TMK Chemical Berhad

Stronger Start to FY26, Driven by Efficiency Gains

Results Note – 1QFY26

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Summary

- **Beat expectations.** 1Q26 core earnings came in at RM30.2m (+2.9% QoQ, +45.3% YoY), above expectations, accounting for 27.6% of our FY26f core earnings forecast of RM109.2m and 24.9% of consensus earnings of RM121.0m. The positive deviation was mainly due to the group's lower-than-expected effective tax rate.

- **Dividend.** No dividend was declared for the quarter.

- **YoY.** TMK's revenue declined by 6.4%, mainly due to lower sales volume and lower ASP. Nevertheless, core PATMI increased by 45.3% YoY, supported by lower cost of sales and sustained margin improvement from better operational efficiency at its current plant.

- **QoQ.** Revenue declined marginally by 2.1%, mainly due to lower sales volume amid festive-period effects and a shorter working month, partially mitigated by higher ASP. Nevertheless, core PATMI margin improved from 11.9% in 4Q25 to 12.5% in 1Q26, supported by stronger manufacturing efficiency, better margin performance and lower overall expenses.

- **Outlook.** Management noted improving conditions across various sectors in recent months. We believe TMK's outlook remains positive, supported by strong demand for chlor-alkali products from high-capacity rare earth processing activities and a tight HCL market. With Banting Plant 2 scheduled to come online in 2027, the plant is expected to double chlor-alkali derivatives capacity and become a key earnings driver. At the same time, the plant will share existing infrastructure, which should lower capex, depreciation and manpower requirements, supporting stronger margins and profitability going forward. As a primary regional supplier, TMK is strategically positioned to benefit from rising industrial production activity in Malaysia and Singapore.

Valuation & Recommendation

- **Forecast.** As TMK beat our expectations, we revise our FY26f–27f core earnings forecasts higher by 13.7%–24.4% to RM124.1m–RM140.6m, respectively factoring in lower tax rate and higher margins.

- **Downgrade to HOLD with upward revision of the TP to RM2.11.** Following the earnings revision, we raise our TP to RM2.11 but downgrade our recommendation to HOLD from BUY, as the share price has rallied and surpassed our earlier TP of RM1.67. The TP is derived by pegging a 15.0x P/E ratio to our FY27f EPS of 14.06 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.

BUY

Share price	**RM1.94**
Target price	**RM2.11**
Previous TP	**RM1.67**
Capital upside	8.7%
Dividend return	2.2%
Total return	10.9%

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)	1940.0
52W High/Low	1.96 / 1.03
Est. Free float (%)	66.7
Beta (x)	-
3-mth avg vol ('000)	1069.6
Shariah compliant	Yes

Major shareholders	**%**
Leong Chao Seong	9.49
Wong Kin Wah	4.65
Lee Yan Ling	3.57

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	19.0	54.0	63.0
Relative	19.8	56.9	46.4

Earnings snapshot

FYE (Dec)	FY24	FY25	FY26f
PAT (m)	111.7	97.2	124.2
EPS (sen)	11.17	9.72	10.92
P/E (x)	20.0	15.6	15.6

Relative performance chart



Quarterly performance 1Q26

Quarterly performance

FYE Dec (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	258.0	246.6	241.4	*(2.1)*	*(6.4)*
PBT	27.6	34.7	35.9	*3.6*	*30.2*
PAT	20.7	29.4	30.1	*2.6*	*45.4*
Core PATMI	20.8	29.3	30.2	*2.9*	*45.3*
Reported PATMI	20.8	29.3	30.2	*2.9*	*45.3*
Core EPS (sen)	2.1	2.9	3.0	*2.9*	*45.3*
PBT margin (%)	10.7	14.1	14.9		
Core PATMI margin (%)	8.1	11.9	12.5		

Source: TMK Chemical Berhad, M+ Global Research

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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