

25 May 2026

Thong Guan Industries

Solid Start for the Year with Stronger Numbers Ahead

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TGUAN's 1QFY26 results met our expectations with core net profit growing by 6% led by increased sales volume in its plastic packaging segment alongside improved performance from its F&B segment. Looking ahead, we anticipate a bumper 2QFY26 from: (i) inventory gains, (ii) better margins on higher ASP, and (iii) potentially increased sales orders, stemming from the surge in resin prices and supply shortage of packaging products in the market. Supported by its growing F&B segment alongside income commencement from its property development segment, we reiterate our **OUTPERFORM** call with an unchanged TP at RM1.73.

Within expectations. TGUAN's 1QFY26 net profit of RM19.4m (excluding unrealized forex gains of RM1.4m) met our expectation, accounting for 18% of our full-year forecast as we anticipate a bumper 2QFY26. A 2.5 sen dividend was declared for the quarter which is in-line with our full-year dividend forecast of 6 sen as we expect higher dividend in the subsequent quarters.

YoY, TGUAN's 1QFY26 overall revenue dipped by 1% primarily due to the strengthening of MYR against the USD in 1QFY26 which translated to lower average selling prices (ASP). On the flipside, its core net profit grew 6% led by increased sales volume in its plastic packaging segment alongside improved performance from its F&B segment 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. Meanwhile, its property segment has started contributing to its PBT albeit still insignificant in 1QFY26.

QoQ, despite its turnover rising by 10%, its net profit was marginally lower by 2% due to unfavourable forex translations in 1QFY26. Meanwhile, the group remains well capitalised, backed by net cash of >RM140m.

Outlook. Surging oil prices arising from Middle East conflicts since late Feb 2026 have resulted in resin prices rising by about 80% on average and has also led to a shortage of packaging supplies in the market. Kenanga expects Brent oil prices per barrel to average at USD80 in CY26 and USD74 for CY27, viewing that oil prices are unlikely to fall to pre-conflict levels even if the Middle East conflicts de-escalate. We note that TGUAN's sources of supply remain healthy, thanks to a well-diversified suppliers across multiple regions. Hence, we expect TGUAN to reap more meaningful profits from inventory gains, increased ASP and orders with potential margins expansions in 2QFY26. Based on Kenanga forecast, the MYR is 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. 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 1QFY26. All in, we anticipate the group to record a significant net profit growth in FY26.

Forecasts. Unchanged

Valuations. Maintain TP of RM1.73, derived from an 8x FY27F 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 stiff 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).

OUTPERFORM ↔

Price: RM1.55
Target Price: RM1.73 ↔

Share Price Performance



KLCI	1,712.67
YTD KLCI chg	1.9%
YTD stock price chg	32.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TGI MK Equity
Market Cap (RM m)	606.6
Shares Outstanding	391.3
52-week range (H)	1.65
52-week range (L)	1.05
3-mth avg. daily vol.	755,818
Free Float	51%
Beta	0.88

Major Shareholders

Foremost Equals Sdn Bhd	38.0%
Prudential Plc	5.3%
Herbalnet (Malaysia)	2.5%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1200.5	1653.9	1562.0
EBIT	82.2	142.6	128.9
PBT	78.7	138.0	121.1
Net Profit (NP)	64.0	107.7	94.5
Core NP	69.1	107.7	94.5
Consensus	-	-	-
Core Earnings Revision	-	-	-
Core EPS (sen)	17.6	26.1	22.9
Core EPS Growth (%)	0.2	48.5	-12.3
NDPS (sen)	6.5	6.0	6.0
Core PER (x)	6.8	4.6	5.2
BVPS (RM)	2.4	2.5	2.7
PBV (x)	0.5	0.5	0.4
Net Gearing (x)	-	-	-
Net Div Yield (%)	5.4	5.0	5.0

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Investment case. We continue to like TGUAN for: (i) its aggressive push into overseas markets with environmentally friendly, high-performing products, and (ii) minimal disruptions in its packaging business from a diverse source of suppliers. (iii) its ability to pass through cost increase to consumers. 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.

Results Highlights

FYE Dec (RM m)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg
Revenue	317.3	287.3	10%	319.0	-1%
GP	51.8	43.5	19%	44.2	17%
EBIT	25.3	23.5	8%	23.5	8%
Interest Income	1.4	1.0	41%	1.5	-5%
Finance Costs	-1.9	-1.7	18%	-2.3	-15%
Exceptional Items	1.4	-3.6	-139%	-0.4	-427%
PBT	26.2	19.2	37%	22.3	17%
Taxation	-5.9	-3.8	54%	-4.8	24%
Minority Interest	-0.5	-0.8	-34%	-0.4	33%
Net Profit	20.8	16.1	29%	17.9	16%
Core Net Profit	19.4	19.7	-2%	18.3	6%
Core EPS (sen)	4.7	4.8	-2%	4.4	6%
NDPS (sen)	2.50	0.00	N.A.	4.50	-44%
Effective Tax Rate (%)	22.6	20.0		21.4	
EBIT Margin (%)	8.0	8.2		7.4	
PBT Margin (%)	8.3	6.7		7.0	
CNP Margin (%)	6.1	6.9		5.7	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	1QFY26	4QFY25	QoQ Chg	1QFY25	YoY Chg
Turnover					
Plastic packaging products	271.2	247.3	10%	277.8	-2%
F&B, other consumable products	44.4	40.0	11%	41.2	8%
Group Turnover	315.6	287.3	10%	319.0	-1%
Segment Results					
Plastic packaging products	17.3	11.9	46%	14.5	19%
F&B, other consumable products	8.6	7.3	18%	7.8	11%
Group PBT	25.9	19.2	35%	22.3	16%
PBT Margin					
Plastic packaging products	6.4%	4.8%		5.2%	
F&B, other consumable products	19.5%	18.3%		18.9%	
Group PBT Margin	8.2%	6.7%		7.0%	

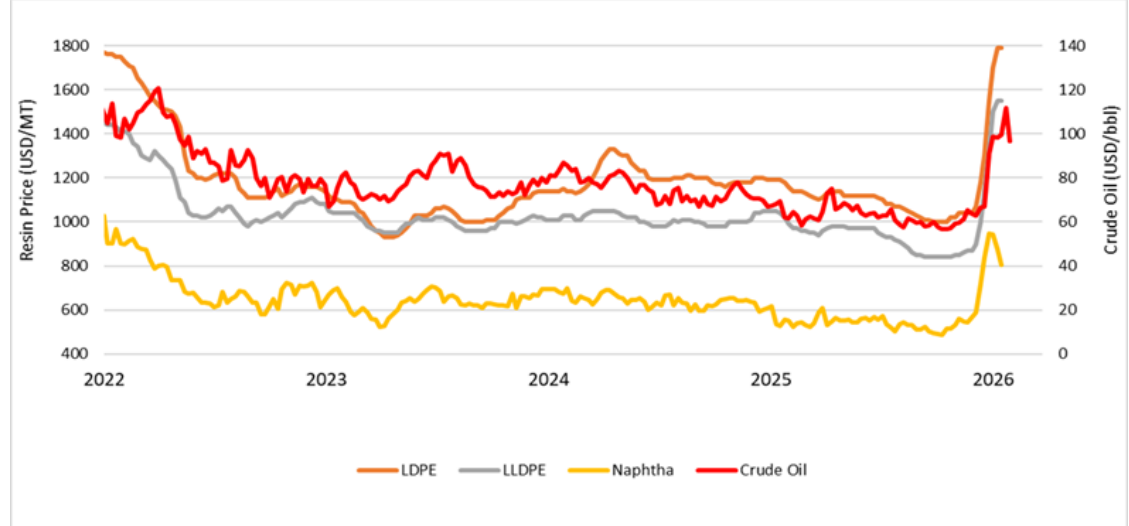
Source: Company, Kenanga Research

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	0.880	1.50	70.5%	935.6	Y	05/2026	7.7	9.4	20.0%	22.9%	11.5	9.4	1.3	11.9%	5.0	5.7%
BM GREENTECH BHD	UP	1.44	1.72	19.4%	990.4	Y	03/2027	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	0.785	0.870	10.8%	221.0	Y	12/2026	9.1	8.7	100.2%	-4.5%	8.6	9.0	0.8	9.2%	4.3	5.4%
HPP HOLDINGS BHD	MP	0.300	0.300	0.0%	116.6	Y	05/2026	2.0	2.3	146.9%	12.7%	14.7	13.1	0.9	6.3%	2.0	6.7%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.575	0.480	-16.5%	309.0	Y	12/2026	4.4	4.8	143.9%	8.4%	12.9	11.9	0.3	2.2%	2.0	3.5%
SCIENTEX BHD	OP	3.49	3.91	12.0%	5,431.4	Y	07/2026	39.5	39.4	17.0%	-0.4%	8.8	8.9	1.1	13.4%	13.0	3.7%
SOUTHERN CABLE GROUP BHD	OP	2.06	2.68	30.1%	2,347.3	Y	12/2026	12.4	15.0	15.3%	21.7%	16.7	13.7	3.4	20.9%	3.5	1.7%
SLP RESOURCES BHD	MP	0.835	0.900	7.8%	264.7	Y	12/2026	6.4	6.1	99.0%	-5.4%	13.0	13.8	1.5	11.5%	4.8	5.7%
TECHBOND GROUP BHD	OP	0.275	0.470	70.9%	208.6	Y	06/2026	4.1	4.5	37.5%	9.1%	6.7	6.1	0.7	12.0%	1.0	3.6%
THONG GUAN INDUSTRIES BHD	OP	1.55	1.73	11.6%	606.6	Y	12/2026	26.1	22.9	45.9%	-12.3%	5.9	6.8	0.6	10.8%	6.0	3.9%
SECTOR AGGREGATE					11,431.1					23.3%	4.0%	10.2	9.8	1.2	11.8%		4.1%

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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