Company Name : **Teo Seng Capital Berhad**
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81 SEN TARGET PRICE

PublicInvest upgrades Teo Seng Capital to 'neutral'

KUALA LUMPUR: Teo Seng Capital Bhd is expected to see a gradual recovery in earnings as egg prices improve.

Public Investment Bank Bhd (PublicInvest) said early signs of an egg price recovery were emerging, supported by tighter supply following farm closures and adverse weather conditions, while inelastic demand should provide earnings stability.

It said the egg market was returning to equilibrium following the removal of government subsidies, with some layer farms exiting the industry as they were unable to convert from open-air to closed-house systems.

"Challenging weather conditions have also reduced egg size and production volumes.

"We expect egg supply in the coming quarter to be lower, with a higher proportion of smaller-sized eggs, providing some near-term price support, although the magnitude and duration remain uncertain," it said in a note.

PublicInvest added that the recovery could be offset by higher feed costs, with wheat and soymeal accounting for 70 per cent of egg production costs.

"An El Niño-driven spike in wheat and soymeal prices remains a key downside risk."

Following a recent meeting with Teo Seng's management, it raised its earnings forecasts for financial year 2026 to 2028 by an average of 29 per cent.

The firm also expects the group's higher-margin animal health segment to support net profit and cushion the cyclical nature of its poultry business.

PublicInvest upgraded Teo Seng to "neutral" from "underperform" and raised its target price to 81 sen, based on a higher valuation multiple of seven times financial year 2027 forecast earnings per share, compared with five times previously.

It said Malaysia's egg market had historically fluctuated between periods of oversupply and shortage, from a Covid-19-induced glut in 2020 that drove farm-gate prices down 38 per cent to a shortage in 2022 and a return to oversupply this year.

It said egg production reached 16.7 billion eggs, compared with annual consumption of about 11.6 billion, following the removal of subsidies in August 2025.

"While the worst appears to be over, we believe the tighter supply environment and improving egg prices should support Teo Seng's earnings trajectory," PublicInvest said.