

25 July 2025

Industrials | Industrial Products

## Texchem Resources (TEX MK)

**Buy** (Maintained)

### Recovery In Sight Despite Minor Hurdles; Keep BUY

- **Keep BUY, new MYR1.37 TP (SOP) from MYR1.58, 86% upside and c.6% yield.** 1H25 results came in below expectations, mainly on weaker performances in the industrial and food segments. We still anticipate earnings to improve in 2H, underpinned by ongoing volume recovery, contributions from new business initiatives, and seasonally stronger demand – all of which should support operating leverage. Texchem Resources' current 6x P/E valuation appears undemanding, and has yet to reflect its recovery prospects.
- **Below expectations.** 1H25 core earnings came in at MYR4.3m vs 1H24's -MYR0.4m, meeting 26% of our full-year forecast. The shortfall was mainly on softer-than-expected performances in the industrial and food divisions. Note: We adjusted for unrealised FX losses of MYR2.2m to derive our core earnings.
- **Results review.** YoY, 1H25 revenue dipped 0.6% to MYR566.8m, mainly on weaker performances in the industrial segment (-6.9%) from price dumping by China, and the food division (-11.1%) amid softer global fishmeal prices. That said, 1H25 EBITDA margins expanded 1.7ppts to 8.5%, supported by stronger contributions from polymer engineering and the improving-margin restaurant division. QoQ, 2Q25 revenue rose 0.7% to MYR284.4m, driven by continued recovery in polymer engineering (+5.1%) and seasonally stronger sales in the restaurant segment (+6.8%). However, 2Q25 core profit fell 7.9% QoQ to MYR2.1m, mainly dragged by challenging operating conditions in Myanmar, which affected the food division.
- **Outlook.** The polymer engineering business is expected to benefit from the ongoing recovery in the hard disk drive or HDD and semiconductor industries, with continued growth from medical life science customers. Several new high-margin projects are gaining traction, and more are in the pipeline – supporting margin improvements and operating leverage, in our view. For the restaurant wing, management is looking to refresh the menu and expand into suburban locations, which tends to deliver stronger margins. Additionally, the appreciation of the MYR should help ease raw material costs. Meanwhile, the industrial segment continues to grapple with weaker demand due to price dumping from China – an external pressure that remains difficult to counter. The food division has diversified its supply chain to Thailand since FY24 to manage the impact of FX controls, and management remains hopeful on gradual easing of those restrictions.
- **Forecast and ratings.** We revise down our FY25F–27F earnings by 14%, 5%, and 5% after lowering our margin assumptions for the industrial and food segments. Consequently, we lower our TP to MYR1.37 (inclusive of a 0% ESG premium/discount), which implies a blended 11.2x FY25F P/E. Key risks: Weaker-than-expected sales/orders and fluctuations in chemical prices.

Target Price (Return): MYR1.37 (86.4%)  
 Price (Market Cap): MYR0.74 (USD20.4m)  
 ESG score: 3.0 (out of 4)  
 Avg Daily Turnover (MYR/USD) 0.01m/0.00m

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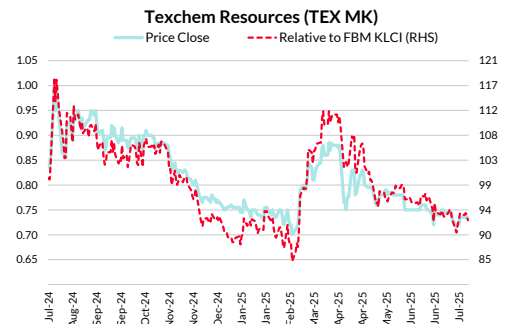


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.7)	2.1	(10.9)	(0.7)	(12.5)
Relative	3.5	0.4	(13.1)	1.4	(7.5)
52-wk Price low/high (MYR)				0.70	-0.99



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	994	1,118	1,169	1,221	1,278
Recurring net profit (MYRm)	(10)	11	14	21	23
Recurring net profit growth (%)	(132.6)	-	28.0	45.9	8.4
Recurring P/E (x)	na	7.69	6.01	4.12	3.80
P/B (x)	0.5	0.5	0.5	0.4	0.4
P/CF (x)	2.02	2.72	2.65	1.98	1.93
Dividend Yield (%)	na	na	5.9	8.5	9.3
EV/EBITDA (x)	2.79	2.24	2.18	1.67	1.28
Return on average equity (%)	(5.7)	3.8	7.7	10.6	10.8
Net debt to equity (%)	45.6	60.0	57.1	42.6	27.2

Source: Company data, RHB

**Overall ESG Score: 3.0 (out of 4)**

**E Score: 3.0 (GOOD)**  
**S Score: 3.0 (GOOD)**  
**G Score: 3.0 (GOOD)**

Please refer to the ESG analysis on the next page

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
TEX will continue deploying solar-based energy in its operations to reduce emissions	Scope 1	-	-	5,916	-
	Scope 2	na	na	31,899	-
	Scope 3	-	-	2,843	-
	Total emissions	na	na	40,658	na

Source: Company data, RHB

## Latest ESG-Related Developments

Developments with the group’s TEXa bio-plastics have contributed to a reduction in fossil energy consumption, resulting in a decrease in CO2 emissions.

TEX has entered into power purchase agreements for the procurement of electricity generated from solar photovoltaic or PV systems installed on the rooftops of its building sites.

## ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

Last Updated: 1 April 2025

E Score: 3.0 (GOOD)

TEX remains committed to its efforts towards environmental sustainability through the development of the TEXa biopolymer, which reduces carbon footprint and is energy saving. TEXa recorded reduction of 2.8m MJ of fossil energy vs virgin PP when compared to 1.9m MJ in 2020.

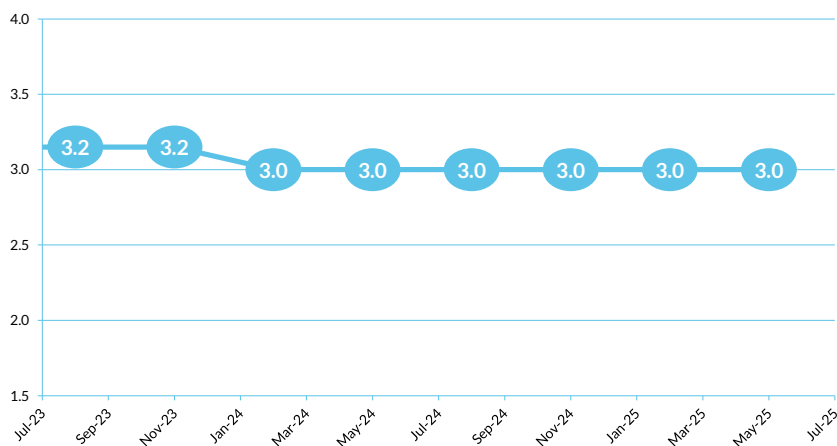
S Score: 3.0 (GOOD)

Employee and customer safety is a top priority in TEX’s operations. The four key areas of focus are: Food safety, *halal*, employee safety, and COVID-19 prevention. In 2021, the group achieved zero food poisoning cases and food safety issues in these operations. It will continue to monitor diligently, identify potential food safety issues, and tighten the risk controls to maintain the status quo.

G Score: 3.0 (GOOD)

TEX has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance. Directors are skilled and from diverse backgrounds. Women are also represented, making up more than 30% of the board. It provides timely, consistent, and accurate information to shareholders.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	(0.09)	0.10	0.12	0.18	0.19
Industrials	DPS	-	-	0.04	0.06	0.07
<b>Texchem Resources</b>	BVPS	1.52	1.54	1.62	1.73	1.86
TEX MK	Return on average equity (%)	(5.7)	3.8	7.7	10.6	10.8
Buy						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	na	7.69	6.01	4.12	3.80
SOP Valuation	P/B (x)	0.5	0.5	0.5	0.4	0.4
	FCF Yield (%)	31.3	17.8	20.4	33.1	34.5
<b>Key drivers</b>	Dividend Yield (%)	-	-	5.9	8.5	9.3
i. Volume recovery;	EV/EBITDA (x)	2.79	2.24	2.18	1.67	1.28
ii. New business/contract wins.	EV/EBIT (x)	12.22	5.33	5.10	3.70	2.84
	<b>Income statement (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	994	1,118	1,169	1,221	1,278
i. Escalation of raw material costs;	Gross profit	248	275	270	292	310
ii. Fluctuation of chemical prices;	EBITDA	70	92	95	109	118
iii. Competition.	Depreciation and amortisation	(54)	(53)	(54)	(60)	(65)
	Operating profit	16	39	41	49	53
<b>Company Profile</b>	Net interest	(19)	(21)	(16)	(17)	(18)
Founded in 1973, TEX is a Malaysia-based multinational group that comprises five diverse segments: Industrial, polymer engineering, restaurant, food and venture business. These divisions encompass the trading of industrial chemicals, design and manufacturing of various polymer-related parts and components, packaging solutions, managing a restaurant chain, processing and marketing of marine products, aquaculture activities, and R&D.	Pre-tax profit	(2)	15	24	32	35
	Taxation	(8)	(10)	(10)	(11)	(12)
	Reported net profit	(11)	7	14	21	23
	Recurring net profit	(10)	11	14	21	23
	<b>Cash flow (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	25.3	(13.4)	(7.4)	(3.5)	(4.6)
	Cash flow from operations	42.9	31.8	32.6	43.6	44.8
	Capex	(15.8)	(16.4)	(15.0)	(15.0)	(15.0)
	Cash flow from investing activities	(44.2)	(44.5)	(14.0)	(15.0)	(15.0)
	Dividends paid	0.0	0.0	(5.1)	(7.4)	(8.0)
	Cash flow from financing activities	(42.5)	(26.9)	(42.0)	(34.4)	(36.4)
	Cash at beginning of period	96.0	89.2	92.1	112.7	157.4
	Net change in cash	(43.7)	(39.6)	(23.4)	(5.8)	(6.6)
	Ending balance cash	52.3	49.6	68.7	106.9	150.8
	<b>Balance sheet (MYRm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	89	92	113	157	208
	Tangible fixed assets	312	315	306	291	271
	Total investments	5	20	19	19	19
	Total assets	738	768	789	829	872
	Short-term debt	142	162	162	162	162
	Total long-term debt	38	51	71	91	111
	Total liabilities	539	567	579	606	634
	Total equity	200	201	210	224	238
	Total liabilities & equity	738	768	789	829	872
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(13.1)	12.5	4.5	4.5	4.7
	Recurrent EPS growth (%)	(132.8)	0.0	28.0	45.9	8.4
	Gross margin (%)	24.9	24.6	23.1	23.9	24.3
	Operating EBITDA margin (%)	7.0	8.2	8.1	8.9	9.3
	Net profit margin (%)	(1.1)	0.6	1.2	1.7	1.8
	Dividend payout ratio (%)	0.0	0.0	35.2	35.2	35.2
	Capex/sales (%)	1.6	1.5	1.3	1.2	1.2
	Interest cover (x)	0.85	1.86	2.60	2.90	2.90

Source: Company data, RHB

## Results At a Glance

Figure 1: Earnings review

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
Revenue	294.7	282.4	284.4	0.7	(3.5)	570.4	566.8	(0.6)	Weaker performances in the industrial and food segments.
Gross profit	67.9	71.5	72.0	0.8	6.0	133.5	143.5	7.5	
GP margin (%)	23.1	25.3	25.3			23.4	25.3		
Adjusted EBITDA	20.6	24.1	23.9	(0.6)	16.0	38.4	48.0	24.8	
Adjusted EBITDA margin (%)	7.0	8.5	8.4			6.7	8.5		
Depreciation	(13.0)	(12.6)	(12.4)	(2.2)	(5.1)	(26.4)	(25.0)	(5.3)	
Adjusted EBIT	7.6	11.4	11.5	1.1	52.2	12.0	22.9	90.8	
EBIT margin (%)	2.6	4.0	4.1			2.1	4.0		
Interest expense	(5.0)	(5.2)	(5.3)	1.8	7.3	(9.9)	(10.6)	6.4	
Share of associate	0.6	(0.0)	(0.1)	225.8	(118.4)	0.9	(0.1)	(114.0)	
EI/Others	0.0	(1.4)	(0.8)	(42.2)	n.m.	0.0	(2.2)	n.m.	
Reported PBT	3.2	4.8	6.1	28.2	92.8	3.1	10.1	229.9	
Tax	(2.4)	(3.5)	(3.7)	6.7	52.7	(3.8)	(7.2)	91.6	
Effective tax rate (%)	77.1	73.4	61.1			123.5	71.7		
Minority interest	0.2	(0.4)	(0.3)	(22.7)	(223.8)	0.4	(0.7)	(296.6)	
Net profit	1.0	0.9	1.3	46.7	30.9	(0.4)	2.1	(694.5)	
Core profit	1.0	2.3	2.1	(7.9)	112.6	(0.4)	4.3	(1,297.5)	Below expectations.
Core net margin (%)	0.3	0.8	0.7			(0.1)	0.8		

Source: Company data, RHB

Figure 2: Segmental earnings

FYE Dec (MYRm)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)	Comments
Revenue									
Industrial	134.7	120.1	121.0	0.7	(10.2)	258.8	241.0	(6.9)	Impacted by price dumping by China. Recovery in the HDD and semiconductor industries.
Polymer engineering	56.9	61.6	64.7	5.1	13.7	106.0	126.3	19.2	
Food	32.5	32.9	26.4	(19.9)	(18.8)	66.7	59.3	(11.1)	
Restaurant	69.6	66.8	71.3	6.8	2.4	136.6	138.1	1.1	
Venture business	0.7	0.1	0.6	384.9	(14.8)	1.1	0.7	(38.7)	
Others	0.4	0.9	0.5	(50.7)	24.9	1.2	1.4	15.9	
Total	294.7	282.4	284.4	0.7	(3.5)	570.4	566.8	(0.6)	
Adjusted PBT									
Industrial	1.4	1.3	1.0	(25.0)	(29.3)	3.5	2.3	(33.9)	
Polymer engineering	4.5	4.6	6.3	36.7	39.4	7.5	10.9	45.8	
Food	(1.1)	0.4	(1.7)	(584.3)	56.4	(1.9)	(1.3)	(31.0)	
Restaurant	0.1	0.2	1.5	540.7	1165.6	(2.4)	1.8	(174.5)	
Venture business	(0.7)	(0.7)	(0.8)	24.6	22.8	(1.4)	(1.5)	10.6	
Others	(1.1)	(1.0)	(0.9)	(15.8)	(20.2)	(2.2)	(1.9)	(12.7)	
Total	3.2	6.1	2.6	(58.4)	(19.4)	3.1	10.1	229.9	
PBT Margin									
Industrial	1.0	1.1	0.8			1.4	1.0		
Polymer engineering	7.9	7.5	9.7			7.1	8.6		
Food	(3.3)	1.1	(6.4)			(2.9)	(2.3)		
Restaurant	0.2	0.4	2.2			(1.8)	1.3		
Venture business	(101.9)	(571.4)	(146.8)			(121.7)	(219.4)		
Others	(305.0)	(114.2)	(194.9)			(186.9)	(140.9)		
Total	1.1	2.2	0.9			0.5	1.8		

Source: Company data, RHB

Figure 3: SOP valuation

	FY25F EPS (sen)	Ascribed P/E (x)	Value (MYR)
Food	-0.01	17	-0.13
Industrial	0.04	8	0.36
Polymer engineering	0.12	13	1.54
Restaurant	0.00	15	0.05
<b>Value per share</b>			<b>1.82</b>
Net debt at holding company			-0.11
20% conglomerate discount			-0.34
<b>Value per share</b>			<b>1.37</b>
ESG premium (+0%)			0.00
<b>TP</b>			<b>1.37</b>

Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-28	Buy	1.58	0.79
2024-05-02	Buy	1.44	0.88
2024-02-28	Buy	1.44	0.91
2023-10-27	Buy	1.50	0.84
2023-07-28	Buy	2.23	1.04
2023-05-22	Buy	2.77	1.03
2023-03-03	Buy	3.60	1.76
2023-02-24	Buy	3.60	1.71
2023-02-09	Buy	3.67	1.99
2022-11-03	Buy	4.40	2.42
2022-08-11	Buy	5.00	3.50
2022-05-11	Not Rated	na	2.84

Source: RHB, Bloomberg

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