Hock Soon Capital Berhad (HOCKSOON)

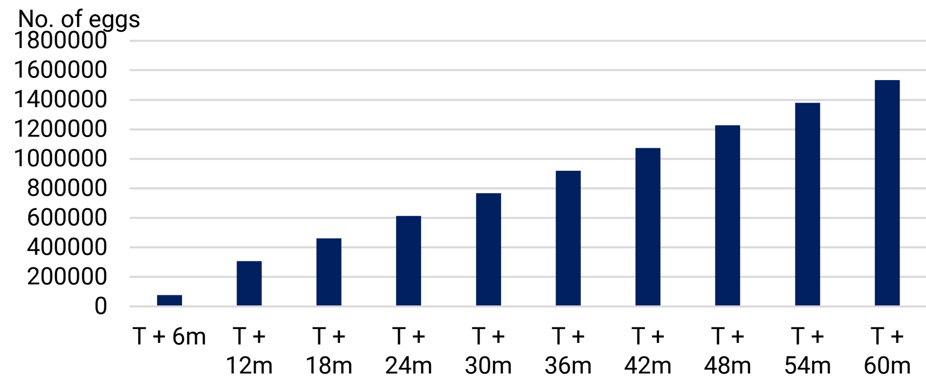
Egg-spanding Production

- **Hock Soon Capital Berhad is an integrated poultry producer in Malaysia, engaged in (i) poultry farming and egg production, utilizing automated closed-house systems and an in-house feed mill to produce ordinary and premium eggs, and (ii) sorting and distribution of table eggs under its 'QPlus' house brand and 3rd-party labels to a multi-channel network of wholesalers, retailers, and food manufacturers.**
- **We project the 3-year earnings to come in at RM33.2m, RM35.8m, RM38.5m over the next three years. The dip in earnings for FY26f is mainly due to the substantial reduction in government subsidies starting FY26f.**
- **We assign a fair value of RM0.66 per share for HOCKSOON, indicating a 10.0% upside from the IPO price of RM0.60. This valuation is based on a PE multiple of 9.5x pegged to mid-FY27f EPS of 6.9 sen.**

Investment highlights

Almost 100% capacity surge via Teluk Intan expansion. The group is set to increase its daily egg production capacity by 103.6%, adding approximately ~1.53m eggs per day through the establishment of 25 new closed-house coops at its Teluk Intan lands. This expansion is supported by an upgrade to its feed mill operations in Bidor with a new 225 MT/day production line estimated to commence by 4Q 2027. The 60-month progressive rollout will allow the group to enjoy gradual customer base expansion.

Fig #1 Tentative timeline and production capacity for Teluk Intan poultry farm



Source: Hock Soon Capital Berhad

Stronger MYR to reduce feed costs. With the MYR appreciating significantly against the USD, moving from RM4.80 in 2024 to below RM4.00 currently, the group is expected to see a meaningful boost in profitability. As raw materials for feed production (transacted in USD) accounted for ~70.0% of total purchases in FY25, a stronger local currency directly lowers the cost of key inputs like maize and soybean meal. We believe with this favourable MYR strength, coupled with the group's vertically integrated model, could potentially translate into stronger GP margins.

Positive macro tailwinds. According to the Department of Veterinary Services Malaysia, the average price of eggs has been on a gradual uptrend starting August 2025. Hence, we view that despite with the removal of egg subsidies, the ASP for Hock Soon eggs will rise in tandem with the average egg prices, offsetting the absence of previous government support. Meanwhile, we believe demand for eggs from the HORECA sector will also rise due to Visit Malaysia 2026, contributing to stronger revenue growth for the group.

IPO Note – Not rated

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Not Rated

Share price	**RM0.60**
Target price	**RM0.66**
Previous TP	-
Capital upside	10.0%
Dividend return	-
Total return	10.0%

Company profile

Started since 1979, Hock Soon Capital Berhad is a Malaysia-based integrated poultry producer, principally engaged in (i) poultry farming and egg production, as well as (ii) sorting and distribution of table eggs under its 'QPlus' house brand and third-party labels

Stock information

Bursa Code	5346
Bloomberg ticker	HOCKSOON MK
Listing market	MAIN
Share issued (m)	500.0
Market Cap (m)	300.0
Shariah compliant	Yes
MITI allocation	Yes

Major shareholders	%
Ong Legacy	70.0

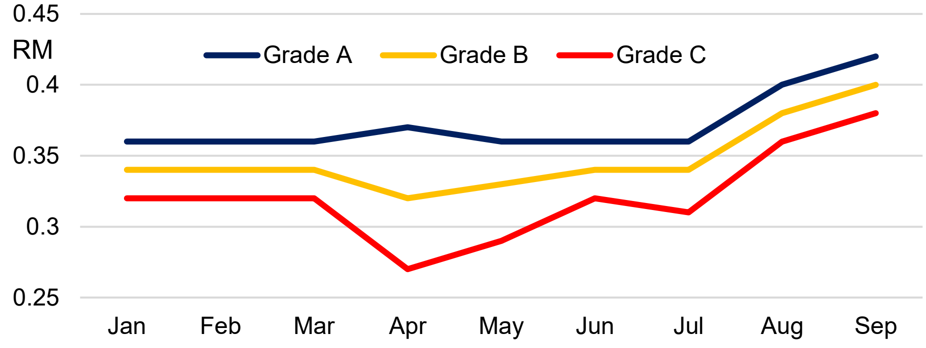
Earnings snapshot

FYE (Sep)	FY25	FY26f	FY27f
PATMI (m)	42.0	33.2	35.8
EPS (sen)	8.4	6.6	7.2
P/E (x)	7.1	9.0	8.4

Timetable of IPO

Opening of application	22 January
Closing of application	30 January
Balloting of application	5 February
Allotment of the IPO shares	11 February
Listing on the MAIN market	13 February

Fig #2 Average Egg Prices in Malaysia (Jan25 – Sep25)



Source: Jabatan Perkhidmatan Veterinar Malaysia

Fully integrated model to ensure operational efficiency and quality control. HOCKSOON operates a vertically integrated model covering feed production, layer rearing and egg grading. Through its in-house feed mill, the group maintains strict control over nutritional quality and costs, while automated closed-house systems also allow the group to minimize labour reliance and biosecurity risks, ensuring long-term business sustainability for the group.

Geographical expansion into Singapore. As the group targets to receive the Singapore Food Agency (SFA) export license by 1Q 2026, the group is well-positioned to tap into Singapore's high reliance on imported table eggs. We favour this expansion as it can act as a revenue hedge against the removal of Malaysian government subsidies, mitigate domestic market volatility while capturing higher-value export demand.

Multi-channel distribution and brand equity. The group has secured a strong retail footprint in major grocery chains like Lotus's, HeroMarket, and Jaya Grocer, complemented by its 'QPlus' house brand for premium and ordinary eggs. Its multi-channel strategy targets wholesalers, retailers, and food manufacturers, while the establishment of Al-Kauthar Trading further strengthens its direct-to-consumer distribution, mainly targeting smaller retailers such as wet markets and households.

Fig #3 Range of products by HOCKSOON

Source: Hock Soon Capital Berhad

Market share poised for growth. According to the IMR report, HOCKSOON captured a market share of 2.4% in 2024, computed based on its revenue of RM143.8m generated from the sale of table eggs in FY24 against the estimated production value of ~RM5.98bn in 2024. In terms of production volume, the group captured a market share of 2.6%, computed based on its production volume of 401.8m units of chicken eggs in 2024 against the production volume of 15.4bn units of chicken eggs in 2024 in Malaysia. Even though the market share is relatively low, we believe it will continue to expand along the gradual contributions by Teluk Intan plant and also the group's expansion into Singapore.

Company background

Founded in 1979, Hock Soon Capital Berhad is a Malaysia-based integrated poultry producer, principally engaged in the (i) production of table eggs, supported by automated closed-house farming and in-house feed mill operations to ensure quality and cost control, and (ii) grading, sorting, and distribution of ordinary and premium eggs under its 'QPlus' brand and customer labels.

The group's principal activities are underpinned by a vertically integrated business model organized into three core operational segments:

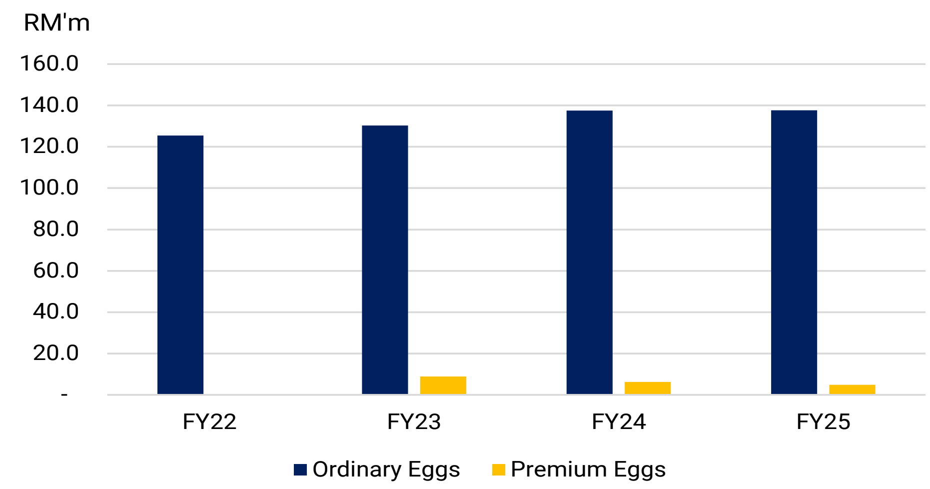
(i) **Poultry farming and egg production**: The dominant revenue driver, focusing on the rearing of layer chickens from day-old-chicks to mature hens. The group operates 35 closed-house chicken coops with a total capacity of c.2.4 million birds and a daily production output of 1.63 million eggs. These facilities utilize advanced automation for feeding, egg collection, and manure disposal, alongside remote monitoring systems to optimize environmental conditions.

(ii) **Feed Mill Operations**: The group operates an in-house feed mill with two computerized production lines capable of producing 288 MT of poultry feed per day. This segment supports the farming operations by formulating 12 varieties of feed tailored to different developmental stages, ensuring consistent egg quality and supply chain sustainability.

(iii) **Sorting and Distribution**: HOCKSOON manages a central grading and sorting station with a total capacity of 192.0k eggs per hour. Its product portfolio includes Ordinary Eggs (unbranded and customer brands) and Premium Eggs sold under the house brand 'QPlus', all of which are Halal-certified.

The group employs a multi-channel distribution strategy, serving a diverse network of wholesalers, retailers (including major chains like Lotus's and Jaya Grocer), and food manufacturers. While primarily focused on the Malaysian market, the group also exports premium eggs to Hong Kong and is actively preparing for the upcoming expansion into Singapore.

Fig #4 HOCKSOON's revenue segmentation



Source: Hock Soon Capital Berhad

Fig #5 Corporate milestones

Source: Hock Soon Capital Berhad

Substantial Shareholders and Key Management

1. Ong Boon Leng – Managing Director
Mr Ong is a Promoter, substantial shareholder, and Managing Director. He oversees the Group's overall business planning, strategic direction, and expansion. With over 40 years of poultry industry experience, he joined in 1979 and has been Managing Director since 1996, pioneering the Group's transition to modern, automated farming. He is the husband of Lim Suk Gen and the father of Ong Keat Qian and Ong Keat Hoe.

2. Lim Suk Gen – Executive Director
Ms Lim is a Promoter, substantial shareholder, and Executive Director, responsible for overseeing production, HR, and administration. She began her career with the Group in 1985 as a Production Supervisor and has held various management roles before being reappointed as Executive Director in 2019. She is the wife of Ong Boon Leng and the mother of Ong Keat Qian and Ong Keat Hoe.

3. Ong Keat Qian – Executive Director
Mr Ong is a Promoter, substantial shareholder, and Executive Director, overseeing farm and feed mill operations, veterinary functions, and project departments. He holds a Bachelor of Arts in International Business Management from the University of Northumbria, UK. Since joining the Group in 2011, he has progressed from General Manager to his current role in 2017. He is the son of Ong Boon Leng and Lim Suk Gen.

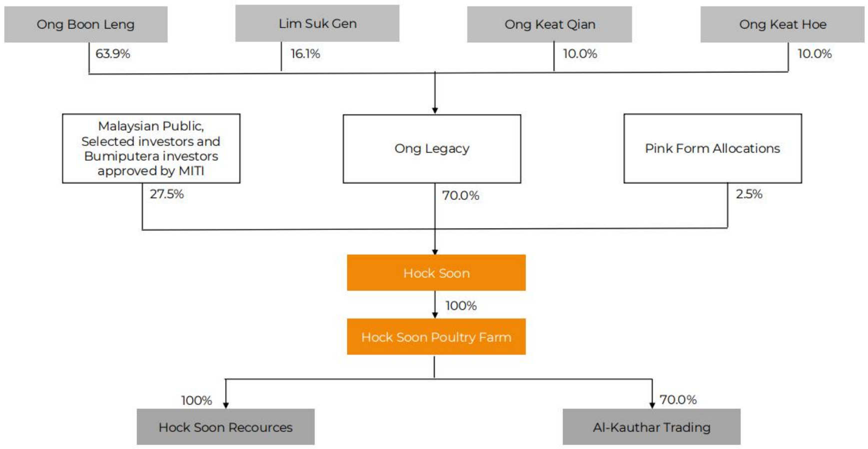
4. Ong Keat Hoe – Executive Director
Mr Ong is a Promoter, substantial shareholder, and Executive Director, responsible for the sales and marketing department. He holds a Bachelor of Arts in Business Management with Marketing from the University of the West of England, UK. He joined full-time in 2021 and was appointed as Executive Director that same year, leading the development of house brands and international markets. He is the son of Ong Boon Leng and Lim Suk Gen.

5. Choong Chyan Leong – Chief Financial Officer
Mr Choong oversees the Group's overall accounting and finance functions. He is a Fellow of ACCA and a member of MIA with extensive experience in statutory audits and financial management at firms including KPMG, Vale Malaysia Minerals, and Yew Lee Pacific Group. He assumed his current position in 2024.

6. Lee Swet Mei – Head of Sales
Ms Lee is responsible for client relationship management and driving business growth. Having joined the Group in 2003, she was promoted to her present position in 2019. She is currently pursuing a Bachelor of Arts in Marketing part-time to further support the Group's sales activities.

7. Dr. Sharifah Nurul Hanim Binti Sy Ibrahim – Veterinarian
Dr Sharifah is responsible for disease monitoring, diagnostics, and maintaining animal husbandry practices to ensure flock productivity. She holds a Doctor of Veterinary Medicine from Universiti Malaysia Kelantan and has served as the Group's Veterinarian since 2016.

Fig #6 Post-IPO structure



Source: Hock Soon Capital Berhad

Fig #7 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Establishment of new poultry farm at the Teluk Intan Lands	53.5	89.1	Within 60 months
Estimated listing expenses	6.6	10.9	Within 1 month
Total	60.0	100.0	

Source: Hock Soon Capital Berhad

Business overview

Production and sale of ordinary eggs (96.6% of FYE25 revenue)
This segment focuses on the production of eggs containing basic nutritional value, derived from layer chickens fed with standard, non-enriched poultry feed. These eggs are primarily sold unbranded to wholesalers and retailers, though the group also markets them under its proprietary 'QPlus' house brand or provides custom packaging and labelling for external customer brands upon request.

Production and sale of premium eggs (3.4% of FYE25 revenue)
The Group produces premium eggs with enhanced nutritional profiles, including Vitamin E, Omega DHA, and selenium, by utilizing specialized, enriched poultry feed formulations. While the majority of these value-added products are sold under the 'QPlus' brand to capture health-conscious market segments, the group also offers specialized labelling and packaging services to meet the specific branding requirements of its diverse customer base.

Fig #8 Principal business activities and services provided

Source: Hock Soon Capital Berhad

Fig #9 SWOT analysis of Hock Soon Capital Berhad

Strength	Weakness
• Established track record with 46 years of experience • Vertical integration with full control of the value chain • Use of automation for better operational efficiency	• Relatively small market share • Mainly concentrated at Bidor Integrated Farm
Opportunity	**Threat**
• Capacity expansion at Teluk Intan farm • Expansion into Singapore	• Livestock disease • Subsidy removal • Intensive competition within the industry

Source: M+ Research

Financials

Revenue and income highlights. The group reported a revenue decline of RM4.0m (2.6% YoY), decreasing from RM151.4m in FY24 to RM147.4m in FY25, dragged by lower revenue from both of the segments. Sales of table eggs segment decreased from RM143.8m in FY24 to RM142.5m in FY25, mainly due to the lower ASP for table eggs of RM0.32 per egg for FY25 (FY24:RM0.36 per egg). The lower ASP was mainly caused by the increased market competition throughout FY25 as well as the shift in our customers' demands from premium eggs and own-brand ordinary eggs to unbranded ordinary eggs, which generally have lower ASP. Meanwhile, the others segment recorded an even larger decline of RM2.7m to RM4.9m (FY24: RM7.6m), as there is absence of revenue from both the sale of raw materials and raw manure.

Balance sheet. Total assets increased from RM172.4m in FY24 to RM189.5m in FPE25, mainly driven by the increase in property, plant and equipment. Similarly, total liabilities also rose from RM26.8m to RM45.1m over the same period, largely due to the increase in loans and borrowings. However, total equity reduced slightly from RM145.6m to RM144.3m, caused by the slight reduction in retained earnings. The group was in a net gearing position of 0.1x prior to listing.

Cash flow. Despite a higher PBT, net cash from operating activities declined from RM34.3m in FY24 to RM32.1m in FY25, mainly due to the negative changes in trade and other receivables, prepayments and other assets. Cash flow from investing activities turned from a net inflow of RM38.2m in FY24 to a net outflow of RM10.7m in FY25, mainly due to the increase in acquisition of property, plant and equipment. Cash flow from financing activities recorded a lower outflow, from RM59.7m in FY24 to RM28.3m in FY25, as there were lower dividends paid. The group showed a net decrease of RM6.9m in cash and cash equivalents in FY25, and is in a net cash position of 0.1x prior to the listing.

Earnings forecasts. Moving forward, we project a dip in core PATMI by 21.8% to RM33.2m in FY26f mainly due to the substantial reduction in government subsidies starting in 2026. Meanwhile, forecasting a growth of 8.1% and 7.5% over the FY27-28f to RM35.8m and RM38.5m, respectively, supported by the gradual capacity expansion via its new Teluk Intan plant, which will eventually almost double its current capacity within a 60-month timeline. The expansion into Singapore and macro tailwinds, such as a stronger MYR and VM2026, will also further support its financial performance.

Fig #10 Financial Highlights

FYE Sep (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	151.4	147.4	196.2	219.5	243.9
EBITDA	53.3	57.8	46.2	50.0	53.7
EBIT	51.1	55.0	42.9	46.5	50.0
PBT	53.9	56.0	43.6	47.2	50.7
PAT	40.7	42.0	33.2	35.8	38.5
PATMI – Core	40.7	42.0	33.2	35.8	38.5
PATMI – Reported	40.7	42.0	33.2	35.8	38.5
% change YoY – Core PATMI	19%	3%	-21%	8%	8%
Core EPS (sen)	8.1	8.4	6.6	7.2	7.7
P/E (x)	7.4	7.1	9.0	8.4	7.8
EV/EBITDA (x)	5.4	5.0	6.2	5.7	5.3
DPS (sen)	0.8	1.0	-	-	-
Yield (%)	1%	2%	0%	0%	0%
BVPS (RM/share)	0.3	0.3	0.5	0.5	0.6
P/B (x)	2.1	2.1	1.3	1.1	1.0
ROE (%)	26%	29%	18%	14%	13%
Net Gearing (x)	CASH	0.1	CASH	CASH	CASH

Source: M+ Research

Valuations

We assign a fair value of RM0.66 per share for HOCKSOON, based on a P/E ratio of 9.5x pegged to a mid-FY27f EPS of 6.9 sen. Even though the average historical and forward P/E ratios of its peers are trading between 10.9x–11.8x, we treat the P/E multiples of QL Resources Berhad (32.3x–36.3x) as outliers, as most peers are trading at single-digit P/Es. Hence, excluding QL Resources Berhad, the average historical and forward P/E multiples would range between 5.0x–6.7x.

Nevertheless, we believe the assigned P/E multiple is fair, underpinned by (i) HOCKSOON's forward NP margin of 18.3% (excluding government subsidies) compared to the peers' average of 5.2%, (ii) decent ROE of 29% against peer average of 15.4% and (iii) HOCKSOON's capacity expansion at its Teluk Intan plant.

Fig #11 Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)**
Hock Soon Capital Berhad	**MAIN**	**Sep**	**0.60**	**300.0**	***7.1**	****7.2**	***29.0**	**18.3**
Leong Hup International Bhd	MAIN	Dec	0.79	2,692.3	6.1	6.5	19.0	4.4
Teo Seng Capital Bhd	MAIN	Dec	1.08	628.7	3.7	4.7	27.5	9.7
QL Resources Bhd	MAIN	Mar	4.10	14,966.0	36.3	32.3	13.9	6.2
CAB Cakaran Corp Bhd	MAIN	Sep	0.60	416.1	4.6	3.7	12.5	**4.1
Farmiera Bhd	ACE	Sep	0.22	99.0	14.0	N/A	N/A	*1.2
Malayan Flour Mills Bhd	MAIN	Dec	0.63	780.7	8.6	N/A	6.9	*2.9
Lay Hong BHD	MAIN	Mar	0.31	235.4	2.9	N/A	12.6	*8.1
Avg ex-Hock Soon Capital Berhad				**2,831.2**	**10.9**	**11.8**	**15.4**	**5.2**

*Source: M+ Research (*FY25, **Based on Forward 12M Data)*

Investment risks

Exposure to poultry disease outbreaks. The group is vulnerable to contagious infections like Avian Influenza and Newcastle disease, which can cause mass mortality or forced depopulation. A past H9N2 outbreak in late 2018 led to a 78.9%

production drop and a 25.1% revenue decline in the subsequent financial year, highlighting the risk of severe operational and financial disruption.

Impact of subsidy removal and price control cessation. Profitability is exposed to the full removal of government egg subsidies and the lifting of price controls. Hence, future earnings depend on the group's ability to manage price fluctuations and competition without state support.

Exposure to raw material price volatility. Raw materials for feed production, such as maize and soybean meal, accounted for over 82% of total purchases in FY2025. As global commodities, these are subject to geopolitical and supply chain shocks; an inability to pass through cost increases via higher egg prices could result in significant margin compression.

Operational risks. All primary operations are concentrated at the Bidor Integrated Farm, making the group susceptible to localized disasters or power outages. Since closed-house systems rely on continuous automation and climate control, any critical equipment failure or insufficient backup power could lead to high flock mortality and downtime.

Product contamination risks. Contamination risks, such as salmonella, could trigger product recalls, liability claims, or regulatory fines.

Environmental, Social and Governance (ESG) Practices

Environmental:

- Optimizing energy consumption through the use of energy-efficient lighting, heating, and honeycomb air ventilation panels, alongside investments in renewable energy via solar PV installations.
- Repurposing chicken waste into organic fertilizer through a related party and implementing wastewater recycling systems to conserve resources with zero external discharge.
- Maintaining high standards of flock health through automated feeding/drinking systems, nutritionally balanced diets overseen by in-house veterinarians, and routine disinfection in well-ventilated housing.
- Operating in accordance with internationally recognized standards including myGAP, HACCP, GMP, and ISO 22000:2018 to ensure food safety and sustainability.

Social:

- Cultivating a secure and supportive workplace environment by adhering to rigorous standard operating procedures and industry regulations.
- Ensuring equal opportunities and a culture free from discrimination or harassment, regardless of age, gender, ethnicity, or orientation.
- Empowering the workforce by supporting personal and professional growth through continuous training and development programs.
- Contributing to the well-being of the surrounding community through dedicated corporate social responsibility (CSR) programs and charitable donations.

Governance:

- Complying with applicable laws, regulations, and key recommendations under the Malaysian Code on Corporate Governance (MCCG).
- Enforcing a zero-tolerance policy toward bribery and corruption in strict compliance with the Malaysian Anti-Corruption Commission Act 2009.

- Implementing risk management framework, alongside whistleblowing and Personal Data Protection policies, to ensure transparency and fairness in all business dealings.

Disclaimer

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned