

Guan Huat Seng Holdings Berhad (GHS)

Food Distributor With Stable Growth

- Through its wholly owned subsidiary, the Group distributes and retails a broad range of products, including (i) shelf-stable and frozen seafood, (ii) flavouring products, (iii) dried foods and snacks, and (iv) general grocery items. Its in-house manufacturing facilities are accredited with HACCP and MeSTI certifications.
- We forecast a three-year earnings CAGR of 13.3%, with core PATMI projected to reach RM8.8-10.5m over the next three years. We expect organic growth to be underpinned by its wide SKU base, which should support competitive pricing as well as an extensive distribution network, as overall utilisation capacity is at peak levels.
- We assign a fair value of RM0.29 per share for GHS, based on a PER ratio of 15x pegged to mid-FY26F EPS of 1.95 sen. While this reflects a 35.0% discount to the 12M trailing PER of selected food distributors, we believe the ascribed PER is fair, given the FBMSCAP PER stood at ~15.9x.

Investment highlights

Likely to benefit from a stronger Ringgit. GHS is expected to benefit from a stronger Ringgit, with ~40% of its inventory purchases in FY25 sourced from foreign markets and denominated in currencies including USD, SGD, HKD, AUD, and JPY. The recent Ringgit appreciation should ease cost pressures on goods purchases, providing a currency tailwind that supports margin stability and acts as a buffer against costing fluctuation, which all in all should contribute to more sustainable earnings.

Growing margins. GHS's GPM expanded from 16.1% in FY22 to 25.1% in FY25, largely supported by effective cost management strategies, which we believe was due to: (i) shorter payment cycles to suppliers enabling better pricing, (ii) a large SKUs base lowering costs per unit, and (iii) a diversified supplier portfolio providing competitive pricing while mitigating concentration risk. Note that FY25's net margin was rather flattish relative to FY24, given the one-off listing expenses.

IPO war chest to cater growing demand. Approximately 70.0% of IPO proceeds (c.RM21.0m) will be allocated towards the expansion of its facilities. We deem the expansion key to meeting rising demand, which is reflected in its manufacturing utilisation rates, ranging 74–96% after adjusting for actual operating hours. The Group currently operates a single retail outlet and has indicated plans to expand its retail presence as part of its longer-term business strategy.

FYE Jul (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	84.8	93.1	102.5	112.2	122.0
EBITDA	10.3	12.3	13.0	14.2	15.5
PATMI – Core	6.7	7.2	8.8	9.6	10.5
PATMI – Reported	6.7	7.2	8.8	9.6	10.5
% change YoY – Core PATMI	-9%	-9%	-9%	-9%	-9%
Core EPS (sen)	1.42	1.53	1.85	2.04	2.21
P/E (x)	17.6	16.4	13.5	12.3	11.3
DPS (sen)	0.2	-	0.6	0.6	0.7
Yield (%)	1%	0%	2%	2%	3%
P/B (x)	3.3	2.8	1.6	1.4	1.3
ROE (%)	21%	19%	15%	12%	12%
Net Gearing (%)	0.6	0.4	CASH	CASH	CASH

Source: Guan Huat Seng Holdings Berhad, M+ Research

IPO Note – Not Rated

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Non-Rated

Share price	RM0.25
Fair Value	RM0.29
Capital upside	16.0%
Dividend return	2.3%
Total return	18.3%

Company profile

Guan Huat Seng principally involved in distribution as well as retailing of food products.

Stock information

Bursa Code	0387
Bloomberg ticker	GHS MK
Listing market	ACE
Share issued (m)	473.5
Market Cap (m)	118.4
Shariah compliant	No

Major shareholders

	%
Chan Kim Yeo	33.2
Yeo Tien Ee	21.5
Yeo Tian Seng	15.6

Earnings snapshot

FYE (Jul)	FY25	FY26f	FY27f
PATMI (m)	7.2	8.8	9.6
EPS (sen)	1.53	1.85	2.04
P/E (x)	16.4	13.5	12.3



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Company background

Homegrown distributor and retailer of food products. With roots tracing back to the 1930s, GHS boasts a remarkable 46-year track record as a distributor and retailer of food products. Through its wholly owned subsidiary, the Group distributes and retails a broad range of products, including (i) shelf-stable and frozen seafood, (ii) flavouring products, (iii) dried foods and snacks, and (iv) general grocery items. Its in-house manufacturing facilities are accredited with HACCP and MeSTI certifications and the Group also holds Halal certification for selected products.

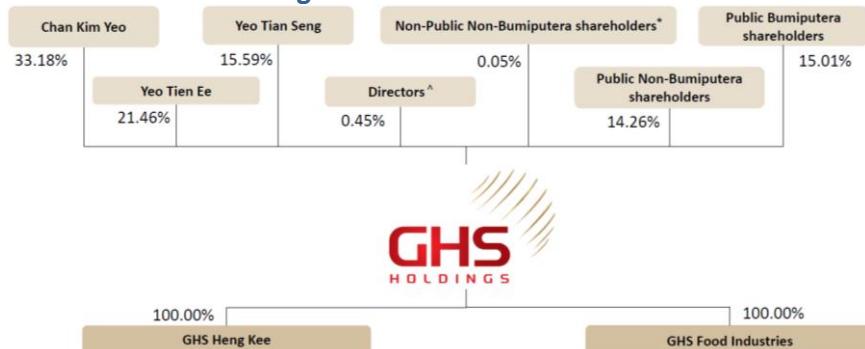
GHS's revenue is generated from distribution and retail business activities catering to food service operators, food manufacturers, wholesalers, retailers, supermarkets, minimarkets, convenience stores, traditional Chinese medical halls, and market stalls; and end-consumers through their retail outlet and online platforms.

Fig #1 Products under the belt



Source: Guan Huat Seng Holdings Berhad

Fig #2 Post-IPO shareholding structure



Source: Guan Huat Seng Holdings Berhad

Fig #3 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Part finance the setup of a New Integrated Complex	12.0	40.0%	Within 36 months
Part finance the setup of a New Krubong Facility	9.0	30.0%	Within 36 months
Working capital	3.0	10.0%	Within 24 months
Marketing expenses	1.5	5.0%	Within 24 months
Estimated listing expenses	4.5	15.0%	Within 3 months
Total	30.0	100.0%	

Source: Guan Huat Seng Holdings Berhad



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Financials and Valuations

Financial overview. GHS's revenue grew steadily from RM71.2m in FY22 to RM93.1m in FY25, delivering a 4-year CAGR of 9.4%, underpinned primarily by sustained expansion in its distribution segment. This growth was driven by rising demand from food service operators and resellers, particularly for flavouring products, shelf-stable and frozen seafood, general grocery products as well as dried food and snacks. Over the period, the distribution segment increased its revenue contribution from 83.6% in FY22 to 87.0% in FY25, which reflects the group's deliberate pivot towards scalable, higher-volume funnel.

Within the distribution segment, flavouring products emerged as the key growth driver, with revenue rising from RM18.7m in FY22 to RM30.7m in FY25, supported by higher sales volumes of its in-house manufactured condiments and sauces, alongside selective price adjustments which aim to offset elevated input and sourcing costs. In-house manufactured products increased their share of total revenue from 14.7% in FY22 to 20.5% in FY25. In contrast, the retail segment remained relatively stable in absolute terms, with revenue edging up marginally from RM11.7m to RM12.2 (CAGR: 1.2%), resulting in a gradual dilution of its revenue contribution to 13.0% in FY25.

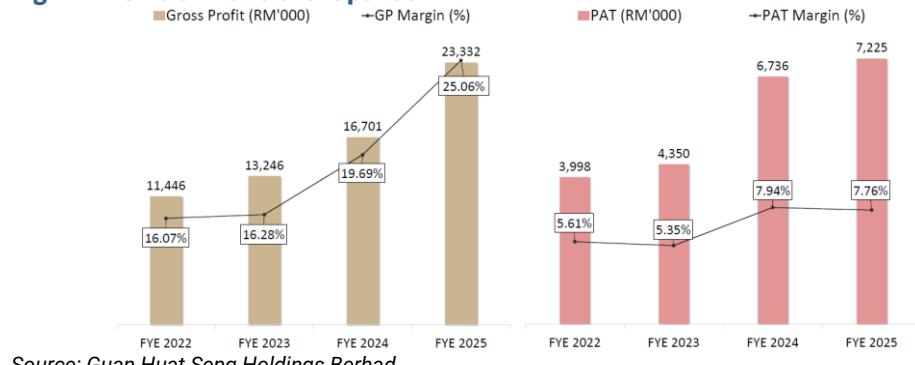
Geographically, GHS's revenue base remained predominantly domestic, accounting for 87–91% of group revenue throughout FY22–FY25, anchored by the southern and central regions. The central region recorded a notable acceleration in FY25, with revenue rising 23.5% YoY, driven by stronger distribution sales to food service operators and resellers in the Klang Valley. Export revenue remained resilient at ~9–13% of total revenue.

Earnings forecast. Moving forward, we forecast a three-year earnings CAGR of 13.3%, with core PATMI projected to reach RM8.8m, RM9.7m, and RM10.5m over the next three years. We expect organic growth to be underpinned by its wide SKU base, which should support competitive pricing as well as an extensive distribution network, as overall utilisation capacity is at peak levels before the full IPO proceeds come into play. Note that we have pencilled out one-off listing expenses.

Valuation. We assign a fair value of RM0.29 per share for GHS, based on a PER ratio of 15x pegged to mid-FY26F EPS of 1.95 sen. While this reflects a c.35.0% discount to the trailing 12M average PER of selected food distributors (#Fig #5), which stood at 23.1x, with the cheapest being at 18.1x. We believe the ascribed PER is fair, given the FBMSCAP PER stood at ~15.9x.

GHS is also committed to a dividend payout ratio of up to 30% of PAT, which translates to prospective dividend yields of 2.2%/2.4%/2.7% for FY26–FY28F, respectively.

Fig #4 GHS's financial snapshot



Source: Guan Huat Seng Holdings Berhad



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Fig #5 Peers comparison – Food distributors

	Market Group	FYE	Price (RM)	Market Capitalization (RM'm)	Last Twelve Months (LTM)						
					Revenue	EBITDA	EBIT	EPS	Gross Margins (%)	Net Margins (%)	P/E
Guan Huat Seng Holdings Bhd	Ace	Dec	0.25	118.4	93.1	12.3	11.2	1.5	25.1	7.8	16.4x
A1 A.K. KOH Group Bhd	ACE	Dec	0.23	193.2	85.1	12.7	10.7	0.8	46.5	7.1	28.0x
Farm Price Holdings Bhd	ACE	Dec	0.41	182.8	124.4	17.4	13.8	2.2	22.3	8.4	18.1x
Eta Group Bhd	MAIN	Dec	0.17	108.5	120.1	-	0.8	9.8	-	0.7	NM
Avg ex-Guan Huat Seng Holdings Bhd			188.0	104.8	15.1	12.3	1.5	34.4	7.7	23.1x	

Source: M+ Global Research

Investment risks

Intense competition might pressure GHS's pricing power. According to MarketResearch.com, China continues to dominate its position in the global abalone market, producing an estimated 217.4k tonnes in 2023 alone, and growing at a CAGR of ~6% over CY18–23, while accounting for 85–90% of global production. This is largely supported by its lower input costs, which give the country greater pricing flexibility and stronger bargaining power.

While GHS's canned abalone recorded sustainable volume growth, increasing 30.1% to 202,797 cans in FY25 from 155,883 cans in FY22, we view the abalone product industry as highly fragmented and competitive. Hence, intense competition in pricing, product range, service quality, and distribution reach may constrain the Group's margins, growth, and customer retention.

Justifiable payback to support the retail expansion. As of LPD, GHS operates only a retail outlet in Melaka. While we understand that further expansion would add to GHS's brand visibility, sales growth over the financial years under review has been largely organic, at least in our view. Hence, this would rather delay the payback period of new outlet openings, especially given its hefty debt load, which could materially weigh on shareholders' ROE.

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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



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