Results Note - 2QFY26

TMK Chemical Berhad

Earnings Beat Driven by ASP and Volume Growth

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HOLD

Share price	RM2.83
Target price	RM2.86
Previous TP	RM2.55
Capital upside	1.1%
Dividend return	1.4%
Total return	2.5%

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)	2830.0
52W High/Low	2.94 / 1.11
Est. Free float (%)	20.9
Beta (x)	-
3-mth avg vol ('000)	1936.8
Shariah compliant	Yes

Major shareholders	%
Lee Soon Hian	39.50
Leong Chao Seong	9.49
Lee Oi Loon	6.48

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	12.3	50.5	152.7
Relative	10.0	46.3	129.5

Earnings snapshot*

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	97.2	143.2	238.7
EPS (sen)	7.77	11.45	19.09
P/E (x)	36.4	24.7	14.8

**pro forma snapshot*

Relative performance chart

Summary

- **Earnings above expectations.** TMK's core PATMI rose 35.4% QoQ and 91.5% YoY to RM40.8m, marking its fifth consecutive quarter of earnings growth. This brought 1H26 core PATMI to RM71.0m, up 68.7% YoY, accounting for 57.2% of our FY26f core earnings forecast of RM124.1m and 50.0% of consensus' RM142.0m estimate. Key deviations include (i) stronger-than-expected ASPs and (ii) sales volumes, which translated into better-than-expected margins.

- **Dividend.** TMK announced a single-tier dividend of 3.6 sen per share for FY26, ex-date on 7 October 2026, and payable on 4 November 2026.

- **YoY.** Revenue rose 17.7% YoY to RM310.4m, primarily on higher ASPs. Gross profit increased 57.5% to RM80.8m, with GP margin expanding by 6.6ppt to 26.0%. PBT rose 98.8% to RM52.0m, supported by the higher gross profit and 30.1% lower finance costs. Core PATMI increased 91.5% to RM40.8m, with margin expanding by 5.0ppt to 13.1%.

- **QoQ.** Revenue grew 28.6% QoQ, driven by higher sales volumes alongside increased ASPs. PBT and core PATMI rose 44.8% and 35.4%, respectively, while core PATMI margin improved to 13.1% from 12.5% in 1Q26.

- **YTD.** 1H26 revenue rose 5.8% YoY to RM551.8m, while cost of sales declined 3.1%. This lifted gross profit by 43.0% to RM143.0m and expanded GP margin to 25.9% from 19.2%. PBT and core PATMI increased 63.6% and 68.6% to RM87.9m and RM70.9m, respectively, supported by higher ASPs, stronger margins and lower finance costs.

- **Outlook.** We expect TMK's profitability to remain supported by favourable ASPs, sustained chlor-alkali demand and improving operational efficiency. Higher global oil prices have supported ASPs, while robust hydrochloric acid (HCl) demand amid supply constraints should continue to support pricing. Although TMK does not supply directly to the rare-earth industry, we believe it is indirectly benefiting from tight HCl supply. Banting Plant 2, scheduled for 2027, is a key medium-term catalyst, expected to add 40,000 ECU and double existing chlor-alkali derivatives capacity. Its approximately 60% lower capital investment should reduce depreciation and manpower costs, supporting margin expansion. TMK's RM58.5m net cash and 0.26x gross gearing also provide flexibility to fund expansion.

- **CCM update.** On 7 August 2026, TMK and Batu Kawan Berhad mutually agreed to extend the exclusivity period by one month to 12 September 2026 to facilitate continued discussions on the transaction documents. The non-binding LOI involves the proposed acquisition of 100% of CCM, including its subsidiaries and associated companies, for an indicative purchase consideration of RM920.0m on a cash-free, debt-free basis.

Valuation & Recommendation

- **Forecast.** Following the stronger-than-expected 1H26 performance, we raise our FY26f and FY27f core earnings forecasts by 15.3% and 19.0% to RM143.2m and

RM167.3m, respectively. The upward revisions reflect our higher assumptions for ASPs and sales volumes, alongside improved operating efficiencies and stronger margins. Assuming successful completion of the non-binding CCM LOI and based on our assumed funding structure, including the issuance of approximately 250m new shares and an enlarged share base of 1.25bn shares, we derive illustrative pro-forma FY27f earnings of RM238.7m by adding CCM's adjusted FY25 PATAMI of RM71.4m as a proxy for its full-year earnings contribution. This translates into approximately 19.1 sen EPS, before acquisition financing costs, transaction expenses and other consolidation adjustments.

- **Maintain HOLD with higher TP of RM2.86.** We maintain our HOLD recommendation but raise our TP to RM2.86 from RM2.55, based on 15.0x pro-forma FY27f EPS of 19.1 sen.

- **Downside risks.** Risks to our recommendation include: (i) non-completion of the non-binding CCM LOI; (ii) higher-than-expected debt funding or share issuance; (iii) integration risk; (iv) commodity and raw material cost volatility; (v) potential environmental liabilities, as the assets are acquired on an as-is-where-is basis; and (vi) regulatory and non-interested shareholder approval risks.

Quarterly performance 2Q26

Quarterly performance FYE Dec (RM m)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue	263.7	241.4	310.4	*28.6*	*17.7*	521.7	551.8	*5.8*
PBT	26.2	35.9	52.0	*44.8*	*98.8*	53.8	87.9	*63.6*
PAT	21.3	30.1	40.8	*35.4*	*91.9*	42.0	70.9	*68.9*
Core PATMI	21.3	30.2	40.8	*35.2*	*91.5*	42.1	71.0	*68.7*
Reported PATMI	21.3	30.2	40.8	*35.2*	*91.5*	42.1	71.0	*68.7*
Core EPS (sen)	2.1	3.0	4.1	*35.2*	*91.5*	4.2	7.1	*68.7*
PBT margin (%)	9.9	14.9	16.8			10.3	15.9	
Core PATMI margin (%)	8.1	12.5	13.1			8.1	12.9	

Source: TMK Chemical Berhad, M+Global Research

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