Company Name **: Teo Seng Capital Berhad**
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Teo Seng To See Weaker Earnings In 4Q As Egg Subsidies Phase Out — PublicInvest

KUALA LUMPUR (Nov 19): Teo Seng Capital Bhd (KL:TEOSENG) is expected to post weaker earnings in the fourth quarter ending Dec 31, 2025 (4QFY2025) following the complete removal of egg subsidies, according to PublicInvest Research.

The research house said in a note the phase-out of subsidies — reduced on May 1, and fully removed on Aug 1 — will continue to normalise the group's earnings from the high base recorded in FY2024.

Teo Seng's 3QFY2025 core profit after tax and minority interest (Patami) fell 53.2% year-on-year to RM25.1 million as subsidy income dropped to about RM11 million from roughly RM37 million in the same period last year.

This was recorded despite firmer revenue of RM201.5 million, up 5.9% year-on-year, supported by higher sales volume in the poultry farming segment and a 4.9% year-on-year increase in the trading division.

Currently, cumulative nine-month core Patami stood at RM108.1 million, accounting for 73% of PublicInvest's full-year forecast and 77% of consensus expectations.

PublicInvest said the nine-month results were within expectations but noted that the 3Q performance points to weaker earnings heading into the final quarter.

The research house cut its FY2025-FY2027 earnings forecasts by an average of 6% to reflect the reduced subsidy environment and a softer margin outlook.

It maintained its 'neutral' call and lowered its target price to 98 sen from RM1.05, based on five times FY2026 forward earnings.

PublicInvest also said Teo Seng's medium-term outlook will be supported by ongoing initiatives, including expanding its range of higher-margin processed egg products such as liquid eggs and hard-boiled eggs, and increasing direct sales, which are estimated to provide cost savings of two to three sen per egg.

Rising egg demand, improving production efficiency and softer feed costs are also expected to cushion the impact of operating without subsidies.

The research house projects an average earnings contraction of 22% in FY2025-FY2026 to reflect the subsidy removal, followed by an 8% recovery in FY2027 as these initiatives gain traction.

"This is mainly underpinned by rising egg demand and the group’s ongoing initiatives to diversify into higher-margin products (liquid eggs and hard-boiled eggs).

"In addition, Teo Seng is looking to reduce its reliance on third-party distributors by increasing its proportion of direct sales. This should provide an estimated cost savings of two to three sen per egg.

Teo Seng last traded at RM1.04, giving the group a market capitalisation of RM610.3 million.

The stock has traded between 83 sen and RM1.24 over the past year.