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Teo Seng Capital Berhad

Cracking a Comeback Without Subsidies

Results Note
BUY (⇔)
research@mersec.com.my
Tuesday, November 17, 2026
Price: RM 0.810
Target Price: RM 1.190 (↑)

Teo Seng's 9MFY26 headline results exceeded expectations, supported by higher egg sales volumes and improved ASPs. 3QFY26 saw a strong earnings rebound, with PBT surging 171.8% QoQ despite the absence of government egg subsidies. The recovery was driven by stronger poultry farming performance, while the animal health products segment continued to deliver steady growth. We raise our FY26E/FY27E core earnings forecasts by 4.6%/4.4% to RM55.3m/RM62.3m, reflecting favourable egg ASPs. We also lift our TP to RM1.19 (previously RM1.14), based on an unchanged P/E multiple of 11.28x applied to FY27E core EPS of 10.5 sen. With improving earnings prospects and undemanding valuations, we maintain our BUY call.

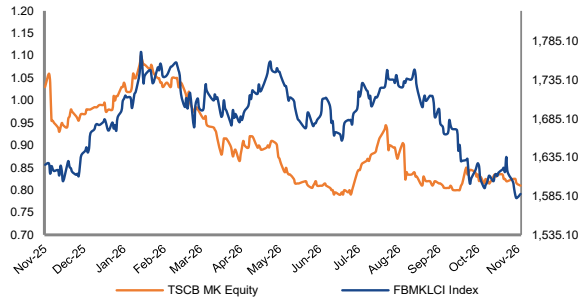
9MFY26 results came in above expectations, coming in at 82%/78% of ours/consensus full-year estimates. No additional dividend was declared in 3QFY26, with the first interim dividend of 1.0 sen per share paid in September 2026, representing 43.5% of our FY26E DPS forecast of 2.3 sen.

YoY, 9MFY26 Topline grew 5.9% to RM573.5m, accounting for 80.1% of our full-year FY26 forecast, driven by higher egg sales volumes and improved ASPs. Poultry Farming revenue rose 6.3% YoY to RM484.9m, while Animal Health Products grew 3.7% to RM88.7m on stable demand. Despite stronger revenue, EBITDA declined 35.7% YoY to RM90.3m, with margin narrowing to 15.7% from 25.9%, largely due to the withdrawal of government egg subsidies, which saw other income plunge 94.7% to RM4.5m. Nevertheless, OPEX eased 24.3% YoY to RM69.0m amid ongoing cost optimisation. PBT fell 48.7% YoY to RM58.3m, with margin contracting to 10.2% from 21.0%. Segmentally, Poultry Farming PBT declined 60.1% to RM39.1m following the subsidy withdrawal, while Animal Health Products PBT rose 23.9% to RM21.2m, supported by stable demand and a more favourable product mix in 3QFY26. PATAMI fell 60.1% YoY to RM43.3m, further weighed down by higher tax expenses of RM14.8m versus RM5.1m in 9MFY25. Excluding subsidy-related income and normalising for tax differences, core earnings increased 60.4% from RM27.0m to RM43.3m, highlighting stronger underlying operations.

QoQ, revenue rebounded 26.9% to RM217.5m, driven by higher egg sales volumes and improved ASPs, alongside sustained contributions from the Animal Health Products segment. The stronger operating performance lifted EBIT by 152.2% QoQ to RM30.6m, while PBT surged 171.8% to RM28.8m, with PBT margin expanding by 7.0ppts to 13.2% from 6.2% in 2QFY26. PATAMI jumped 188.0% QoQ to RM21.2m, with margin improving to 9.7% from 4.3%, reflecting the recovery in profitability despite higher tax expenses of RM7.5m versus RM3.2m in the preceding quarter.

Outlook. We remain positive on Teo Seng's FY26E–FY27E prospects, supported by resilient egg demand, improving egg ASPs and its vertically integrated operations. We see further growth catalysts from expanding market share, strengthening its branded egg portfolio and diversifying into higher-margin downstream products such as egg mayo, liquid eggs and hard-boiled eggs. These initiatives should support revenue growth and margin improvement, while stable demand for animal health products provides additional earnings support.

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)			1,588.03
YTD KLCI chg.			-5.5%
YTD Stock Price chg.			-16.9%
Price Performance			
Absolute (%)	-2.4%	-10.5%	-23.6%
Relative to KLCI (%)	-1.2%	-8.0%	-2.4%
Stock Information			
Market Cap (RM m)			451.7
Issued Shares (m)			557.7
52-week High (RM)			1.11
52-week Low (RM)			0.79
Est. Free Float (%)			82%
Beta			1.1
3-month Avg Vol.			549,602
Shariah Compliant			Yes
Bloomberg Ticker			TSCB MK Equity

Top 3 Shareholders	
Advantage Valuations	55.8%
Khing Kong Goon	4.3%
Leong Hup Sdn Bhd	2.6%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	735.9	739.1	798.2
EBITDA	188.2	108.8	117.1
EBIT	156.2	73.7	80.1
PBT	156.5	72.8	78.5
Net Profit	142.1	55.3	59.7
Core Net Profit	142.1	**55.3**	**59.7**
Consensus Net Profit	-	55.8	63.0
Earnings Revision (%)	-	*4.6%*	*4.4%*
Core EPS (sen)	24.0	9.3	10.5
Core EPS Growth (%)	-22.5	-61.1%	12.6%
Net DPS (sen)	5.0	2.3	2.6
Net Div. Yield (%)	4.6	**2.9%**	**3.2%**
BV Per Share (sen)	121.7	131.1	141.6
P/E (x)	3.4	8.7	7.7
ROE (%)	19.7%	7.1%	7.4%

Post results, we raise our FY26E/FY27E core earnings estimates by 4.6%/4.4% to RM55.3m/RM62.3m, respectively, mainly to factor in stronger-than-expected egg ASPs and the resulting improvement in operating margins.

Valuations. We raise our target price to RM1.19 (previously RM1.14), pegged to an unchanged target P/E multiple of 11.28x applied to our FY27E core EPS of 10.5 sen. The target multiple is derived from the five-year average P/E of domestic peers PWF and LTKM based on earnings excluding subsidy income. With improving egg ASPs supporting earnings recovery and valuations remaining 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)	3Q26	2Q26	*QoQ Chg*	3Q25	*YoY Chg*	9M26	9M25	YoY Chg
Turnover	**217.5**	**171.4**	***26.9%***	**201.5**	***7.9%***	**573.5**	**541.5**	***5.9%***
EBITDA	39.9	21.3	*87.7%*	41.6	*-4.1%*	90.3	140.4	*-35.7%*
EBIT	30.6	12.1	*152.2%*	33.6	*-9.0%*	62.9	116.8	*-46.1%*
PBT/(LBT)	**28.8**	**10.6**	***171.8%***	**32.5**	***-11.3%***	**58.3**	**113.6**	***-48.7%***
Taxation	(7.5)	(3.2)	*131.3%*	(7.1)	*5.2%*	(14.8)	(5.1)	*192.8%*
Net Profit	21.3	7.4	*189.6%*	25.3	*-15.9%*	43.5	108.6	*-60.0%*
PATAMI	**21.2**	**7.4**	*188.0%*	**25.3**	***-16.4%***	**43.3**	**108.6**	***-60.1%***
Core Earnings*	21.2	7.4	*188.0%*	15.1	*40.4%*	43.3	27.0	***60.4%***
Core EPS (sen)	3.7	1.3	*193.6%*	4.3	*-12.9%*	7.6	18.4	*-58.9%*
DPS (sen)	0.0	1.0		1.5		2.0	5.0	
Margins								
EBITDA	18.3%	12.4%		20.6%		15.7%	25.9%	
OPEX	-9.4%	-16.0%		-12.8%		-12.0%	-16.8%	
EBIT	14.0%	7.1%		16.7%		11.0%	21.6%	
PBT	13.2%	6.2%		16.1%		10.2%	21.0%	
PATAMI	9.7%	4.3%		12.6%		7.5%	20.0%	
ETR	-26.1%	-30.6%		-22.0%		-25.4%	-4.5%	
Revenue by Business Segments (RM'm)								
Poultry Farming	187.1	142.0	*31.8%*	172.3	*8.6%*	484.9	456.0	*6.3%*
Trading of animal health-related products	30.4	29.5	*3.2%*	29.2	*4.0%*	88.7	85.5	*3.7%*

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

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