5%*	22.2	83.2	*-73.4%*
PATAMI	**7.4**	**14.8**	*-50.1%*	**42.1**	*-82.5%*	**22.1**	**83.2**	*-73.4%*
Core Earnings*	7.4	14.8	*-50.1%*	3.8	*95.3%*	22.1	9.1	*>100%*
Core EPS (sen)	1.3	2.5	*-50.0%*	7.1	*-82.1%*	3.8	14.1	*-72.9%*
DPS (sen)	1.0	0.0		1.5		1.0	3.5	
Margins								
EBITDA	12.4%	15.8%		31.6%		14.2%	29.1%	
OPEX	-16.0%	-11.5%		-19.4%		-13.6%	-19.2%	
EBIT	7.1%	11.0%		27.0%		9.1%	24.5%	
PBT	6.2%	10.2%		26.3%		8.3%	23.9%	
PATAMI	4.3%	8.0%		24.6%		6.2%	24.5%	
ETR	-30.6%	-21.5%		-6.6%		-24.8%	2.6%	
Revenue by Business Segments (RM'm)								
Poultry Farming	142.0	155.8	*-8.9%*	141.4		297.7	283.7	*4.9%*
Trading of animal health-related products	29.5	28.8	*2.3%*	29.9		58.3	56.2	*3.6%*

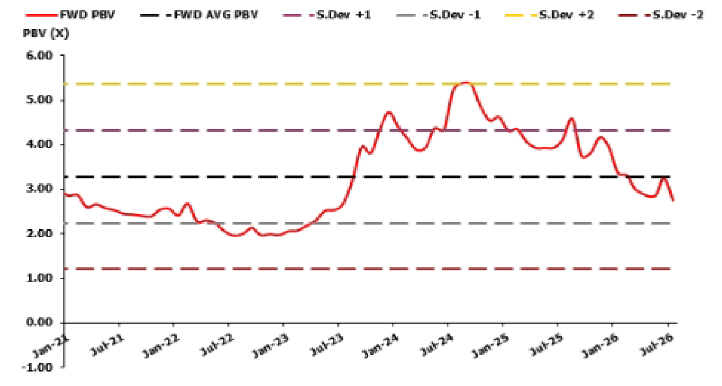
Source: Company, Bursa Malaysia, Mercury Securities
**Core earnings is calculated by removing Other income in which government subsidies are present.*

Figure 1: 5-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 5-Year P/B Band



Source: Bloomberg, Mercury Research

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Published & Printed By:

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