Corporate Update

Hup Seng Industries Berhad

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

SHARIAH Compliant

3QFY26 Results Review

Margins Resilient Despite Softer Demand

Maintain BUY with an unchanged TP of RM1.09. Hup Seng's 3QFY26 results showed softer year-on-year sales as weaker domestic demand and lower exports weighed on revenue, although earnings improved quarter-on-quarter alongside the sequential recovery in sales. Margins remained relatively steady, while favourable prices for certain raw materials helped sustain 9MFY26 profitability despite the softer topline. 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. Valuation remains attractive, with the stock trading close to -2SD both its 5-year and 10-year historical mean valuations.

Within expectations. 9MFY26 core PATANCI rose +1.2%yoy to RM35.5m, within our expectations at 73% of our FY26 forecast but below consensus at 68%. For 3QFY26, core PATANCI declined -10.1%yoy to RM14.2m but improved +34.2%qoq, in line with the sequential recovery in revenue. The Board declared a third interim dividend of 2.0 sen/share, bringing 9MFY26 DPS to 4.0 sen/share, unchanged year-on-year.

Revenue recovered sequentially but remained softer year-on-year. 3QFY26 revenue fell -6.6%yoy to RM98.7m, reflecting weaker domestic biscuit demand across most channels and lower export sales, particularly to Indonesia, Myanmar, Mauritius and the US. On a sequential basis, revenue improved +14.8%, driven by stronger domestic sales across most channels, partly offset by a slight decline in exports. For 9MFY26, revenue declined -2.3%yoy to RM275.9m, as a -4% decline in domestic sales more than offset a +5% increase in exports, led by Myanmar, Thailand, the US, Japan and Singapore. By segment, 3QFY26 biscuit manufacturing revenue fell -6.7%yoy, beverage manufacturing declined -5.8%yoy, while trading revenue fell -7.4%yoy.

Margins held up despite lower sales. 3QFY26 operating profit declined -11.4%yoy to RM18.3m, broadly tracking the weaker topline, with operating margin easing by -1.0ppt year-on-year to 18.6%. Gross margin was stable year-on-year at 31.5%, while core PATANCI margin softened by -0.5ppt year-on-year to 14.3%. For 9MFY26, operating profit was broadly flat at RM46.3m and core PATANCI rose +1.2%yoy to RM35.5m, with core PATANCI margin improving by 0.4ppt year-on-year to 12.9%. Despite lower revenue, favourable prices for certain raw materials helped sustain 9MFY26 profit. Biscuit manufacturing remained the key earnings contributor, with 9MFY26 operating profit rising +16.7%yoy, partly offset by weaker trading profitability and losses in beverage manufacturing.

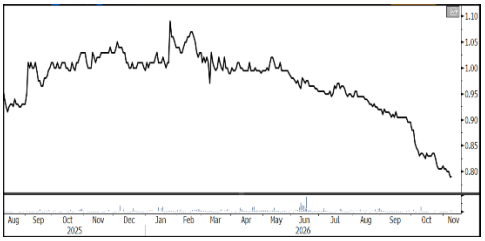
Outlook. We expect near-term earnings to remain anchored by cost discipline and production efficiency, but broader earnings growth will still depend on a firmer improvement in local volumes. Raw material costs remain volatile and could pressure margins if input prices move higher. We remain positive on Hup Seng's defensive staple-food exposure, healthy balance sheet and dividend appeal, with current valuations providing a more favourable entry point relative to its historical averages.

Maintain BUY

Unchanged Target Price **RM1.09**

RETURN STATISTICS	
Price @ 10th Nov 2026 (RM)	0.79
Expected share price return (%)	+37.4
Expected dividend yield (%)	+7.8
Expected total return (%)	+45.18

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.4	-5.1
3 months	-11.7	-9.8
12 months	-23.3	-21.8

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 (%)	6.6	7.8	8.5

KEY STATISTICS

FBM KLCI	1,604.07
Issued shares (m)	800.00
Estimated free float (%)	32.77
Market Capitalisation (RM'm)	632.00
52-wk price range	RM0.79 - RM1.12
3-mth average daily volume (m)	0.13
3-mth average daily value (RM'm)	0.12
Top Shareholders (%)	
HSB Group Sdn Bhd	51.00
Employees Provident Fund Board	3.10
Kerk Chian Tung	1.42

Analyst
MBSB Research
Research@mbsb.com

Hup Seng Industries: 3QFY26 Results Summary

FYE DEC (RM'm)	Quarterly results							
	3QFY26	2QFY26	3QFY25	YoY (%)	QoQ (%)	9MFY26	9MFY25	YoY (%)
Revenue	98.7	86.0	105.7	(6.6)	14.8	275.9	282.3	(2.3)
Cost of Sales	(67.6)	(60.1)	(72.3)	(6.5)	12.6	(191.8)	(199.1)	(3.7)
Gross Profit	**31.1**	**25.9**	**33.3**	**(6.8)**	**19.9**	**84.1**	**83.1**	**1.1**
Other income	1.1	1.1	1.0	14.8	3.3	3.1	2.8	10.6
Administrative expenses	(4.6)	(4.6)	(4.4)	4.7	1.3	(13.7)	(13.0)	5.3
Selling and marketing expenses	(9.3)	(8.6)	(9.2)	0.1	7.7	(27.1)	(26.5)	2.3
Operating profit (EBIT)	**18.3**	**13.9**	**20.7**	**(11.4)**	**32.3**	**46.3**	**46.4**	**(0.1)**
Finance cost	(0.0)	(0.0)	(0.0)	0.0	100.0	(0.0)	(0.1)	(80.6)
Profit before tax (PBT)	**18.3**	**13.9**	**20.7**	**(11.4)**	**32.3**	**46.3**	**46.3**	**0.0**
Income tax expense	(4.3)	(3.5)	(5.2)	(17.4)	22.4	(11.4)	(11.8)	(3.6)
Profit After tax (PAT)	14.0	10.3	15.5	(9.3)	35.7	34.9	34.5	1.2
Core PATANCI	**14.2**	**10.5**	**15.7**	**(10.1)**	**34.2**	**35.5**	**35.1**	**1.2**
Core EPS (sen)	1.8	1.3	2.0	(10.1)	34.2	4.4	4.4	1.2
DPS (sen)	2.0	1.0	2.0	0.0	100.0	4.0	4.0	0.0
Growth & Margin (%)				+/(-) ppts	+/(-) ppts			+/(-) ppts
Gross Profit Margin	31.5	30.1	31.5	(0.1)	1.3	30.5	29.4	1.0
Operating Profit Margin	18.6	16.1	19.6	(1.0)	2.5	16.8	16.4	0.4
PBT Margin	18.6	16.1	19.6	(1.0)	2.5	16.8	16.4	0.4
Core PATANCI Margin	14.3	12.3	14.9	(0.5)	2.1	12.9	12.4	0.4
Ratios & Valuation				+/(-) ppts	+/(-) ppts			+/(-) ppts
Effective tax rate (%)	23.5	25.4	25.2	(1.7)	(1.9)	24.6	25.5	(0.9)

Source: Company, MBSBR

Hup Seng Industries: Breakdown by operating segment

FYE DEC (RM'm)	Quarterly results							
	3QFY26	2QFY26	3QFY25	YoY (%)	QoQ (%)	9MFY26	9MFY25	YoY (%)
Revenue (RM'm):								
Biscuit Manufacturing	74.2	65.6	79.4	(6.7)	13.1	208.0	210.4	(1.1)
Beverage Manufacturing	1.4	1.2	1.5	(5.8)	18.3	4.6	4.6	0.4
Trading	79.5	67.6	85.9	(7.4)	17.6	219.0	229.3	(4.5)
Total	**98.7**	**86.0**	**105.7**	**(6.6)**	**14.8**	**275.9**	**282.3**	**(2.3)**
Operating Profit (RM'm):								
Biscuit Manufacturing	10.6	8.8	11.3	(6.7)	19.9	27.7	23.8	16.7
Beverage Manufacturing	0.0	(0.1)	0.0	2,100.0	(115.1)	(0.1)	0.1	(233.9)
Trading	8.1	5.8	9.9	(17.8)	40.2	20.3	24.0	(15.4)
Total	**18.7**	**14.5**	**21.2**	**(11.7)**	**29.3**	**47.9**	**47.8**	**0.3**
Operating profit margin (%):				+/(-) ppts	+/(-) ppts			+/(-) ppts
Biscuit Manufacturing	14.3	13.5	14.3	0.0	0.8	13.3	11.3	2.0
Beverage Manufacturing	1.5	(12.0)	0.1	1.5	13.5	(1.7)	1.3	(3.0)
Trading	10.2	8.6	11.5	(1.3)	1.6	9.3	10.5	(1.2)
Total	**19.0**	**16.8**	**20.1**	**(1.1)**	**2.1**	**17.4**	**16.9**	**0.4**

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)	11.0	12.7	12.1	11.0	10.0
DPS (sen)	7.0	5.5	5.2	6.1	6.7
Dividend Yield (%)	8.9	6.9	6.6	7.8	8.5

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

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

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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