

Research Team

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Recommendation:	BUY
Current Price:	RM 1.53
Previous Target Price:	RM 2.02
Target Price:	↑ RM 2.69
Capital Upside/Downside:	75.8%
Dividend Yield (%)	0.3%
Total Upside / Downside	76.1%

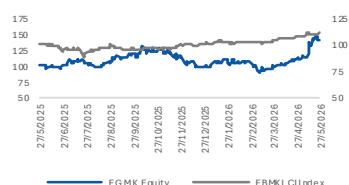
Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	8907 / EGМК
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	909.7
Market Cap (RM' m)	1,391.8
52-Week Price Range (RM)	1.64-0.965
Beta (x)	0.6
Free float (%)	53.3
3M Average Volume (m)	8.8
3M Average Value (RM' m)	11.5

Top 3 Shareholders

	(%)
Kang Pang Kiang	10.9
Kpk Capital Sdn Bhd	6.8
Ecig Sdn Bhd	4.0

Share Price Performance



	1M	3M	12M
Absolute (%)	26.4	35.4	39.1
Relative (%)	28.7	36.8	24.7

Earnings summary

FYE (Dec)	FY25	FY26F	FY27F
Revenue (RM'm)	1087.2	1631.8	2640.1
PATAMI (RM'm)	84.1	108.0	173.9
CNP (RM'm)	73.3	108.0	173.9
EPS - core (sen)	7.8	11.5	18.6
P/E(x)	19.5	13.3	8.2

Source: Company, Apex Securities

EG Industries Berhad

Massive PO De-risks the Thesis; FY27F Upgraded

- **In line despite soft 3Q. 3QFY26 core net profit of RM23.0m (+33% YoY, -11% QoQ) brings 9MFY26 to RM72.3m (67% of our RM108m forecast). While below the 75% run-rate, the RM949m PO from Customer C, the largest in EG's history, underwrites a strong 4QFY26 and provides extraordinary visibility through FY27.**
- **FY27F/FY28F raised 34%/24% from RM130.2m/RM164.0m to RM173.9m/RM203.1m, driven by RM949m PO revenue recognition and PG2 second-floor hyperscaler ramp. Margin assumptions and Thailand NDR consolidation not yet incorporated, suggesting further upside risk. Revised 3-year EPS CAGR of 40% (from 28%).**
- **Maintain BUY; TP upgraded to RM2.69 (from RM2.02), based on 14.5x FY27F EPS of 18.6 sen. At RM1.53, EG trades at just 8.2x revised FY27F PE, extremely undemanding for a company delivering photonics-grade growth.**

In Line. 3QFY26 core net profit of RM23.0m (+33% YoY, -11% QoQ) brings 9MFY26 to RM72.3m, tracking at 67% of our full-year RM108m forecast and 62% of consensus estimates. Core earnings were arrived at after stripping out realised forex gain (RM11.5m), unrealised forex loss (RM12.4m), and a negligible gain on disposal of PPE (RM0.006m), resulting in a net addback of RM0.9m to reported PATMI of RM22.1m. While tracking below the 75% run-rate on both our and consensus numbers, we consider results in line given the well-flagged soft 3Q, as revenue declined 21% QoQ to RM301.6m on materially fewer effective working days from the concentration of festive holidays. Critically, the transformative US\$241.6m (RM949m) PO announced in May 2026 effectively underwrites a strong 4QFY26 and removes residual doubt on full-year delivery and provides us confidence going into FY27.

QoQ. Core earnings declined 11% QoQ from RM25.7m to RM23.0m, as revenue fell 21% to RM301.6m (2QFY26: RM379.5m) on materially fewer effective working days from the concentration of festive holidays (Chinese New Year and Hari Raya Aidilfitri). EBITDA margin compressed to 15% (2QFY26: 16%) on fixed cost absorption over lower volumes. Notably, core net margin improved to 8% (2QFY26: 7%), suggesting the underlying product mix continues to trend favourably even through a seasonally weak quarter.

YoY. Revenue was broadly flat YoY at RM301.6m (+0.3%), as the ramp in 5G wireless access and photonics volumes at PG2 was offset by continued softness in consumer electronics orders amid geopolitical disruptions. Despite the flat-top line, core earnings grew a robust 33% YoY, driven entirely by margin expansion as the product mix shifted decisively toward higher-value optical modules. EBITDA margin expanded to 15% (3QFY25: 11%) and core net margin improved to 8% (3QFY25: 6%), reflecting (i) a favourable shift in the 800G/400G mix, now tracking close to a 70:30 ratio, (ii) improved production yields at PG2 (now 75-80%, from c.50% a year ago), an (iii) better operating leverage as PG2 utilisation rose to 70-75%. However, MYR appreciation partially offset the gains.

Outlook. The near-term outlook has strengthened materially following the confirmed RM949m PO from Customer C, the largest in EG's history and equivalent to c.58% of our FY26F revenue, providing extraordinary visibility through FY27. The customer base is broadening beyond Customer C, with Customer M now ramping 400G and 800G faster than anticipated. PG2's second floor (800G for a new hyperscaler) is on track for June 2026 commencement at 70%+ target utilisation, with customers co-funding c.50% of floor investment and management negotiating additional contracts that would be entirely additive to the RM949m already announced. The 1.6T readiness timeline has been pulled forward to Nov-Dec 2026 (from 2027), positioning EG ahead of the next hyperscaler migration cycle. AEC/DAC mass production is commencing at Sungai Petani, adding a new FY27-28 earnings driver. Separately, EG's increased equity in NDR (41.59%) and the Prachinburi facility (end-2026 completion) signal an accelerating Thailand consolidation into EV, energy storage, and DC power devices, providing a multi-vertical growth engine that is

largely uncorrelated to the consumer electronics cycle and remains almost entirely unmodelled by the Street.

Forecast. We maintain FY26F core earnings at RM108.0m, implying a strong RM34.2m 4QFY26 which we view as achievable given the 800G mass production commencement and RM949m PO fulfilment. We raise FY27F/FY28F core earnings by 34%/24% from RM130.2m/RM164.0m to RM173.9m/RM203.1m respectively, driven by the recognition of the RM949m PO from Customer C over a 12-month fulfilment period, alongside the commencement of 800G mass production at PG2's second floor for a new hyperscaler customer. We have not incorporated higher margin assumptions or Thailand NDR consolidation into our forecasts at this stage, suggesting further upside risk to our numbers as these catalysts materialise. Revenue is raised correspondingly for FY27F/FY28F to RM2,640m/RM2,960m. This implies a revised 3-year EPS CAGR of 40% (from 28% previously).

Valuation and Recommendation. Maintain **BUY** with an upgraded TP of RM2.69 (from RM2.02), based on an unchanged 14.5x FY27F EPS of 18.6 sen. At RM1.53, EG trades at just 8.2x our revised FY27F PE, which we view as extremely undemanding given its 40% three-year EPS CAGR and structural shift into high-margin photonics manufacturing. We believe the RM949m PO is the de-risking catalyst that should trigger an earnings revision cycle, with consensus FY27F (currently RM149m) yet to reflect the full PO contribution or the second-floor hyperscaler ramp. Importantly, our forecasts do not yet factor in margin uplift from the improving 800G/1.6T product mix or the Thailand NDR consolidation, both of which represent further upside optionality. **Reiterate BUY.**

Earnings Summary

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1144.2	1087.2	1631.8	2640.1	2959.9
EBITDA	120.4	169.1	201.5	276.3	308.4
Pre-tax profit	49.7	80.4	109.4	180.2	210.6
Net profit	49.7	84.1	108.0	173.9	203.1
Core net profit	56.1	73.3	108.0	173.9	203.1
Core EPS (sen)	6.0	7.8	11.5	18.6	21.7
P/E (x)	25.4	19.5	13.3	8.2	7.0
P/B (x)	2.3	2.1	2.0	1.6	1.3
EV/EBITDA (x)	16.0	11.4	10.5	8.9	7.7
Dividend Yield (%)	0.7%	0.3%	0.3%	0.3%	0.3%
Net Gearing (%)	0.9	0.8	1.0	1.2	0.9

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1144.2	1087.2	1631.8	2640.1	2959.9
EBITDA	120.4	169.1	201.5	276.3	308.4
EBIT	78.2	115.9	147.8	223.8	251.6
PBT	49.7	80.4	109.4	180.2	210.6
Tax	-0.7	-2.7	-6.3	-10.8	-12.6
Profit After Tax	49.0	77.7	103.0	169.4	198.0
Minority Interest	-0.7	-6.4	-5.0	-4.5	-5.1
Net Profit	49.7	84.1	108.0	173.9	203.1
Exceptionals	6.4	-10.7	0.0	0.0	0.0
Core Net Profit	56.1	73.3	108.0	173.9	203.1

Key Ratios

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	6.0	7.8	11.5	18.6	21.7
P/E(x)	25.4	19.5	13.3	8.2	7.0
BVPS	0.67	0.73	0.77	0.94	1.15
P/B(x)	2.3	2.1	2.0	1.6	1.3
EV/EBITDA(x)	16.0	11.4	9.6	6.9	5.8
DPS (sen)	1.0	0.5	0.5	0.5	0.5
Dividend Yield (%)	0.7%	0.3%	0.3%	0.3%	0.3%
EBITDA margin (%)	10.5%	15.6%	12.4%	10.5%	10.4%
EBIT margin (%)	6.8%	10.7%	9.1%	8.5%	8.5%
PBT margin (%)	4.3%	7.4%	6.7%	6.8%	7.1%
PAT margin (%)	4.3%	7.1%	6.3%	6.4%	6.7%
NP margin (%)	4.3%	7.7%	6.6%	6.6%	6.9%
CNP margin (%)	4.9%	6.7%	6.6%	6.6%	6.9%
ROE (%)	10.6%	11.9%	15.1%	19.8%	18.9%
ROA (%)	3.7%	4.7%	5.7%	7.4%	7.9%
Net gearing (%)	93.6%	80.5%	70.6%	53.4%	32.2%

Assumptions

USD/RM	4.03	4.00	4.00
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Valuations

	FY27F
Core EPS (RM)	18.6
P/E multiple (x)	14.5
Fair Value (RM)	2.69
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.69

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & cash equivalent	89.2	97.3	169.3	164.3	228.7
Receivables	327.7	197.0	295.7	478.4	536.3
Inventories	520.6	615.9	741.6	947.2	1061.9
Other current assets	1.6	1.3	1.2	1.3	1.3
Total Current Assets	939.1	911.5	1207.8	1591.1	1828.2
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	801.3	898.4
Other Current Liabilities	7.7	10.8	10.8	10.8	10.8
Total Current Liabilities	857.4	794.3	966.6	1232.7	1269.7
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	874.0	1072.4
Minority interest	8.2	15.7	10.7	6.2	1.1
Total Equity	528.2	617.2	715.6	880.3	1073.6

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	49.7	80.4	109.4	180.2	210.6
Depreciation & amortisation	42.1	53.2	53.7	52.5	56.8
Changes in working capital	19.9	-46.5	-60.1	-82.3	-75.6
Others	39.0	28.1	-6.3	-10.8	-12.6
Operating cash flow	150.9	115.1	96.7	139.6	179.1
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	72.0	-5.1	64.5
Beginning cash & cash equivalent	52.6	89.2	97.3	169.3	164.3
Ending cash & cash equivalent	89.2	97.3	169.3	164.3	228.7

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

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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As of Monday, 24 Nov, 2025, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) (a) nil.