

Financial Year End	31/12/2018
Report Period Ending	30/06/2018
Reporting Quarter	2Q-2018

MALAYSIA EQUITY TEO SENG CAPITAL BHD

RESULTS REPORT

Recommendation	HOLD
FBMKLCI	1787.6
Target Price (MYR)	0.75
Current Price (MYR)	0.85
Expected Share Return (%)	-11.2
Expected Dividend Return (%)	0.0
Expected Total Return (%)	-11.2

Key Company Statistics

Bloomberg Ticker	TSCB MK
Bursa Stock Code	7252
Listing	Main Market
Sector	Con. Products
Par Value (sen)	0.00
Issued Capital (mn shares)	300.00
Market Capitalisation (MYR mn)	253.50
52 week High (MYR)	1.08
52 week Low (MYR)	0.80
Average Volume (3 month) '000	64.13
Beta	1.12
Estimated Free Float (%)	84.05

Major Shareholders (%)

Advantage Valuations Sdn Bhd	52.1
Felda M'Sia Bhd	3.4
Public Islamic Opportunitites Fund	2.5

Contact Details

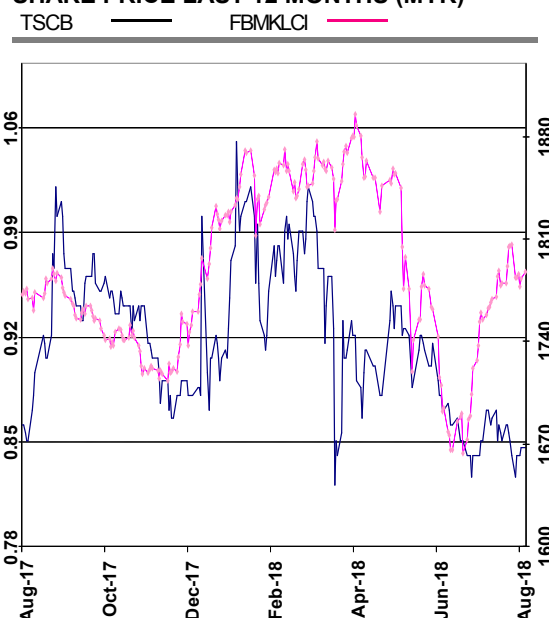
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Contents

	Page
Recommendation, Comp.Profile, Metrics	1
Quarterly Results, Competitor's Metrics	2
P&L, Balance Sheet, Per Share Data	3
10 Year Sales, Net Profit, Price, P-BV	4
Analyst's Disclosure, Contact Details	5

Price Performance (%)	1M	3M	12M
Absolute	-0.6	-10.1	-2.9
Relative	-2.6	-6.9	-3.6

SHARE PRICE LAST 12 MONTHS (MYR)



YTD 2Q FY18 revenue increased by 10.7% vs YTD 2Q FY17; however, 2Q FY18 revenue and net profits have decreased sequentially vs 1Q FY18. Though the reduction in GST may lead to slightly higher egg consumption in the coming quarters, we remain cautious on our sales volume outlook. Management indicated that selling prices for eggs have little upside for now. Also, feed prices are likely to trend higher over the next few quarters as grain and meal prices seem to have bottomed. Should the MYR weaken over the next few quarters additional margin pressure will arise.

INVESTMENT RISKS

Risks to our recommendation and target price include: i) rising feed prices, ii) higher USDMYR exchange rates, iii) an increase in the general level of interest rates, iv) weak demand for eggs due to lower disposable income and v) continued overcapacity and competition in the poultry/egg sector.

RECOMMENDATION

We maintain our HOLD recommendation on Teo Seng Capital Berhad ("TSCB") whilst reducing our fair value estimate to MYR 0.75. Management indicates that conditions will remain challenging over the next few quarters. We expect the cost of feed to increase whilst a weaker MYR would also increase costs. The company has invested heavily in new capacity, however demand increases have not kept pace with capacity. Should capacity utilisation move higher, we will revise our target price higher. Value investors will want to monitor this stock at levels near or below MYR 0.65.

COMPANY PROFILE

Teo Seng Capital Berhad is engaged in investment holding and provision of management services. The Company is a subsidiary of Advantage Valuations Sdn. Bhd. The Company's ultimate holding company is Emerging Glory Sdn. Bhd. The Company operates in three business segments: investment holding segment, trading of pet food, medicine and other related products segment, and poultry farming. The Company subsidiaries include Teo Seng Farming Sdn. Bhd., Teo Seng Feedmill Sdn. Bhd., Success Century Sdn. Bhd., Ritma Prestasi Sdn. Bhd., Teo Seng Paper Products Sdn. Bhd. and Liberal Energy Sdn. Bhd. On March 4, 2011, the Company's subsidiary acquired a wholly owned foreign subsidiary, Premium Egg Products Pte Ltd (Premium Egg).

ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2016	2017	2018F	2019F
Revenue	433.7	424.2	452.1	497.4
Revenue g (%)	5.1	-2.2	6.6	10.0
Net Profit	23.5	5.3	11.9	18.0
Net Profit g (%)	-42.6	-77.5	na	>100%
Dividends Paid	7.5	0.0	0.0	0.0
Total Assets	426.1	493.7	500.9	531.4
Owners' Equity	208.1	248.8	260.4	278.4
Total Liabilities	218.0	244.9	240.5	253.0
Debt/Equity (%)	104.8	98.5	92.3	90.9
Dvd Yield (%)	2.2	0.0	0.0	0.0
EPS (sen)	7.9	1.8	4.0	6.0
NTA (MYR)	0.69	0.83	0.87	0.93
P-BV (x)	1.7	2.4	1.0	0.9
ROA %	5.5	1.1	2.4	3.4
ROE %	11.3	2.1	4.6	6.5

MALAYSIA EQUITY
TEO SENG CAPITAL BHD

QUARTERLY RESULTS TABLE (All figures in MYR mn unless otherwise indicated)

Year End Dec 2018	30/06/2017	31/03/2018	30/06/2018		FY 2Q 18/ FY 1Q 18	FY 2Q 18/ FY 2Q 17	YTD 1Q 18/ YTD 1Q 17
Revenue	95.3	115.1	102.7		-10.7%	7.8%	10.7%
Operating Profit	-5.5	6.4	-0.3		na	na	na
Other Income	1.2	0.1	0.7		>100	-42.1%	-72.9%
Share of Associates	0.0	0.0	0.0		na	na	na
Depreciation/Amort	4.2	4.8	4.9		1.6%	15.9%	15.4%
Finance Costs	1.8	2.0	2.1		3.5%	18.4%	19.2%
Pre Tax Profit	-7.1	8.6	-0.5		na	na	na
Tax	0.2	-2.0	0.2		na	na	na
Minority Interest	0.0	0.0	0.0		na	na	na
Net Profit to Shareholders	-7.3	6.6	-0.5		na	na	na
	30/06/2017	31/03/2018	30/06/2018			YTD FY17	YTD FY18
Operating Margin (%)	-5.8%	5.5%	-0.3%			-4.0%	2.8%
Net Margin (%)	-7.6%	5.7%	-0.5%			-6.1%	2.8%
Tax Rates	-2.2%	-23.0%	-33.7%			-14.8%	-22.3%
NTA/Share (MYR)	0.65	0.85	0.85				

COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)

Current Year Ending*	Teo Seng Capital Bhd		LTKM Bhd Dec-18
	Dec-18		
Revenue	452.1	169.4	
Net Profit	11.9	3.4	
Owners' Equity	260.4	243.2	
Dividends	0.0	2.0	
Total Assets	500.9	360.6	
Market Cap	253.5	124.9	
P-S (x)	0.6	0.7	
P-E (x)	21.3	37.0	
P-BV (x)	1.0	0.5	
Div Yield (%)	0.0	1.6	
Net Margins (%)	2.6	2.0	
ROE (%)	4.6	1.4	
Payout Ratio (%)	0.0	59.3	
Total Debt/Equity (%)	92.3	48.1	
Total Debt	240.5	117.0	

*Consensus data used for peers where available

PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)

FY Dec	2016	2017	2018F	2019F
Revenue	433.7	424.2	452.1	497.4
Operating Profit	34.0	8.8	15.3	26.3
Other Income	4.9	4.4	2.8	4.0
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortisation	-15.8	-16.4	-19.5	-20.0
Finance Costs	-6.7	-7.3	-8.1	-7.8
Pre Tax Profit	29.5	5.6	15.3	22.5
Tax	-6.0	-0.4	0.3	-4.5
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	23.5	5.3	11.9	18.0
Operating Margin (%)	7.8	2.1	3.4	5.3
PBT Margin (%)	6.8	1.3	3.4	4.5
Net Margin (%)	5.4	1.2	2.6	3.6
Effective Tax Rate (%)	20.3	6.5	-2.3	20.0

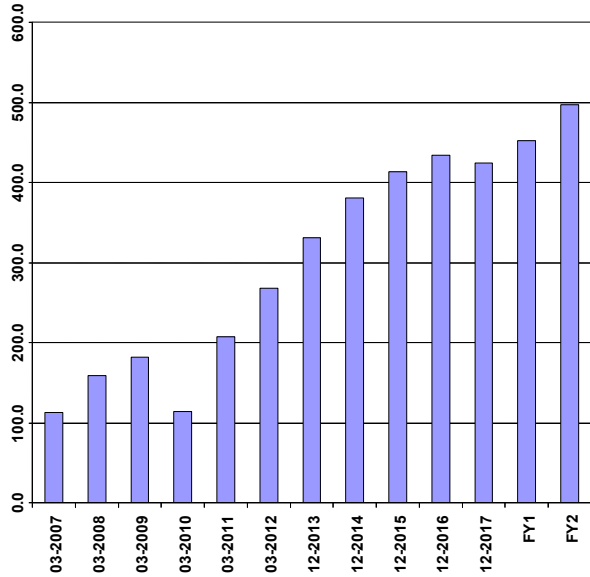
BALANCE SHEET (All figures in MYR mn unless otherwise indicated)

FY Dec	2016	2017	2018F	2019F
Total Assets	426.1	493.7	500.9	531.4
Fixed Assets	262.3	316.1	329.7	336.4
Current Assets	162.9	177.6	171.1	195.0
Other LT Assets	0.9	0.0	0.0	0.0
Current Liabilities	149.9	176.2	174.1	181.2
Non Cur Liabilities	68.1	68.8	66.3	71.8
Total Liabilities	218.0	244.9	240.5	253.0
Share Capital	60.0	60.0	60.0	60.0
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	208.1	248.8	260.4	278.4
Total Equity	208.1	248.8	260.4	278.4
Total Liabilities & Equity	426.1	493.7	500.9	531.4

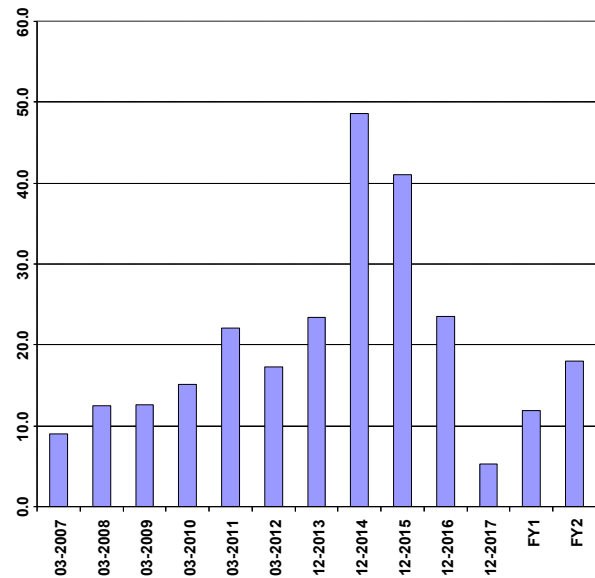
PER SHARE DATA (All figures in sen unless otherwise indicated)

FY Dec	2016	2017	2018F	2019F
Revenue	144.7	141.4	150.7	165.8
Earnings (EPS)	7.9	1.8	4.0	6.0
Dividends (DPS)	2.5	0.0	0.0	0.0
Book Value (NTA)	69.4	82.9	86.8	92.8
Payout (%)	31.8	0.0	0.0	0.0
P-S (x)	0.8	1.4	0.6	0.5
P-BV (x)	1.7	2.4	1.0	0.9
P-E (x)	14.6	110.6	21.3	14.1
Dvd Yield (%)	2.2	0.0	0.0	0.0
ROA %	5.5	1.1	2.4	3.4
ROE %	11.3	2.1	4.6	6.5
Debt/Equity (%)	104.8	98.5	92.3	90.9

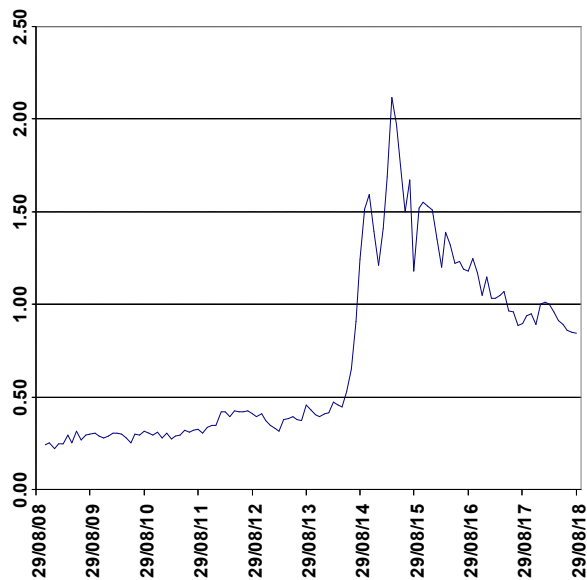
REVENUE (LAST 11 YEARS, MYR mn)



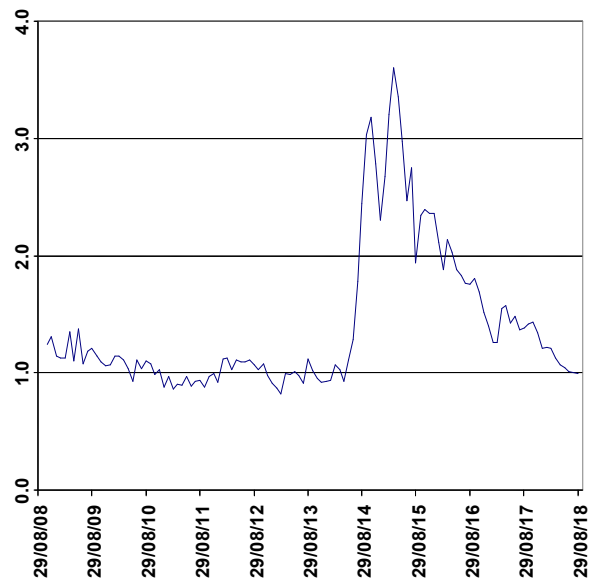
NET PROFIT (LAST 11 YRS, MYR mn)



SHARE PRICE (LAST 10 YEARS, MYR)



P-BV (LAST 10 YEARS, X)





ANALYST'S DISCLOSURE

BUY: Share price may exceed 10% over the next 12 months

TRADING BUY: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

HOLD: Share price may fall within the range of +/- 10% over the next 12 months

TAKE PROFIT: Target price has been attained. Look to accumulate at lower levels

SELL: Share price may fall by more than 10% over the next 12 months

NOT RATED (NR): Stock is not within regular research coverage

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