Corporate Update

Hup Seng Industries Berhad

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

SHARIAH Compliant

2QFY26 Results Review

Stable 1H, Dividend Appeal Intact

Maintain **BUY**

Unchanged Target Price **RM1.09**

Maintain BUY with an unchanged TP of RM1.09. Hup Seng's 1HFY26 results reflected steady earnings growth, supported by lower input costs and stronger export demand, despite softer domestic sales. We remain positive on the group's defensive staple-food exposure, healthy balance sheet and dividend appeal. 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 9.1% WACC.

Within expectations. Hup Seng posted 2QFY26 revenue of RM86.0m (+1.3%yoy; -5.7%qoq) and core PATANCI of RM10.5m (+22.3%yoy; -2.0%qoq). For 1HFY26, revenue was broadly flat at RM177.2m (+0.4%yoy), while core PATANCI rose +10.3%yoy to RM21.3m, broadly in line with expectations, accounting for 44% of our full-year forecast but 41% of consensus. We expect 2HFY26 performance to be slightly stronger, supported by year-end festive demand. The group declared a second interim DPS of 1.0 sen/share, bringing 1HFY26 DPS to 2.0 sen/share, unchanged year-on-year.

Revenue held up on export growth. Revenue grew marginally in 2QFY26, supported by stronger export sales, which rose +10%yoy mainly from Indonesia and Myanmar, offsetting a slight -1%yoy decline in domestic sales from hypermarket, supermarket and wholesale channels. For 1HFY26, domestic sales declined -3%yoy, but export sales increased +14%yoy, driven by stronger demand from Myanmar, Thailand, USA, Japan and Indonesia, despite the translation impact from the stronger Ringgit against selected export currencies.

Biscuit segment remains the key earnings driver. By segment, Biscuit Manufacturing revenue rose +3.9%yoy to RM65.6m in 2QFY26, while operating profit improved +56.3%yoy to RM8.8m, with margin expanding to 13.5%. Trading revenue was broadly stable at RM67.6m (-0.9%yoy), while operating profit declined -8.2%yoy to RM5.8m. Beverage Manufacturing remained small, with revenue of RM1.2m and a marginal operating loss of RM0.1m. For 1HFY26, Biscuit Manufacturing operating profit rose +37.9%yoy to RM17.1m, offsetting weaker Trading profit of RM12.2m (-13.7%yoy).

Margins improved on lower input costs. Gross profit rose +10.6%yoy to RM25.9m in 2QFY26, with GPM expanding +2.5ppts yoy to 30.1%, supported by lower input costs for selected major raw materials. Operating margin improved +2.6ppts yoy to 16.1%, while core PATANCI margin expanded +2.1ppts yoy to 12.3%. For 1HFY26, GPM improved +1.7ppts yoy to 29.9%, while core PATANCI margin rose +1.1ppts yoy to 12.0%. Management attributed the higher 1HFY26 PBT to lower costs of certain raw materials during the first half.

RETURN STATISTICS	
Price @ 10th Aug 2026 (RM)	0.945
Expected share price return (%)	+14.9
Expected dividend yield (%)	+6.5
Expected total return (%)	+21.37

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.0	-3.5
3 months	-1.0	-5.9
12 months	-1.0	-10.9

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 (%)	5.5	6.5	7.1

KEY STATISTICS

FBM KLCI	1,735.37
Issued shares (m)	800.00
Estimated free float (%)	32.77
Market Capitalisation (RM'm)	756.00
52-wk price range	RM0.91 - RM1.12
3-mth average daily volume (m)	0.14
3-mth average daily value (RM'm)	0.13
Top Shareholders (%)	
HSB Group Sdn Bhd	51.00
Employees Provident Fund Board	3.10
Kerk Chian Tung	1.42

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Outlook. We maintain a constructive view on Hup Seng's near-term prospects, supported by resilient demand for affordable biscuit products and improving export momentum. While the domestic market remains competitive, export sales continue to provide an additional growth lever, particularly across Myanmar, Thailand, USA, Japan and Indonesia. Input-cost trends were more favourable in 1HFY26, helping lift margins, although raw material, packaging and distribution costs remain key watchpoints amid geopolitical uncertainty and energy price volatility. We expect continued cost discipline, product innovation and distribution network strengthening to help cushion margins, while the group's continued interim dividend payments reinforce its defensive appeal. We view the risk reward as supportive at current levels, justifying our **BUY** call.

Hup Seng Industries: 2QFY26 Results Summary

FYE DEC (RM'm)	Quarterly results							
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue	86.0	91.2	84.8	1.3	(5.7)	177.2	176.6	0.4
Cost of Sales	(60.1)	(64.1)	(61.4)	(2.2)	(6.4)	(124.2)	(126.8)	(2.0)
Gross Profit	**25.9**	**27.1**	**23.4**	**10.6**	**(4.3)**	**53.0**	**49.8**	**6.5**
Other income	1.1	0.9	0.8	34.3	21.1	2.0	1.8	8.3
Administrative expenses	(4.6)	(4.6)	(4.3)	5.0	(0.5)	(9.1)	(8.6)	5.6
Selling and marketing expenses	(8.6)	(9.3)	(8.4)	2.2	(7.2)	(17.9)	(17.3)	3.4
Operating profit (EBIT)	**13.9**	**14.1**	**11.5**	**20.6**	**(2.0)**	**28.0**	**25.7**	**8.9**
Finance cost	(0.0)	(0.0)	(0.1)	(95.0)	(40.0)	(0.0)	(0.1)	(87.9)
Profit before tax (PBT)	**13.9**	**14.1**	**11.4**	**21.2**	**(2.0)**	**28.0**	**25.6**	**9.2**
Income tax expense	(3.5)	(3.6)	(3.0)	18.2	(1.0)	(7.1)	(6.6)	7.3
Profit After tax (PAT)	10.3	10.6	8.5	22.3	(2.3)	20.9	19.1	9.8
Core PATANCI	**10.5**	**10.8**	**8.6**	**22.3**	**(2.0)**	**21.3**	**19.3**	**10.3**
Core EPS (sen)	1.3	1.3	1.1	22.3	(2.0)	2.7	2.4	10.3
DPS (sen)	1.0	1.0	2.0	(50.0)	0.0	2.0	2.0	0.0
Growth & Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	30.1	29.7	27.6	2.5	0.4	29.9	28.2	1.7
Operating Profit Margin	16.1	15.5	13.5	2.6	0.6	15.8	14.6	1.2
PBT Margin	16.1	15.5	13.5	2.6	0.6	15.8	14.5	1.3
Core PATANCI Margin	12.3	11.8	10.2	2.1	0.5	12.0	10.9	1.1
Ratios & Valuation				+/(-) ppts	+/(-) ppts			+/(-) ppts
Effective tax rate (%)	25.4	25.1	26.0	(0.7)	0.2	25.3	25.7	(0.4)

Source: Company, MBSBR

Hup Seng Industries: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	2QFY26	1QFY26	2QFY25	YoY (%)	QoQ (%)	1HFY26	1HFY25	YoY (%)
Revenue (RM'm):								
Biscuit Manufacturing	65.6	68.3	63.1	3.9	(4.0)	133.8	130.9	2.2
Beverage Manufacturing	1.2	2.0	1.7	(27.2)	(38.7)	3.2	3.1	3.5
Trading	67.6	72.0	68.2	(0.9)	(6.1)	139.5	143.4	(2.7)
Total	**86.0**	**91.2**	**84.8**	**1.3**	**(5.7)**	**177.2**	**176.6**	**0.4**
Operating Profit (RM'm):								
Biscuit Manufacturing	8.8	8.3	5.6	56.9	6.3	17.1	12.4	37.9
Beverage Manufacturing	(0.1)	0.0	0.0	(640.7)	(424.4)	(0.1)	0.1	(274.1)
Trading	5.8	6.4	6.3	(8.2)	(9.9)	12.2	14.1	(13.7)
Total	**14.5**	**14.8**	**12.0**	**21.0**	**(2.0)**	**29.2**	**26.6**	**9.9**
Operating profit margin (%):				+/(-) ppts	+/(-) ppts			+/(-) ppts
Biscuit Manufacturing	13.5	12.2	8.9	4.5	1.3	12.8	9.5	3.3
Beverage Manufacturing	(12.0)	2.3	1.6	(13.6)	(14.3)	(3.2)	1.9	(5.0)
Trading	8.6	8.9	9.2	(0.7)	(0.4)	8.7	9.8	(1.1)
Total	**16.8**	**16.2**	**14.1**	**2.7**	**0.6**	**16.5**	**15.1**	**1.4**

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026F	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026F	2027F	2028F
Revenue	395.3	394.7	423.8	451.2	478.1	PBT	73.8	66.6	70.4	77.9	85.4
Gross Profit	123.1	117.5	126.1	134.1	141.7	Operating cash flow	66.5	52.3	80.3	65.4	72.8
EBITDA	71.2	79.2	74.2	82.5	90.8	Investing cash flow	(17.6)	(3.4)	(4.8)	(5.9)	(7.0)
EBIT	71.1	66.6	68.5	75.9	83.3	Financing cash flow	(56.3)	(48.3)	(52.0)	(52.6)	(58.9)
PBT	73.8	66.6	70.4	77.9	85.4	Net cash flow	(7.4)	0.6	23.5	6.9	6.8
Taxation	(16.2)	(16.8)	(18.3)	(20.3)	(22.2)	Beginning cash flow	90.5	83.1	83.7	107.2	114.1
PAT	57.6	49.8	52.1	57.7	63.2	Ending cash flow	83.1	83.7	107.2	114.1	121.0
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	5.5	6.5	7.1						

Growth (%)	2024A	2025A	2026F	2027F	2028F	Profitability Ratios (%)	2024A	2025A	2026F	2027F	2028F
Revenue Growth	10.7	(0.2)	7.4	6.5	6.0	Gross Profit Margin	31.1	29.8	29.7	29.7	29.6
Gross Profit Growth	13.5	(4.5)	7.3	6.3	5.7	EBITDA Margin	18.0	20.1	17.5	18.3	19.0
EBITDA Growth	11.9	11.1	(6.2)	11.1	10.1	EBIT Margin	18.0	16.9	16.2	16.8	17.4
Core PATANCI Growth	27.4	(11.8)	(5.0)	18.3	9.6	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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MBSB 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