**Company Name** **: Teo Seng Capital Berhad**
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# Teo Seng Falls To Five-Week Low After 2Q Miss


KUALA LUMPUR (Aug 19): Teo Seng Capital Bhd (KL:TEOSENG) on Wednesday fell to its lowest in nearly five weeks as investors baulked at the poultry firm's weaker-than-expected results.

Public Investment Bank, one of only two research houses covering Teo Seng, downgraded its recommendation to 'underperform' equivalent to 'sell' while cautioning margin pressure from higher costs of feed and transportation from elevated oil prices and ongoing geopolitical tensions.

Selling prices of eggs are expected to remain depressed due to “oversupply from an expanded layer population that has outpaced demand”, the house said in a note.

Teo Seng declined as much as 6.5 sen or over 7% to 83.5 sen, its lowest since July 14. The stock was trading at 84.5 sen at 10am as more than one million shares changed hands, giving the company a market capitalisation of RM479 million.

Shares of Teo Seng have lost more than 20% of their value from the peak in January as the company grappled with challenges that include the removal of egg subsidies.

Ongoing geopolitical conflict in the Middle East, meanwhile, has raised prices of oil and freight as well as choked off the global flow of key commodities including grains crucial as animal feed.

Mercury Securities cut its target price to RM1.14 but maintained its ‘buy’ call. Teo Seng’s valuations are undemanding based on Tuesday’s closing price of 90 sen that valued the stock at about 10 times this year’s projected earnings, the house noted.

“We see further upside from the group’s ongoing diversification into higher-margin downstream products such as egg mayo, liquid eggs and hard-boiled eggs,” Mercury Securities said. “Furthermore, stable demand for animal health products continued to support earnings.”