TMK Chemical Berhad

CCM Acquisition Strengthens Manufacturing Footprint

- **CCM acquisition formalised.** To recap, TMK signed a conditional agreement to acquire 100% of CCM for RM939.9m, equivalent to 12.9x adjusted FY2025 PATAMI. The deal comprises 262.5m new TMK shares at RM1.9098 each and RM438.5m in cash, to be funded by RM99.1m of IPO proceeds and the balance from borrowings and/or internal funds. Completion is targeted for 1Q2027, subject to approvals.

- **Vertical integration strengthens manufacturing capabilities.** We view the acquisition as a significant step towards transforming TMK into a vertically integrated chemical group. Combining its chemical trading, storage and logistics operations with CCM's chlor-alkali manufacturing facilities could improve procurement efficiencies, supply-chain integration and downstream market exposure, supporting cost competitiveness and economies of scale.

- **Potential earnings accretion despite dilution.** The acquisition announcement's illustrative FY2025 pro forma financials indicate PATAMI growth of 57.6%, from RM97.2m to RM153.2m, after estimated financing and transaction adjustments. EPS would increase 24.9%, from 9.72 sen based on TMK's existing share base of 1,000m shares to 12.14 sen based on the enlarged share base of 1,262.5m shares, despite the issuance of 262.5m new shares.

- **Completion targeted for 1Q2027.** Assuming completion by end-March 2027, we expect approximately nine months of CCM earnings contribution in FY2027, followed by a full-year contribution in FY2028. However, CCM's 9MFY2026 net profit declined 20.7% YoY to RM44.3m, warranting reassessment of sustainable earnings. Meanwhile, TMK's projected public shareholding spread of 17.9% falls below its approved 21% minimum, requiring a compliance solution alongside regulatory approvals.

Outlook

- **Underlying earnings momentum remains encouraging.** We expect TMK's earnings momentum to remain positive, supported by favourable chemical ASPs, higher sales volumes and operating efficiencies. In 1HFY2026, core PATAMI increased 68.7% YoY to RM71.0m. We believe sustained industrial chemical demand should continue supporting profitability ahead of the upcoming results.

- **Industrial production growth supports chemical demand.** Malaysia's IPI expanded 5.0% YoY in August 2026, driven by 7.4% manufacturing growth. The petroleum, chemical, rubber and plastic products subsector grew 2.6%, while E&E output surged 17.0%. Manufacturing sales increased 9.9% YoY to RM185.0bn, with the chemical-related subsector rising 5.2%. We view sustained manufacturing activity as supportive of TMK's chemical sales volumes.

- **Rare-earth expansion to sustain chemical consumption.** We see opportunities from Malaysia's expanding rare-earth processing ecosystem. Lynas is strengthening its heavy rare-earth separation capabilities, including a planned facility capable of processing 5,000 tonnes of feedstock annually. Meanwhile, the proposed Carester–Malaco project in Perak could add up to 13,000 tonnes of annual processing capacity. We expect these developments to support longer-term demand for HCl and caustic soda as new facilities commence operations.

Company update

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HOLD

Share price	**RM3.19**
Target price	**RM3.27**
Previous TP	**RM2.86**
Capital upside	2.5%
Dividend return	1.8%
Total return	4.3%

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)	3,190.0
52W High/Low	3.24 / 1.11
Est. Free float (%)	19.5
Beta (x)	-
3-mth avg vol ('000)	629.1
Shariah compliant	Yes

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

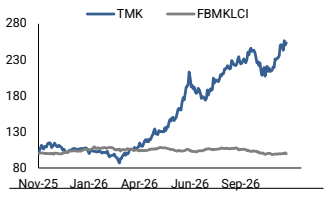
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	16.8	19.9	138.1
Relative	18.1	28.9	138.4

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	97.2	149.4	235.2
EPS (sen)	7.70	11.84	18.63
P/E (x)	41.4	27.0	17.1

Relative performance chart



- **Banting Plant 2 to drive growth.** Scheduled for 2027, Banting Plant 2 is expected to add 40,000 ECU of capacity, doubling TMK's existing chlor-alkali derivatives capacity. With approximately 60% lower capital investment than its existing facility, we expect lower depreciation and manpower requirements to improve cost efficiencies and margins as utilisation increases.

Valuation & Recommendation

- **Forecast.** Incorporating the CCM acquisition, we forecast TMK's core earnings at RM149.4m in FY26f, RM235.2m in FY27f and RM274.9m in FY28f. Assuming completion by end-March 2027, we expect CCM to contribute net earnings of RM45.3m over nine months in FY27f and RM70.0m for the full year in FY28f. Based on the enlarged share base of 1.2625bn shares, we forecast EPS of 11.84 sen in FY26f, 18.63 sen in FY27f and 21.77 sen in FY28f.

- **Maintain HOLD with a higher TP of RM3.27**. We raise our target price to RM3.27 from RM2.86, based on an unchanged 15.0x P/E applied to FY28f EPS of 21.77 sen. This implies 2.5% upside from RM3.19. We roll forward our valuation to FY28f as it captures the first full year of CCM's earnings contribution.

- **Downside risks.** Risks to our recommendation include: (i) non-completion of the conditional share sale and purchase agreement for CCM; (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.

Financial Highlights

FYE Dec (RM'm)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	1,303.4	1,053.0	1,159.9	1,817.3	2,186.8
EBITDA	191.0	163.3	236.5	352.5	410.1
EBIT	154.6	124.1	193.1	303.5	357.9
PBT	140.1	120.1	189.2	297.7	347.9
PAT	111.7	97.2	149.4	235.2	274.9
Core PATAMI	111.7	97.2	149.4	235.2	274.9
Core PATAMI growth YoY	21.9%	-13.0%	53.7%	57.4%	16.9%
Core EPS (sen)	8.85	7.70	11.84	18.63	21.77
P/E (x)	36.1	41.4	27.0	17.1	14.7
DPS (sen)	2.1	2.8	3.6	5.6	6.5
Dividend yield (%)	0.7%	0.9%	1.1%	1.8%	2.0%
BVPS (RM/share)	0.58	0.60	0.69	0.82	0.97
P/B (x)	5.5	5.3	4.6	3.9	3.3
ROE (%)	17.8%	13.0%	18.3%	24.8%	24.4%
Net Gearing (%)	CASH	CASH	CASH	CASH	CASH

M+ 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