

Financial Year End	31/12/2019
Report Period Ending	30/09/2019
Reporting Quarter	3Q-2019

Recommendation	HOLD
FBMKLCI	1601.1
Target Price (MYR)	1.20
Current Price (MYR)	1.39
Expected Share Return (%)	-13.7
Expected Dividend Return (%)	5.4
Expected Total Return (%)	-8.3

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)	417.00
52 week High (MYR)	1.43
52 week Low (MYR)	0.80
Average Volume (3 month) '000	1,134.93
Beta	1.16
Estimated Free Float (%)	31.02

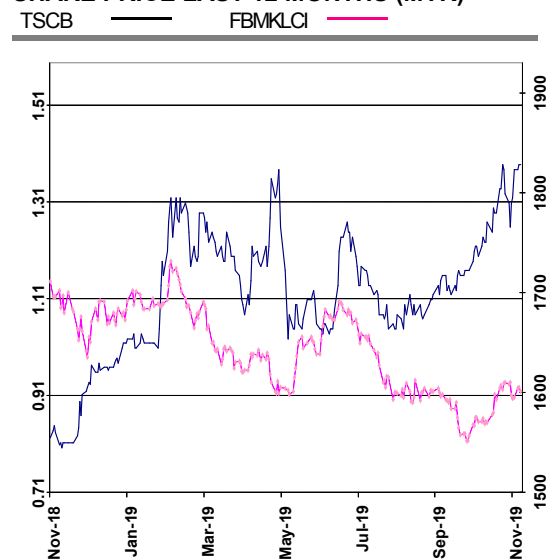
Major Shareholders (%)	
Advantage Valuations Sdn Bhd	54.2
Public Islamic Opportunitas Fund	2.5
Leong Hup Sdn Bhd	2.3

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Price Performance (%)	1M	3M	12M
Absolute	15.8	29.9	68.5
Relative	13.9	29.6	74.9

SHARE PRICE LAST 12 MONTHS (MYR)



MALAYSIA EQUITY TEO SENG CAPITAL BHD

UPDATE REPORT

Egg prices rose nicely over 3Q 19 whilst feed prices softened; thus TSCB had quite a good quarter. However, economic conditions in Malaysia and especially Singapore continue to deteriorate. The recent rate cuts around the region support our cautious outlook that we noted in our previous report. Looking ahead, we remain cautious on our sales volume and egg price outlook. Feed prices may trend higher over the next few quarters as crop damage seems to be on the rise in many countries. Competitive pressures are growing as other large players have announced capacity expansion plans. That said, TSCB will likely fare better than some of the other listed poultry/egg players.

INVESTMENT RISKS

Risks to our recommendation and target price include: i) rising feed prices, ii) weaker MYR exchange rates vs USD, iii) an increase in the general level of interest rates, iv) lower egg prices, v) continued overcapacity and competition in the poultry/egg sector and vi) sharply lower levels of economic activity in Malaysia and Singapore.

RECOMMENDATION

We maintain our HOLD recommendation on Teo Seng Capital Berhad ("TSCB") but increase our fair value estimate to MYR 1.20. As above feed costs may rise and a weaker MYR would reduce margins. The company has invested heavily in new capacity, as have other players in the industry. It is possible that egg prices may come off a bit more in 4Q 19, however prices seem reasonably well supported and demand for inexpensive protein will remain firm. Finally, the dividend yield for TSCB seems attractive and sustainable. Value investors will want to consider this stock at levels near or below MYR 0.94.

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	2017	2018	2019F	2020F
Revenue	424.2	490.3	560.3	571.5
Revenue g (%)	-2.2	15.6	14.3	2.0
Net Profit	3.0	30.5	43.9	48.8
Net Profit g (%)	-85.5	>100	44.0	11.1
Dividends Paid	0.0	1.5	22.5	22.5
Total Assets	495.0	543.3	572.2	612.7
Owners' Equity	248.8	277.8	316.2	342.5
Total Liabilities	246.2	265.5	256.0	270.2
Debt/Equity (%)	99.0	95.6	81.0	78.9
Dvd Yield (%)	0.0	0.4	5.4	5.4
EPS (sen)	1.0	10.2	14.6	16.3
NTA (MYR)	0.83	0.93	1.05	1.14
P-BV (x)	2.4	1.5	1.3	1.2
ROA %	0.6	5.6	7.7	8.0
ROE %	1.2	11.0	13.9	14.2

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

FY Dec	2017	2018	2019F	2020F
Revenue	424.2	490.3	560.3	571.5
Operating Profit	11.2	49.4	83.3	66.1
Other Income	4.3	3.1	3.0	4.0
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortisation	-17.3	-19.9	-20.8	-21.4
Finance Costs	-7.3	-8.3	-8.5	-9.1
Pre Tax Profit	4.1	41.3	78.8	61.0
Tax	0.6	-10.9	-17.9	-12.2
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	3.0	30.5	43.9	48.8
Operating Margin (%)	2.6	10.1	14.9	11.6
PBT Margin (%)	1.0	8.4	14.1	10.7
Net Margin (%)	0.7	6.2	7.8	8.5
Effective Tax Rate (%)	-14.6	26.4	22.7	20.0

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

FY Dec	2017	2018	2019F	2020F
Total Assets	495.0	543.3	572.2	612.7
Fixed Assets	316.1	338.7	351.8	358.9
Current Assets	178.9	204.6	216.8	250.2
Other LT Assets	0.0	0.0	3.6	3.6
Current Liabilities	177.4	185.8	163.9	170.6
Non Cur Liabilities	68.8	79.6	92.1	99.7
Total Liabilities	246.2	265.5	256.0	270.2
Share Capital	60.0	60.0	60.0	60.0
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	248.8	277.8	316.2	342.5
Total Equity	248.8	277.8	316.2	342.5
Total Liabilities & Equity	495.0	543.3	572.2	612.7

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

FY Dec	2017	2018	2019F	2020F
Revenue	141.4	163.4	186.8	190.5
Earnings (EPS)	1.0	10.2	14.6	16.3
Dividends (DPS)	0.0	0.5	7.5	7.5
Book Value (NTA)	82.9	92.6	105.4	114.2
Payout (%)	0.0	4.9	51.2	46.1
P-S (x)	1.4	0.9	0.7	0.7
P-BV (x)	2.4	1.5	1.3	1.2
P-E (x)	195.0	13.7	9.5	8.5
Dvd Yield (%)	0.0	0.4	5.4	5.4
ROA %	0.6	5.6	7.7	8.0
ROE %	1.2	11.0	13.9	14.2
Debt/Equity (%)	99.0	95.6	81.0	78.9



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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This report is also accessible at www.bursamids.com

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