

26 February 2026

Thong Guan Industries

F&B Segment Benefits from Strong MYR

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TGUAN's FY25 results met our expectations with core net profit growing by 7%. Weaker earnings of its packaging segment (-36%) offset higher F&B contribution (+125%). QoQ, its 4QFY25 F&B PBT rose 24% due to lower input costs from a stronger MYR while its packaging segment also pencilled in a 6% PBT growth, thanks to more profitable product mix. We tweak up FY26F CNP by 2% and introduce FY27F numbers with a modest 4% growth. All in, we lift our TP from RM1.29 to RM1.37 and reiterate our OUTPERFORM call given that its valuation implies a ~40% discount to the group's average 10-year historical forward PER of 11x while being anchored by RM186m net cash.

Within expectations. TGUAN's FY25 net profit of RM73.8m met our expectations, accounting for 103% of our full-year forecast. No dividend was declared for the quarter which is as expected.

YoY, TGUAN's FY25 overall revenue decreased by 6% but its core net profit was 7% higher mainly due to an unrealised loss of forex of RM8m. Accounting for that, its core net profit would have otherwise come in at 4% lower than the preceding year. Contribution from the F&B segment more than doubled YoY, thanks to better ASP and lower COGS from lower locked-in coffee beans as well as tea dust prices which further benefited from the strengthening of MYR that lowered imported input costs. While overall sales volume was stagnant (YoY), performance from the packaging segment was weaker on lower ASP largely due to: (i) subdued demand and intense competition amidst global trade uncertainties, (ii) unfavourable forex translation from a stronger MYR, and (iii) falling average resin prices of more than 5% in FY25 versus FY24. Packaging segment's margins also faced further pressure from the impact of minimum wage hikes which led to an estimated RM1m additional labour cost expenses each month since Feb 2025. For FY25, its F&B segment constituted >35% of the PBT (from c.14% in the previous year).

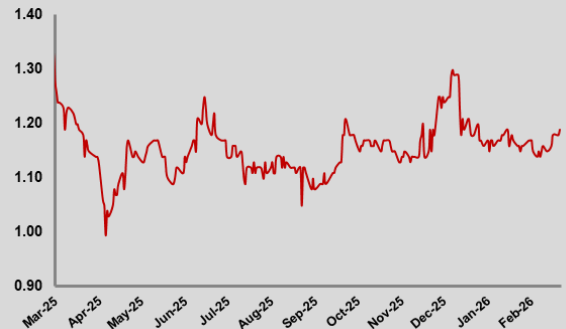
QoQ, despite a 3% lower revenue, its net profit grew by 20% mainly thanks to its F&B segment's 24% increase in PBT driven by lower input costs from a stronger MYR. In addition, its packaging segment also recorded 6% improvements in PBT attributable to better product mix such as its customized products which offer better margins.

Outlook. Kenanga is forecasting MYR to remain steady between RM3.88 to RM3.95 for CY26, which suggests that the group will likely not suffer unfavourable forex translation in FY26 as badly as in FY25. On the bright side, TGUAN's F&B segment has shown significant improvements in FY25 (YoY), thanks to its strong marketing team and higher product selling prices. Hence, TGUAN's challenges in the packaging segment will likely be partially cushioned by the strong momentum in its F&B segment. On that note, the group's venture into property development should help to partially cushion the impacts from increased minimum wages, for which we estimate at least RM8m additional contribution to its net profit per year starting from FY26. Regarding the U.S tariffs, the group has seen reduced orders from its exports to the U.S. which contributes about 10% of TGUAN's total revenue, alongside concerns over the indirect tariffs impacts from global trade disruptions. For its European market which makes up about 14% of its revenue, we expect demand growth to remain soft amid the region's economic slowdown. Meanwhile, we expect the intensifying competition from regional players in Asian market to persist in the near term (according to channel checks with industry players).

OUTPERFORM ↔

Price: RM1.19
Target Price: RM1.37 ↑

Share Price Performance



KLCI 1,747.81
YTD KLCI chg 4.0%
YTD stock price chg 1.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TGI MK EQUITY
Market Cap (RM m)	470.1
Shares Outstanding	395.03854
52-week range (H)	1.44
52-week range (L)	0.97
3-mth avg. daily vol.	313,582
Free Float	51%
Beta	1.0

Major Shareholders

Foremost Equals Sdn Bhd	37.7%
Prudential Plc	5.3%
Herbalnet (Malaysia)	2.5%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1200.5	1314.0	1382.7
EBIT	82.2	101.8	108.1
PBT	78.7	97.2	100.9
Net Profit (NP)	64.0	75.9	78.7
Core NP	73.8	75.9	78.7
Consensus	-	-	-
Core Earnings Revision	-	+2%	NEW
Core EPS (sen)	18.8	18.4	19.1
Core EPS Growth (%)	7.2%	-2.2%	3.8%
NDPS (sen)	6.5	6.0	6.0
Core PER (x)	6.3	6.5	6.2
BVPS (RM)	2.4	2.4	2.6
PBV (x)	0.5	0.5	0.5
Net Gearing (x)	N.Cash	N.Cash	0.0
Net Div Yield (%)	5.4	5.0	5.0

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Based on what we gathered, the group is still working on its investment in bread bags, but meaningful progress may likely take time to crystallize. Relating to the raw materials outlook, we foresee resin prices to remain steady with a downside bias, consistent with the U.S. Energy Information Authority's (EIA)'s bearish view on the global crude oil pricing trend for CY26.

All in, we view that the key downside risks have been largely priced into the valuations, trading at a ~30% discount to the group's average 10-year historical forward PER of 11x as the group remains well capitalised, backed by net cash of >RM120m, capacity scaling headroom and spare capacity to capture upswing in the cycle or push into new markets with current utilisation rate standing at ~50%.

Forecasts. We tweak our earnings forecast for FY26 by +2% following model updates. Meanwhile, we also introduced new numbers for FY27F earnings that implies a modest 4% net profit growth.

Valuations. Post-model updates, we lift our SoP-TP from RM1.29 to RM1.37, derived from an 8x FY26F PER on its packaging and F&B earnings, while maintaining a 45% RNAV discount to its property development segment. The TP carries a discount to the group's average historical forward PER of 11x to reflect TGUAN's low share liquidity and the increasing competition in the region. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We continue to like TGUAN due to: (i) its aggressive push into overseas markets with environmentally friendly, high-performing products, and (ii) its expansion plans for premium products, including nano stretch films, food wraps and some industrial bags. Although growth from exports may be disrupted by tariff uncertainties and global economic slowdown over the coming 6-18 months, they remain a core competitive strength of TGUAN. At the current valuation, TGUAN is trading at a discount of close to 40% to its 10-year historical forward price to earnings ratio. However, innovative initiatives by TGUAN may act as a re-rating catalyst should it successfully gains more market share in the advanced economies. **Maintain OUTPERFORM.**

Risks to our call include: (i) weaker than expected USD/MYR exchange rate, (ii) weak demand for packaging materials on a global recession, and (iii) supply chain disruptions.

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Results Highlights

FYE Dec (RM m)	4QFY25	3QFY25	QoQ Chg	4QFY24	YoY Chg	FY25	FY24	YoY Chg
Revenue	287.3	297.3	-3%	304.7	-6%	1200.5	1281.9	-6%
GP	43.5	40.0	9%	31.6	38%	176.0	180.6	-3%
EBIT	23.5	18.7	26%	14.8	58%	92.0	93.8	-2%
Interest Income	1.0	1.1	-12%	1.3	-25%	4.8	5.3	-9%
Finance Costs	-1.7	-1.9	-13%	-2.5	-33%	-8.2	-10.4	-22%
Exceptional Items	-3.6	-0.8	360%	0.0	N.A.	-9.8	1.8	-651%
PBT	19.2	17.1	12%	13.7	40%	78.7	90.2	-13%
Taxation	-3.8	-3.9	-2%	-3.1	22%	-16.5	-19.0	-13%
Minority Interest	-0.8	-0.2	268%	-0.4	111%	-1.8	0.6	-403%
Net Profit	16.1	13.4	20%	10.9	48%	64.0	70.7	-9%
Core Net Profit	19.7	14.2	39%	10.9	81%	73.8	68.9	7%
Core EPS (sen)	4.8	3.4	39%	2.6	81%	17.9	16.7	7%
NDPS (sen)	0.00	2.00	N.A.	2.50	N.A.	6.50	5.00	30%
Effective Tax Rate (%)	20.0	22.8		23.0		21.0	21.0	
EBIT Margin (%)	8.2	6.3		4.9		7.7	7.3	
PBT Margin (%)	6.7	5.8		4.5		6.6	7.0	
CNP Margin (%)	6.9	4.8		3.6		6.2	5.4	

Source: Company, Kenanga Research

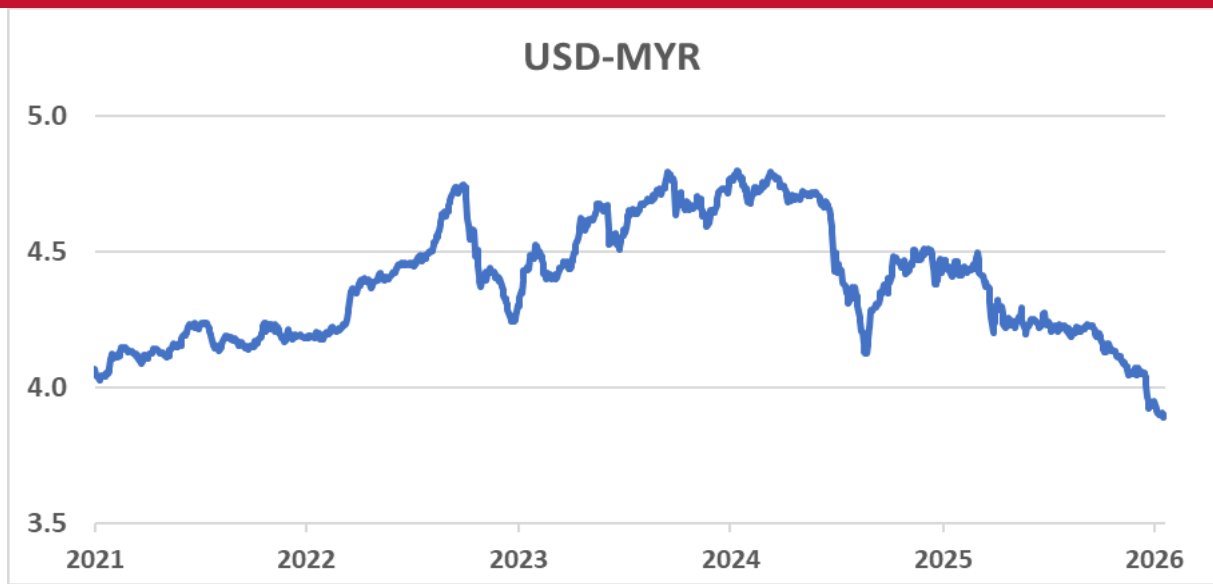
Segmental Breakdown

FYE Dec (RM m)	4QFY25	3QFY25	QoQ Chg	4QFY24	YoY Chg	FY25	FY24	YoY Chg
Turnover								
Plastic packaging products	247.3	257.3	-4%	266.0	-7%	1040.1	1132.9	-8%
F&B, other consumable products	40.0	40.0	0%	38.7	3%	160.4	149.0	8%
Group Turnover	287.3	297.3	-3%	304.7	-6%	1200.5	1281.9	-6%
Segment Results								
Plastic packaging products	11.9	11.2	6%	10.7	11%	49.8	77.4	-36%
F&B, other consumable products	7.3	5.9	24%	3.0	143%	29.0	12.9	125%
Group PBT	19.2	17.1	12%	13.7	40%	78.8	90.2	-13%
PBT Margin								
Plastic packaging products	4.8%	4.4%		4.0%		4.8%	6.8%	
F&B, other consumable products	18.3%	14.8%		7.7%		18.1%	8.6%	
Group PBT Margin	6.7%	5.8%		4.5%		6.6%	7.0%	

Source: Company, Kenanga Research

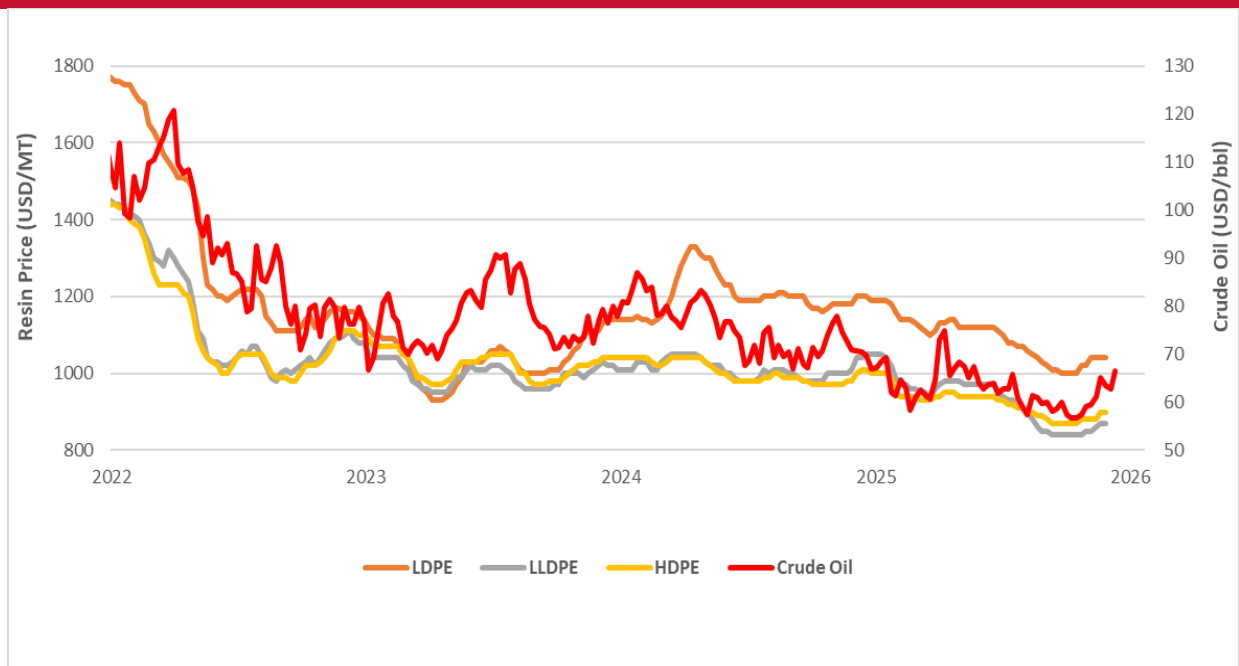
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Appendix 1: USD-MYR Exchange Rate



Source: Bloomberg, Kenanga Research

Appendix 2: Resin and Crude Oil Prices



Source: Bloomberg, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	0.910	1.20	31.9%	969.4	Y	05/2026	8.8	9.6	49.8%	11.5%	10.3	9.5	1.3	13.9%	5.0	5.5%
BM GREENTECH BHD	UP	1.44	1.72	19.4%	990.4	Y	03/2026	11.3	12.2	11.5%	7.5%	12.7	11.8	2.8	22.5%	1.8	1.3%
BP PLASTICS HOLDINGS BHD	MP	0.655	0.630	-3.8%	184.4	Y	12/2026	7.9	8.5	72.8%	8.2%	8.3	7.7	0.7	8.0%	4.3	6.5%
HPP HOLDINGS BHD	MP	0.320	0.300	-6.3%	124.4	Y	05/2026	2.0	2.3	146.9%	12.7%	15.7	14.0	1.0	6.3%	2.0	6.3%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.605	0.480	-20.7%	325.1	Y	12/2025	4.4	4.8	143.9%	8.4%	13.6	12.6	0.3	2.2%	2.0	3.3%
SCIENTEX BHD	MP	3.87	3.60	-7.0%	6,022.8	Y	07/2026	31.5	33.4	-9.2%	6.0%	12.3	11.6	1.4	11.7%	11.0	2.8%
SLP RESOURCES BHD	MP	0.780	0.810	3.8%	247.2	Y	12/2026	4.6	5.4	43.4%	17.4%	16.9	14.4	1.4	8.4%	5.0	6.4%
TECHBOND GROUP BHD	OP	0.295	0.470	59.3%	223.8	Y	06/2026	4.1	4.5	37.5%	9.1%	7.2	6.6	0.8	12.0%	1.0	3.4%
THONG GUAN INDUSTRIES BHD	OP	1.19	1.37	15.1%	470.1	Y	12/2025	18.4	19.1	2.7%	3.8%	6.5	6.2	0.5	7.7%	6.0	5.0%
SECTOR AGGREGATE					9,557.7					13.1%	7.1%	11.8	11.0	1.2	9.9%		4.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Product Quality & Safety	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Effluent & Waste Management	★	★	★	☆	
	Resource Management	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★	☆	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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