Corporate Update

Hup Seng Industries Berhad

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

SHARIAH Compliant

1QFY26 Results Review

Biscuit Segment Shines, Trading Drags

Maintain BUY with an unchanged TP of RM1.09. Hup Seng's 1QFY26 results came in within our and consensus expectations, with core PATANCI broadly stable year-on-year despite a softer sequential print. We make no changes to our earnings forecasts and retain our DDM-based **TP of RM1.09**, premised on a 3.0% dividend growth assumption and a 9.1% WACC. Our **BUY** call is supported by resilient domestic demand, a recovering export base and an attractive yield profile.

Within expectations. Hup Seng chalked in 1QFY26 revenue of RM91.2m (-0.5%yoy; -18.9%qoq) and core PATANCI of RM10.8m (+0.6%yoy; -33.6%qoq). The results came in within expectations, accounting for 22% of our full-year forecast and 21% of consensus estimates. The group declared a first interim dividend of 1.0 sen per share for the quarter.

Stable topline supported by export strength. 1QFY26 revenue eased marginally by -0.5%yoy to RM91.2m, as a decline in domestic sales, largely attributable to seasonal factors, was substantially offset by a rebound in export sales, driven mainly by stronger demand from Thailand, Mauritius and Myanmar. On a sequential basis, revenue contracted -18.9%qoq from a high 4QFY25 base, reflecting the Hari Raya Puasa festive period which weighed on domestic volumes, while exports also softened on weaker shipments to Indonesia, Maldives and Vietnam.

Margins held firm despite cost headwinds. 1QFY26 operating profit was broadly flat at RM14.1m (-0.5%yoy; -30.1%qoq), while gross margin expanded +1.0ppts yoy to 29.7% (4QFY25: 30.6%), reflecting a more favourable product mix and tighter cost control even as administrative (+6.2%yoy) and selling & marketing expenses (+4.6%yoy) edged higher. Core PATANCI rose modestly by +0.6%yoy to RM10.8m, with margin improving +0.1ppts yoy to 11.8%, though margin compressed -2.6ppts qoq from 14.4% in 4QFY25 on the lower revenue base and elevated promotional spend. By segment, biscuit manufacturing operating profit rose +22.2%yoy to RM8.3m (margin: 12.2%, +2.1ppts yoy) on improved domestic mix, while the trading division eased -18.1%yoy to RM6.4m (margin: 8.9%, -1.5ppts yoy) on softer domestic offtake. The beverage segment, while still small, more than doubled its contribution in profit terms.

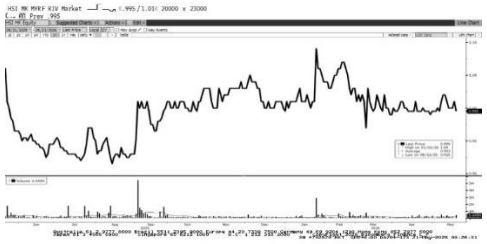
Outlook. We maintain a constructive view on Hup Seng's near-term prospects. Management continues to flag near-term cost pressures arising from elevated raw material, packaging and distribution expenses, exacerbated by geopolitical tensions and energy price volatility. That said, demand for biscuit products is expected to remain stable given their affordability and staple positioning, while the early export rebound provides an additional growth lever. Continued cost discipline, product innovation and distribution network strengthening should help cushion margins, and the resumption of interim dividend payments reinforces the group's commitment to shareholder returns. Barring unforeseen circumstances, we view the risk-reward as supportive at current levels, justifying our **BUY** call.

Maintain BUY

Unchanged Target Price **RM1.09**

RETURN STATISTICS	
Price @ 20th May 2026 (RM)	0.995
Expected share price return (%)	+9.1
Expected dividend yield (%)	+6.2
Expected total return (%)	+15.27

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.1
3 months	0.5	-4.2
12 months	-6.1	-15.6

INVESTMENT STATISTICS

FYE DEC (RM'm)	2026F	2027F	2028F
Revenue	423.8	451.2	478.1
EBITDA	74.2	82.5	90.8
PBT	70.4	77.9	85.4
Core PATANCI	48.7	57.7	63.2
Core EPS (sen)	6.1	7.2	7.9
DPS (sen)	5.2	6.1	6.7
Dividend Yield (%)	5.2	6.2	6.7

KEY STATISTICS

FBM KLCI	1,717.69
Issued shares (m)	800.00
Estimated free float (%)	32.77
Market Capitalisation (RM'm)	796.00
52-wk price range	RM0.91 - RM1.12
3-mth average daily volume (m)	0.21
3-mth average daily value (RM'm)	0.21
Top Shareholders (%)	
HSB Group Sdn Bhd	51.00
Employees Provident Fund Board	3.10
Kerk Chian Tung	1.42

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Hup Seng Industries: 1QFY26 Results Summary

FYE DEC (RM'm)	Quarterly results							
	1QFY26	4QFY25	1QFY25	YoY (%)	QoQ (%)	3MFY26	3MFY25	YoY (%)
Revenue	91.2	112.4	91.7	(0.5)	(18.9)	91.2	91.7	(0.5)
Cost of Sales	(64.1)	(78.1)	(65.4)	(1.9)	(17.8)	(64.1)	(65.4)	(1.9)
Gross Profit	**27.1**	**34.4**	**26.4**	**2.8**	**(21.2)**	**27.1**	**26.4**	**2.8**
Other income	0.9	0.9	1.0	(12.2)	(3.8)	0.9	1.0	(12.2)
Administrative expenses	(4.6)	(4.8)	(4.3)	6.2	(4.4)	(4.6)	(4.3)	6.2
Selling and marketing expenses	(9.3)	(10.3)	(8.9)	4.6	(9.8)	(9.3)	(8.9)	4.6
Operating profit (EBIT)	**14.1**	**20.2**	**14.2**	**(0.5)**	**(30.1)**	**14.1**	**14.2**	**(0.5)**
Finance cost	(0.0)	(0.0)	(0.0)	(16.7)	(37.5)	(0.0)	(0.0)	(16.7)
Profit before tax (PBT)	**14.1**	**20.2**	**14.2**	**(0.5)**	**(30.1)**	**14.1**	**14.2**	**(0.5)**
Income tax expense	(3.6)	(5.0)	(3.6)	(1.7)	(28.8)	(3.6)	(3.6)	(1.7)
Profit After tax (PAT)	10.6	15.2	10.6	(0.1)	(30.5)	10.6	10.6	(0.1)
Core PATANCI	**10.8**	**16.2**	**10.7**	**0.6**	**(33.6)**	**10.8**	**10.7**	**0.6**
Core EPS (sen)	1.3	2.0	1.3	0.6	(33.6)	1.3	1.3	0.6
DPS (sen)	1.0	0.0	0.0	n.m.	n.m.	1.0	0.0	n.m.
Growth & Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	29.7	30.6	28.7	1.0	(0.9)	29.7	28.7	1.0
Operating Profit Margin	15.5	18.0	15.5	0.0	(2.5)	15.5	15.5	0.0
PBT Margin	15.5	18.0	15.5	0.0	(2.5)	15.5	15.5	0.0
Core PATANCI Margin	11.8	14.4	11.7	0.1	(2.6)	11.8	11.7	0.1
Ratios & Valuation				+/(-) ppts	+/(-) ppts			+/(-) ppts
Effective tax rate (%)	25.1	24.7	25.4	(0.3)	0.5	25.1	25.4	(0.3)

Source: Company, MBSBR

Hup Seng Industries: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	1QFY26	4QFY25	1QFY25	YoY (%)	QoQ (%)	3MFY26	3MFY25	YoY (%)
Revenue (RM'm):								
Biscuit Manufacturing	68.3	83.6	67.8	0.7	(18.3)	68.3	67.8	0.7
Beverage Manufacturing	2.0	1.2	1.4	39.5	65.3	2.0	1.4	39.5
Trading	72.0	89.7	75.2	(4.3)	(19.8)	72.0	75.2	(4.3)
Total	**91.2**	**112.4**	**91.7**	**(0.5)**	**(18.9)**	**91.2**	**91.7**	**(0.5)**
Operating Profit (RM'm):								
Biscuit Manufacturing	8.3	11.0	6.8	22.2	(24.2)	8.3	6.8	22.2
Beverage Manufacturing	0.0	0.0	0.0	45.2	32.4	0.0	0.0	45.2
Trading	6.4	9.5	7.8	(18.1)	(32.6)	6.4	7.8	(18.1)
Total	**14.8**	**20.5**	**14.7**	**0.8**	**(28.0)**	**14.8**	**14.7**	**0.8**
Operating profit margin (%):				+/(-) ppts	+/(-) ppts			+/(-) ppts
Biscuit Manufacturing	12.2	13.1	10.0	2.1	(0.9)	12.2	10.0	2.1
Beverage Manufacturing	2.3	2.8	2.2	0.1	(0.6)	2.3	2.2	0.1
Trading	8.9	10.6	10.4	(1.5)	(1.7)	8.9	10.4	(1.5)
Total	**16.2**	**18.2**	**16.0**	**0.2**	**(2.1)**	**16.2**	**16.0**	**0.2**

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	395.3	394.7	423.8	451.2	478.1
Gross Profit	123.1	117.5	126.1	134.1	141.7
EBITDA	71.2	79.2	74.2	82.5	90.8
EBIT	71.1	66.6	68.5	75.9	83.3
PBT	73.8	66.6	70.4	77.9	85.4
Taxation	(16.2)	(16.8)	(18.3)	(20.3)	(22.2)
PAT	57.6	49.8	52.1	57.7	63.2
Core PATANCI	58.2	51.3	48.7	57.7	63.2
Core EPS (sen)	7.3	6.4	6.1	7.2	7.9
PER (x)	13.8	16.0	15.3	13.8	12.6
DPS (sen)	7.0	5.5	5.2	6.1	6.7
Dividend Yield (%)	7.0	5.5	5.2	6.2	6.7

Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
PBT	73.8	66.6	70.4	77.9	85.4
Operating cash flow	66.5	52.3	80.3	65.4	72.8
Investing cash flow	(17.6)	(3.4)	(4.8)	(5.9)	(7.0)
Financing cash flow	(56.3)	(48.3)	(52.0)	(52.6)	(58.9)
Net cash flow	(7.4)	0.6	23.5	6.9	6.8
Beginning cash flow	90.5	83.1	83.7	107.2	114.1
Ending cash flow	83.1	83.7	107.2	114.1	121.0

Growth (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	10.7	(0.2)	7.4	6.5	6.0
Gross Profit Growth	13.5	(4.5)	7.3	6.3	5.7
EBITDA Growth	11.9	11.1	(6.2)	11.1	10.1
Core PATANCI Growth	27.4	(11.8)	(5.0)	18.3	9.6

Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Gross Profit Margin	31.1	29.8	29.7	29.7	29.6
EBITDA Margin	18.0	20.1	17.5	18.3	19.0
EBIT Margin	18.0	16.9	16.2	16.8	17.4
Core PATANCI Margin	14.7	13.0	11.5	12.8	13.2

Balance Sheet (RM'm)	2024A	2025A	2026F	2027F	2028F
Property, plant and equipment	84.3	81.6	83.3	84.5	86.0
Intangible assets	0.0	0.0	0.0	0.0	0.0
Total Non-current assets	91.4	89.0	94.1	95.4	97.1
Inventories	31.9	35.8	33.9	36.1	38.3
ST - Trade and other receivables	44.0	39.7	43.6	46.4	49.2
Cash and cash equivalents	83.1	83.7	107.2	114.1	121.0
Total current assets	159.7	159.9	185.6	197.7	209.5
Total Assets	251.1	248.9	279.7	293.1	306.5
Total Equity	163.8	165.6	170.7	176.7	183.2
LT Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Non-current liabilities	7.9	7.5	8.3	8.9	9.4
ST Trade and other payables	72.0	66.4	73.1	77.9	82.6
ST Loans and borrowings	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	79.4	75.8	100.7	107.5	114.0
Total Liabilities	87.3	83.3	109.0	116.4	123.4

Source: Bloomberg, MBSBR

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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