Company Name **: Teo Seng Capital Berhad**
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Teo Seng to stay resilient despite subsidy removal

PETALING JAYA: Despite the removal of blanket subsidies from the government, analysts expect Teo Seng Capital Bhd to remain resilient.

In a report, Mercury Securities Sdn Bhd said this will be backed by a sustained demand for eggs in both Malaysia and Singapore, the stable ringgit and the poultry player's ongoing diversification into higher-margin downstream products such as egg mayonnaise, liquid eggs and hard-boiled eggs.

"This was evident in Teo Seng's 11.8% growth year-on-year in core earnings, which reflected its solid fundamental strength.

"In addition to that, the group had also purchased forward contracts amounting to RM139,000 which insulates them from volatility in feed prices through the first half of this year amidst disruptions to global shipping," Mercury Securities said.

The group's first-quarter ended March 31, 2026, results were broadly in line with expectations, representing 26% of theirs but missing market estimates at 18%.

The topline had declined 5.1% on the back of lower selling prices of eggs as well as a lower sales volume.

"The poultry farming segment, contributing about 84% to total revenue, contracted by 5.7% while the trading of animal health-related products slipped by 1.5%."

It noted profit before tax (PBT) and profit after tax and minority interests (Patami) fell sharply by 56% respectively, registering PBT and Patami margins at 10.2% and 8.0% respectively – due to lower contribution from the "other income" segment.

On a yearly basis, the group's topline rose 9.5% to RM184.6mil from higher sales of eggs and higher demand for animal health products.

"However, PBT and Patami dropped by 47.7% and 63.9% respectively, mainly attributable to the absence of government subsidies, which saw the poultry farming segment's PBT fall by 62.2% to RM12.2mil," it said.

In contrast, Teo Seng's trading of animal health-related products posted a 44.4% growth to RM6.9mil.

"Stripping out the subsidies, core earnings saw an 11.8% growth from RM13.3mil in three months of 2025 to RM14.8mil, indicating solid fundamental growth despite the removal of blanket subsidies," it noted.

With that, the research house said it will reiterate a buy call on the group with a target price of RM1.17, maintaining its 12 times price-to-earnings (PE) ratio based on the 10-year average of the PE of its domestic peers.