Corporate Update

Hup Seng Industries Berhad

(5024 | HSI MK) Main | Consumer Products & Services

SHARIAH Compliant

3QFY25 Results Review

Cost Pressures Persist, Exports Rebound

Maintain NEUTRAL with unchanged TP of RM0.92. Hup Seng's 3QFY25 results came in within our expectation, supported by steady revenue growth driven by an increase in domestic sales. We maintain our earnings forecasts along with an unchanged **TP** of **RM0.92**, based on a DDM valuation, assuming a consistent 3.0% dividend growth and a WACC of 9.1%. Dividend yields continue to remain attractive, but we expect near-term earnings headwinds to limit upside potential.

Within expectations. Hup Seng Industries (Hup Seng) chalked in 3QFY25 revenue of RM105.7m (+24.6%qoq; +1.2%yoy) and core PATANCI of RM15.7m (+82.5%qoq, -9.1%yoy) which brought 9MFY25 core PATANCI to RM35.1m (-13.9%yoy). This came within our expectations, making up 78% of our full-year forecast but only 65% of consensus. The group declared a second interim dividend of 2.0 sen per share for 9MFY25, lower than the corresponding period last year (3QFY24: 3.0 sen per share).

Continued softness in exports offset by domestic growth. Revenue for 3QFY25 rose +1.2%yoy to RM105.7m, driven by a 2% increase in domestic sales to supermarkets and hypermarkets. The growth offset weaker export performance, which fell -5%yoy on softer demand from Indonesia and Myanmar. Sequentially, revenue increased sharply by +24.6%qoq as exports and domestic sales rose +19% and +26% respectively after a weak 2QFY25. For 9MFY25, revenue edged up +1.4%yoy to RM282.3m, with domestic sales up 4% from supermarkets, hypermarkets, and East Malaysian sales. While exports continued to show weakness, contracting -7% due to a decrease in export of biscuits to Indonesia, Mauritius, Myanmar and Singapore.

Persisting input cost pressure. Despite the year-on-year improvement in revenue, 3QFY25 operating profit was flattish at +0.3%yoy to RM20.7m, as higher input and distribution costs, namely carriage outwards and distribution center costs for outlets kept gross profit margin contained at +0.1ppts yoy to 31.5%. Core PATANCI declined -9.1%yoy to RM15.7m. On a sequential basis, operating profit and core PATANCI rose sharply to +80.0%qoq and +82.5%qoq respectively, driven by topline recovery in exports and domestic sales after a weak 2QFY25. For 9MFY25, operating profit fell 9.8%yoy to RM46.4m, while core PATANCI declined -13.9%yoy to RM35.1m, as increases in certain raw material prices weighed on margin growth, despite the improvement in turnover, while distribution costs also contributed to the drag in earnings performance.

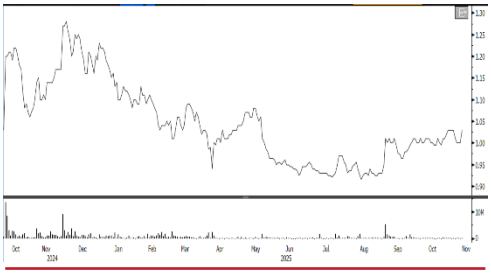
Outlook. We maintain a NEUTRAL stance on Hup Seng's near-term prospects, as elevated input costs continue to persist and export visibility remains cloudy, limiting earnings recovery. Domestic sales should remain relatively resilient, supported by the group's established brand presence. Any meaningful margin recovery will hinge on the normalization of raw material prices and a sustained rebound in export demand.

Maintain NEUTRAL

Unchanged Target Price **RM0.92**

RETURN STATISTICS	
Price @ 10 Nov 2025 (RM)	1.03
Expected share price return (%)	-10.5
Expected dividend yield (%)	+4.6
Expected total return (%)	-5.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.0	1.7
3 months	2.0	3.2
12 months	-8.9	-9.2

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025F	2026F	2027F
Revenue	370.9	393.3	416.4
EBITDA	66.2	69.0	76.3
PBT	60.6	65.3	71.9
Core PATANCI	44.8	48.3	53.2
Core EPS (sen)	5.6	6.0	6.7
DPS (sen)	4.8	5.1	5.7
Dividend Yield (%)	4.6	5.0	5.5

KEY STATISTICS	
FBM KLCI	1,627.38
Issued shares (m)	800.00
Estimated free float (%)	36.48
Market Capitalisation (RM'm)	824.00
52-wk price range	RM0.91 - RM1.26
3-mth average daily volume (m)	0.42
3-mth average daily value (RM'm)	0.41
Top Shareholders (%)	
HSB Group Sdn Bhd	51.00
Employees Provident Fund Board	1.74
Kerk Chian Tung	1.42

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Hup Seng Industries: 3QFY25 Results Summary

FYE DEC (RM'm)	Quarterly results							
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	105.7	84.8	104.4	1.2	24.6	282.3	278.2	1.4
Cost of Sales	(72.3)	(61.4)	(71.6)	1.0	17.8	(199.1)	(191.0)	4.3
Gross Profit	**33.3**	**23.4**	**32.8**	**1.6**	**42.4**	**83.1**	**87.2**	**(4.7)**
Other income	1.0	0.8	1.0	(5.5)	20.8	2.8	3.1	(8.4)
Administrative expenses	(4.4)	(4.3)	(4.4)	(0.1)	1.5	(13.0)	(13.9)	(6.2)
Selling and marketing expenses	(9.2)	(8.4)	(8.8)	4.9	9.9	(26.5)	(25.0)	6.2
Operating profit (EBIT)	**20.7**	**11.5**	**20.6**	**0.3**	**80.0**	**46.4**	**51.5**	**(9.8)**
Finance cost	(0.0)	(0.1)	(0.0)	0.0	(90.0)	(0.1)	(0.0)	453.8
Profit before tax (PBT)	**20.7**	**11.4**	**20.6**	**0.3**	**80.9**	**46.3**	**51.4**	**(9.9)**
Income tax expense	(5.2)	(3.0)	(3.4)	55.2	75.1	(11.8)	(11.2)	5.7
Profit After tax (PAT)	15.5	8.5	17.3	(10.4)	82.9	34.5	40.3	(14.3)
Core PATANCI	**15.7**	**8.6**	**17.3**	**(9.1)**	**82.5**	**35.1**	**40.7**	**(13.9)**
Core EPS (sen)	2.0	1.1	2.2	(9.1)	82.5	4.4	5.1	(13.9)
DPS (sen)	2.0	2.0	3.0	(33.3)	0.0	4.0	5.0	(20.0)
Growth & Margin (%)				**+/(-) ppts**	**+/(-) ppts**			**+/(-) ppts**
Gross Profit Margin	31.5	27.6	31.4	0.1	3.9	29.4	31.4	(1.9)
Operating Profit Margin	19.6	13.5	19.8	(0.2)	6.0	16.4	18.5	(2.1)
PBT Margin	19.6	13.5	19.8	(0.2)	6.1	16.4	18.5	(2.1)
Core PATANCI Margin	14.9	10.2	16.6	(1.7)	4.7	12.4	14.6	(2.2)
Ratios & Valuation				**+/(-) ppts**	**+/(-) ppts**			**+/(-) ppts**
Effective tax rate (%)	25.2	26.0	16.3	8.9	(0.8)	25.5	21.7	3.8

Source: Company, MBSBR

Hup Seng Industries: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	3QFY25	2QFY25	3QFY24	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue (RM'm):								
Biscuit Manufacturing	79.4	63.1	78.0	1.8	25.9	210.4	208.0	1.2
Beverage Manufacturing	1.5	1.7	1.4	11.3	(8.6)	4.6	4.2	8.7
Trading	85.9	68.2	84.6	1.5	25.9	229.3	220.8	3.8
Total	**105.7**	**84.8**	**104.4**	**1.2**	**24.6**	**282.3**	**278.2**	**1.4**
Operating Profit (RM'm):								
Biscuit Manufacturing	11.3	5.6	11.0	3.5	101.5	23.8	28.5	(16.7)
Beverage Manufacturing	0.0	0.0	(0.0)	(105.3)	(96.3)	0.1	0.0	55.3
Trading	9.9	6.3	10.2	(3.5)	56.6	24.0	24.3	(1.4)
Total	**21.2**	**12.0**	**21.1**	**0.2**	**77.4**	**47.8**	**52.9**	**(9.6)**
Operating profit margin (%):				**+/(-) ppts**	**+/(-) ppts**			**+/(-) ppts**
Biscuit Manufacturing	14.3	8.9	14.0	0.2	5.3	11.3	13.7	(2.4)
Beverage Manufacturing	0.1	1.6	(1.4)	1.5	(1.6)	1.3	0.9	0.4
Trading	11.5	9.2	12.1	(0.6)	2.2	10.5	11.0	(0.6)
Total	20.1	14.1	20.3	(0.2)	6.0	16.9	19.0	(2.1)

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	357.3	395.3	370.9	393.3	416.4
Gross Profit	108.5	123.1	110.4	117.0	123.7
EBITDA	63.7	71.2	66.2	69.0	76.3
EBIT	58.0	71.1	58.9	63.6	70.1
PBT	60.0	73.8	60.6	65.3	71.9
Taxation	(14.9)	(16.2)	(15.7)	(17.0)	(18.7)
PAT	45.1	57.6	44.8	48.3	53.2
Core PATANCI	45.7	58.2	44.8	48.3	53.2
Core EPS (sen)	5.7	7.3	5.6	6.0	6.7
PER (x)	18.4	14.3	18.4	17.0	15.5
DPS (sen)	4.0	7.0	4.8	5.1	5.7
Dividend Yield (%)	3.9	6.8	4.6	5.0	5.5

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	60.0	73.8	60.6	65.3	71.9
Operating cash flow	53.2	66.5	64.2	62.1	63.9
Investing cash flow	(0.9)	(17.6)	(3.7)	(4.5)	(5.4)
Financing cash flow	(24.3)	(56.3)	(49.7)	(52.0)	(52.6)
Net cash flow	28.1	(7.4)	10.7	5.7	5.8
Beginning cash flow	62.4	90.5	83.1	93.8	99.5
Ending cash flow	90.5	83.1	93.8	99.5	105.4

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth (%)	12.3	10.7	(6.2)	6.0	5.9
Gross Profit Growth (%)	38.5	13.5	(10.3)	6.0	5.8
EBITDA Growth (%)	55.4	11.9	(7.1)	4.3	10.5
Core PATANCI Growth (%)	82.7	27.4	(23.0)	7.9	10.1

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin (%)	30.4	31.1	29.8	29.7	29.7
EBITDA Margin (%)	17.8	18.0	17.8	17.6	18.3
EBIT Margin (%)	16.2	18.0	15.9	16.2	16.8
Core PATANCI Margin (%)	12.8	14.7	12.1	12.3	12.8

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
Property, plant and equipment	70.1	84.3	82.3	83.0	83.9
Intangible assets	0.0	0.0	0.0	0.0	0.0
Total Non-current assets	80.2	91.4	92.9	93.7	94.8
Inventories	30.1	31.9	29.7	31.5	33.3
ST - Trade and other receivables	37.3	44.0	38.1	40.4	42.8
Cash and cash equivalents	90.5	83.1	93.8	99.5	105.4
Total current assets	158.4	159.7	162.5	172.3	182.4
Total Assets	238.6	251.1	255.4	266.0	277.2
Total Equity	162.2	163.8	168.7	173.9	179.5
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Non-current liabilities	6.5	7.9	7.3	7.7	8.2
ST Trade and other payables	61.7	72.0	64.0	67.8	71.9
ST Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	69.9	79.4	79.4	84.4	89.5
Total Liabilities	76.4	87.3	86.7	92.1	97.7

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology