

Brian Chin Haoyan

(603) 7890 8888 (ext 2064)

brianchin@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 1.13
Previous Target Price:	RM 1.85
Target Price:	RM 1.85
Capital Upside/ Downside:	63.7%
Dividend Yield (%):	0.4%
Total Upside/ Downside	64.2%

Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	8907 / EGMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	909.7
Market Cap (RM' m)	1,028.0
52-Week Price Range (RM)	1.53-0.8
Beta (x)	0.8
Free float (%)	44.2
3M Average Volume (m)	4.3
3M Average Value (RM' m)	4.9

Top 3 Shareholders

	(%)
Kang Pong Kiang	10.6
Kpk Capital Sdn Bhd	6.8
Qyh Capital Sdn Bhd	6.7

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	0.0	4.1
Relative (%)	1.4	-5.0	-4.5

Earnings summary

FYE (Dec)	FY25	FY26F	FY27F
Revenue (RM'm)	1087.2	1631.8	1869.9
PATAMI (RM'm)	84.1	108.0	130.2
CNP (RM'm)	73.3	108.0	130.2
EPS - core (sen)	7.8	11.5	13.9
P/E(x)	14.5	9.9	8.2

Source: Company, Apex Securities

EG Industries Berhad

Solid Showing

- **EG posted 2QFY26 core net profit of RM25.7m (+9% QoQ, +22% YoY), bringing 1HFY26's sum to RM49.3m (+21% YoY). The results were within our expectation.**
- **We remain bullish on EG's earnings trajectory over the medium to long term as its PG2 plant is currently at its early phase of optical module production ramp. While the new plant still loss-making, the imminent turnaround of the plant in FY27, propelled by volume growth for existing customers and a newly acquired hyperscaler client, is set to accelerate its bottom line growth in FY27 and beyond**
- **We maintain our forecasts and BUY rating with an unchanged TP of RM1.85 based on 14.5x mid-FY26F EPS of 12.7 sen.**

Results inline. EG posted 2QFY26 core net profit of RM25.7m (+9% QoQ, +22% YoY), bringing 1HFY26's sum to RM49.3m (+21% YoY) – inline with our expectation as it accounts for 46% of our FY26F forecast. 2QFY26 results were arrived after deducting forex gain (RM10.4m) and loss on disposal of PPE (-RM0.6m).

QoQ. Core earnings rose 9%, mainly supported by stronger sales of 5G optical modules and routers, aided by production ramp at its new PG2 plant following the full installation and customer audits of optical module lines at all workshops for the first floor, coupled with better margins arising from improved production yield and operating leverage.

YoY/YTD. Core bottom line grew (+22% YoY/+21% YTD) boosted by (i) growing demand for 5G routers and optical modules from its key customer CIG, (ii) accelerating momentum in network switches from a low base in FY25 and (iii) margin enhancement derived from the higher sales mix of 5G wireless access and photonics-related products

Dividend. None, as the group typically declares dividend post-4Q results announcement.

Outlook. Despite positive progress on its PG2 plant, we expect a broadly flattish 3QFY26 as the earnings upside may be capped by a heavy-weighted festive seasons during the quarter (Chinese New Year in Feb and Eid festive at end-Mar), alongside a sharp appreciation of MYR versus the USD. Nonetheless, we expect its 4QFY26 print to cap off the year strongly in view of the production ramp for 800G optical modules through 2HFY26. This, coupled with better operating leverage, should help to cushion margin downside arising from unfavourable forex movements. Overall, we remain bullish on EG's earnings trajectory over the medium to long term as its PG2 plant is currently at its early phase of production ramp for optical modules. While the plant still loss-making, the imminent turnaround of the plant in FY27, bolstered by volume growth for existing customers and a newly acquired hyperscaler client, is set to accelerate its bottom line growth in FY27 and beyond, in our view.

Forecast. Unchanged as results were inline.

Valuation. We maintain **BUY** rating on EG with an unchanged target price of **RM1.85**, based on 14.5x mid-FY26F EPS of 12.7 sen, and assign a three-star ESG rating. We view our target valuation as highly reasonable when stacked against the broader technology sector (34x FY25F; 24x FY26F) and EMS sub-segment (14x FY25F PE; 12x FY26F PE). It is also broadly inline with EG's 5-year historical PE mean of 15x. In our view, EG deserves to trade at a premium or at least at parity to its EMS peers, given by its stronger lever to high-growth industrial applications, with optical modules and network switches serving as critical components in the global data center build-out and AI compute capacity race. Additionally, its involvement in the upstream components and module processes supports a structural uplift in its margin profile.

Results Note

Monday, 02 Mar, 2026

BURSA RISE+
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Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	1HFY26	1HFY25	yoy (%)
Revenue	379.5	343.1	10.6	344.4	10.2	723.9	681.7	6.2
EBITDA	59.2	35.8	65.6	47.2	25.6	106.4	90.4	17.8
Profit before tax	34.6	13.1	164.9	24.5	41.2	59.1	47.5	24.4
Tax expenses	(0.9)	(0.5)	92.3	(0.5)	80.0	(1.4)	(0.7)	109.6
Profit after tax	33.7	12.6	167.6	24.0	40.4	57.7	46.8	23.2
Reported PATMI	35.6	13.4	164.8	24.2	46.7	59.8	49.2	21.5
Core PATMI	25.7	21.1	22.1	23.6	9.0	49.3	40.8	21.0
Core EPS (sen)	2.7	2.3	22.1	2.5	9.0	5.3	4.4	21.0
DPS (sen)	-	-	-	-	-	-	-	-
EBITDA margin	16%	10%		14%		15%	13%	
PBT margin	9%	4%		7%		8%	7%	
Core net profit margin	7%	6%		7%		7%	6%	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1144.2	1087.2	1631.8	1869.9	2074.1
EBITDA	120.4	169.1	201.5	229.9	256.3
EBIT	78.2	115.9	147.8	177.4	199.5
PBT	49.7	80.4	109.4	133.7	158.4
Tax	-0.7	-2.7	-6.3	-8.0	-9.5
Profit After Tax	49.0	77.7	103.0	125.7	148.9
Minority Interest	-0.7	-6.4	-5.0	-4.5	-5.1
Net Profit	49.7	84.1	108.0	130.2	154.0
Exceptionals	6.4	-10.7	0.0	0.0	0.0
Core Net Profit	56.1	73.3	108.0	130.2	154.0

Key Ratios

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	6.0	7.8	11.5	13.9	16.5
P/E (x)	18.8	14.4	9.8	8.1	6.9
BVPS	0.67	0.73	0.77	0.89	1.05
P/B (x)	1.7	1.6	1.5	1.3	1.1
EV/EBITDA (x)	12.9	9.2	7.9	7.0	5.9
DPS (sen)	1.0	0.5	0.5	0.5	0.5
Dividend Yield (%)	0.9%	0.4%	0.4%	0.4%	0.4%
EBITDA margin (%)	10.5%	15.6%	12.4%	12.3%	12.4%
EBIT margin (%)	6.8%	10.7%	9.1%	9.5%	9.6%
PBT margin (%)	4.3%	7.4%	6.7%	7.2%	7.6%
PAT margin (%)	4.3%	7.1%	6.3%	6.7%	7.2%
NP margin (%)	4.3%	7.7%	6.6%	7.0%	7.4%
CNP margin (%)	4.9%	6.7%	6.6%	7.0%	7.4%
ROE (%)	10.6%	11.9%	15.1%	15.6%	15.7%
ROA (%)	3.7%	4.7%	5.7%	6.3%	7.0%
Net gearing (%)	93.6%	80.5%	74.6%	64.8%	47.1%

Assumptions

USD/RM	4.03	4.00	4.00
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Valuations

	Mid-FY26F
Core EPS (RM)	12.7
P/E multiple (x)	14.5
Fair Value (RM)	1.85
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.85

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & cash equivalent	89.2	97.3	140.9	92.3	112.1
Receivables	327.7	197.0	295.7	338.8	375.8
Inventories	520.6	615.9	770.0	879.3	975.4
Other current assets	1.6	1.3	1.2	1.2	1.2
Total Current Assets	939.1	911.5	1207.8	1311.7	1464.5
PPE	503.1	537.2	583.5	631.0	624.2
Investment properties	14.7	12.5	12.5	12.5	12.5
Other non-current assets	80.0	99.6	99.6	99.6	99.6
Total Non-current assets	597.8	649.4	695.7	743.2	736.4
Short-term Debt	440.8	452.5	460.5	420.5	360.5
Payables	409.0	331.0	495.3	565.6	627.4
Other Current Liabilities	7.7	10.8	10.8	10.8	10.8
Total Current Liabilities	857.4	794.3	966.6	996.9	998.7
Long-term Debt	142.9	141.9	213.9	213.9	213.9
Other non-current liabilities	8.3	7.4	7.4	7.4	7.4
Total Non-current Liabilities	151.2	149.3	221.3	221.3	221.3
Shareholder's equity	520.0	601.5	704.8	830.4	979.7
Minority interest	8.2	15.7	10.7	6.2	1.1
Total Equity	528.2	617.2	715.6	836.6	980.9

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	49.7	80.4	109.4	133.7	158.4
Depreciation & amortisation	42.1	53.2	53.7	52.5	56.8
Changes in working capital	19.9	-46.5	-88.5	-82.1	-71.3
Others	39.0	28.1	-6.3	-8.0	-9.5
Operating cash flow	150.9	115.1	68.3	96.1	134.4
Net capex	-232.4	-73.9	-100.0	-100.0	-50.0
Others	28.1	46.9	0.0	0.0	0.0
Investing cash flow	-204.3	-27.0	-100.0	-100.0	-50.0
Dividends paid	0.0	-4.5	-4.7	-4.7	-4.7
Others	97.9	-75.9	80.0	-40.0	-60.0
Financing cash flow	97.9	-80.4	75.3	-44.7	-64.7
Currency translation differences	-7.7	0.4	0.0	0.0	0.0
Net cash flow	44.4	7.7	43.6	-48.6	19.8
Beginning cash & cash equivalent	52.6	89.2	97.3	140.9	92.3
Ending cash & cash equivalent	89.2	97.3	140.9	92.3	112.1

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions rose 7.4% yoy to 6.7m/kg in FY23
Waste & Effluent	★★★	Co2 emissions reduced from 3.0m kg in FY21 to 2.5m kg in FY23
Energy	★★★	Energy consumption reduced from 8,014,556 kWh to 7,810,114 kWh
Water	★★★	Water consumption rose 5.4% yoy to 112,658m3 in FY23
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	73% of average employees age below 40, 21% of employees are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	292 hours of OSH trainings completed, one worksite incidence in FY23
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Donation to Sekolah Semangat Maju and participated in the Pesta Makanan Amal 2023
Management	★★	Average board members age @ 53, 2/9 female board composition, 4/9 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.