

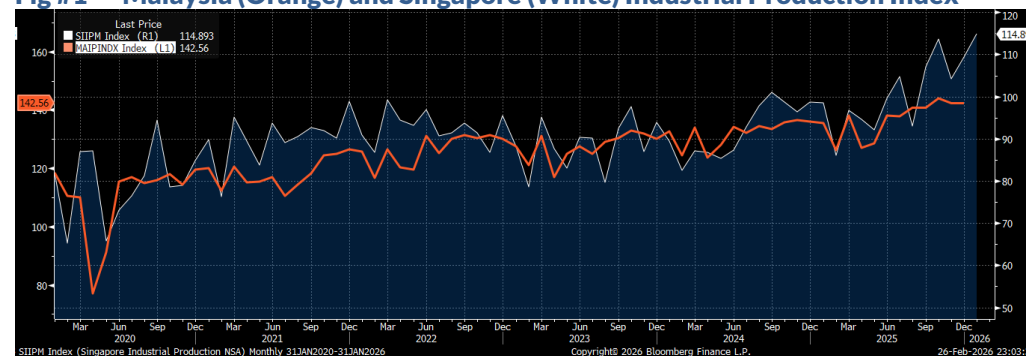
## TMK Chemical Berhad

### Ended FY25 Within Our Expectation

#### Summary

- Within expectations.** 4Q25 core earnings of RM246.6m (-13.4% QoQ; -16.6% YoY) brought FY25's total core earnings to RM1.05bn (-19.1% YoY). The results were in line with our expectations, at 101.2% of the full-year forecast.
- Dividend.** A dividend per share (DPS) of 2.8 sen was declared, bringing the total DPS for FY25 to 4.9 sen. This translates to a dividend yield of 3.9%.
- YoY.** TMK's revenue declined by 16.6% due to lower sales volumes. However, core PATMI recorded an increase of 30.9% due to sustained improvements in operational efficiency at its current plant, which is generally operating at over 80% utilization rate.
- QoQ.** The 13.4% decline in TMK's revenue was largely attributable to timing factors related to bulk shipments. According to management, excluding bulk shipments, volumes within the core distribution business recorded a QoQ increase. The impact of lower overall sales volumes was partially mitigated by a higher average selling price (ASP) during the quarter. Furthermore, core PATMI rose 12.3% driven by a higher factory utilisation rate, particularly at the Banting plant; this resulted in stronger operational efficiency and margin performance compared to the previous quarter.
- YTD.** Overall, revenue and core PATMI for FY25 dropped by 19.1% and 12.8% YoY respectively, primarily due to reduced sales volumes.
- Outlook.** Management has noted a significant uptick in sector activity over recent months, marking a recovery compared to the previous three quarters. As a primary regional supplier, the company is strategically positioned to benefit from the rising Industrial Production Index in Malaysia and Singapore (Fig #1). TMK's growth is further anchored by the Banting Plant 2 expansion set for 2027, which will double chlor-alkali derivative capacity to enhance long-term margins. Also, the growing rare earth processing industry in Malaysia is driving substantial demand for inorganic chemicals, tightening the chlor-alkali market and providing strong upward support for industry pricing.

**Fig #1 Malaysia (Orange) and Singapore (White) Industrial Production Index**



Source: Bloomberg

#### Results Note – 4QFY25

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### BUY

Share price	RM1.26
Target price	RM1.67
Previous TP	RM1.67
Capital upside	32.3%
Dividend return	2.6%
Total return	34.9%

#### Company profile

Incorporated since 1989, TMK Chemical Berhad primary engaged in the inorganic chemicals industry, specializing in total chemical management, chemical terminal services and manufacturing of inorganic chemicals.

#### Stock information

Bursa Code	5330
Bloomberg ticker	TMK MK
Listing market	MAIN
Share issued (m)	1000.0
Market Cap (m)	1260.0
52W High/Low	1.54 / 0.995
Est. Free float (%)	66.7
Beta (x)	-
3-mth avg vol ('000)	563.6
Shariah compliant	Yes

#### Major shareholders

	%
Dato Lee Soon Hian	39.5
Leong Chao Seong	9.5
Lee Oi Loon	6.5

#### Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	1M	3M	12M
Absolute	-5.3	-11.3	-10.0
Relative	-3.6	-17.6	-18.0

#### Earnings snapshot

FYE (Dec)	FY24	FY25	FY26f
PAT (m)	111.7	97.5	109.2
EPS (sen)	11.17	9.75	10.92
P/E (x)	11.0	12.9	11.5

#### Relative performance chart



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## Quarterly performance 4Q25

Quarterly performance								
FYE Dec (RM m)	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	295.8	284.6	246.6	(13.4)	(16.6)	1,302.0	1,053.0	(19.1)
PBT	31.1	32.0	34.7	8.4	11.5	140.1	120.4	(14.1)
PAT	22.9	26.1	29.4	12.5	28.0	111.6	97.5	(12.7)
Core PATMI	22.4	26.1	29.3	12.3	30.9	111.9	97.5	(12.8)
Reported PATMI	22.4	26.1	29.3	12.3	30.9	111.9	97.5	(12.8)
Core EPS (sen)	2.2	2.6	2.9	12.3	30.9	11.2	9.8	(12.8)
PBT margin (%)	10.5	11.2	14.1			10.8	11.4	
Core PATMI margin (%)	7.6	9.2	11.9			8.6	9.3	

Source: TMK Chemical Berhad, M+ Global Research

## Valuation & Recommendation

- **Forecast.** Maintained.
- **Maintained BUY with an unchanged TP of RM1.67.** We reiterate our BUY recommendation for TMK with a TP of RM1.67, implying a potential upside of 33.4% from the current share price of RM1.25. This valuation is based on a 15.0x P/E ratio, pegged to a mid-FY27F EPS of 11.1 sen.
- **Downside risks.** Risks to our recommendation include: (i) failure to maintain or renew key regulatory licenses; (ii) high supplier concentration for inorganic chemicals; (iii) reliance on third-party logistics; and (iv) potential disruptions at leased or third-party facilities.

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## Stock recommendation guide

<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	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
<b>TRADING SELL</b>	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
<b>NOT RATED</b>	No recommendation is assigned

