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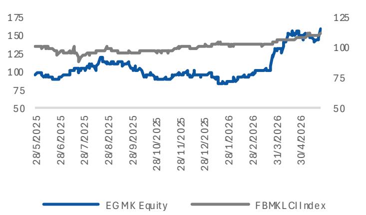
Recommendation:	**BUY**
Current Price:	RM 1.91
Previous Target Price:	RM 2.69
Target Price:	↑ RM 2.80
Capital Upside/Downside:	46.8%
Dividend Yield (%):	0.3%
Total Upside/Downside	**47.0%**

Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	8907 / EGMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	946.7
Market Cap (RM' m)	1,808.2
52-Week Price Range (RM)	1.94-0.965
Beta (x)	0.7
Free float (%)	55.0
3M Average Volume (m)	11.3
3M Average Value (RM' m)	17.9

Top 3 Shareholders	**(%)**
Kang Pang Kiang	10.5
Kpk Capital Sdn Bhd	6.5
Ecig Sdn Bhd	3.8

Share Price Performance



	1M	**3M**	**12M**
Absolute (%)	3.8	67.5	56.6
Relative (%)	2.4	64.6	39.4

Earnings summary

FYE (Dec)	**FY25**	**FY26F**	**FY27F**
Revenue (RM'm)	1087.2	1631.8	2726.1
PATAMI (RM'm)	84.1	108.0	180.9
CNP (RM'm)	73.3	108.0	180.9
EPS - core (sen)	7.8	11.5	19.3
P/E (x)	19.5	13.3	7.9

Source: Company, Apex Securities

EG Industries Berhad

Secures USD100m LOI for CPO-Based Network Switches, Reinforcing AI Networking Ecosystem Play

- **Genetronic (Malaysia) Sdn Bhd ("GTR"), a subsidiary of EG Industries, has signed a Letter of Intent with a U.S.-based networking solutions provider ("Customer M") to manufacture CPO-based network switches worth approximately USD100m, following the Group's recent USD241.6m 800G Optical Modules purchase order secured in May 2026.**
- **As this is an LOI rather than a firm PO, we layer in only a partial contribution to our existing Network Switches segment forecast, pending firmer order visibility.**
- **We raise our FY27F/FY28F core earnings to RM180.9m/RM203.1m from RM174m/RM203.1m, we maintain BUY with a higher TP of RM2.80 (from RM2.69), pegged to an unchanged target multiple of 14.5x applied to our revised FY27F core EPS of 19.3sen.**

Entered an LOI with a U.S. customer for a proposed USD100m CPO networking switch project. EG Industries' subsidiary Genetronic (Malaysia) Sdn. Bhd. ("GTR") has entered into a Letter of Intent with U.S.-based Customer M, a global provider of open networking solutions for hyperscale cloud and AI data centres, to manufacture CPO-based network switches expected to generate approximately USD100m in revenue. The deal follows the Group's recent USD241.6m 800G Optical Modules PO and validates its LPO/CPO investments since 2022, with management guiding for further CPO orders as customer programmes progress. GTR is consolidated under the Group, which expects the collaboration to contribute positively to earnings and net assets in FY2027 and FY2028.

Our View. We view this LOI **positively** as it broadens EG Industries' participation across the AI networking value chain, from high-speed optical modules to advanced networking switches, and provides further evidence that the Group's early investments in LPO/CPO capabilities are translating into customer wins. That said, we note this is an LOI rather than a firm purchase order, and as such carries a greater execution and timing uncertainty than the Group's recently secured USD241.6m 800G Optical Modules PO. We have therefore adopted a conservative stance in our forecasts, layering in only a partial revenue contribution pending firmer order visibility, rather than assuming the full USD100m flows through our forecast horizon. We also highlight that management's guidance for the collaboration to contribute to earnings and net assets spans both FY2027 and FY2028. We will revisit the phasing of this contribution, including potential FY28F upside, as the LOI progresses toward a firm purchase order and as shipment schedules become clearer.

Earnings Revision. The management initially guided that the said contract shall be recognised between FY27F (70%) and FY28F (30%) respectively. We raise our FY27F/FY28F core PATAMI to RM180.9m/RM203.1m from RM174m/RM203.1m.

Valuation & Recommendation. We reiterate our **BUY** recommendation and raise our TP to **RM2.80** (from RM2.69), pegged to an unchanged target multiple of 14.5x applied to our revised FY27F core EPS of 19.3sen. At the current price of RM1.91, our revised TP implies an upside of approximately 47.0%. We continue to like EG, based on: (1) Expanding footprint across the AI networking value chain (2) Strong multi-year earnings visibility, and (3) Ongoing capacity expansion.

Risks. Loss of key customers, delay in product ramp-up, and weaker-than-expected customer orders

KDN PP13226/06/2024 (035469)

Earnings Summary

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1144.2	1087.2	1631.8	2726.1	2959.9
EBITDA	120.4	169.1	201.5	283.8	308.4
Pre-tax profit	49.7	80.4	109.4	187.7	210.6
Net profit	49.7	84.1	108.0	180.9	203.1
Core net profit	56.1	73.3	108.0	180.9	203.1
Core EPS (sen)	6.0	7.8	11.5	19.3	21.7
P/E (x)	25.4	19.5	13.3	7.9	7.0
P/B (x)	2.3	2.1	2.0	1.6	1.3
EV/EBITDA (x)	16.0	11.4	9.6	6.7	5.7
Dividend Yield (%)	0.7%	0.3%	0.3%	0.3%	0.3%
Net Gearing (%)	0.9	0.8	0.7	0.5	0.3

Source: Company, Apex Securities

APEX SECURITIES 鼎峰证券有限公司

Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**1144.2**	**1087.2**	**1631.8**	**2726.1**	**2959.9**
EBITDA	**120.4**	**169.1**	**201.5**	**283.8**	**308.4**
EBIT	**78.2**	**115.9**	**147.8**	**231.3**	**251.6**
PBT	**49.7**	**80.4**	**109.4**	**187.7**	**210.6**
Tax	-0.7	-2.7	-6.3	-11.3	-12.6
Profit After Tax	**49.0**	**77.7**	**103.0**	**176.4**	**198.0**
Minority Interest	-0.7	-6.4	-5.0	-4.5	-5.1
Net Profit	**49.7**	**84.1**	**108.0**	**180.9**	**203.1**
Exceptionals	6.4	-10.7	0.0	0.0	0.0
Core Net Profit	**56.1**	**73.3**	**108.0**	**180.9**	**203.1**

Key Ratios

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	6.0	7.8	11.5	19.3	21.7
P/E (x)	25.4	19.5	13.3	7.9	7.0
BVPS	0.67	0.73	0.77	0.95	1.15
P/B (x)	2.3	2.1	2.0	1.6	1.3
EV/EBITDA (x)	16.0	11.4	9.6	6.7	5.7
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%	10.4%	10.4%
EBIT margin (%)	6.8%	10.7%	9.1%	8.5%	8.5%
PBT margin (%)	4.3%	7.4%	6.7%	6.9%	7.1%
PAT margin (%)	4.3%	7.1%	6.3%	6.5%	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%	20.4%	18.8%
ROA (%)	3.7%	4.7%	5.7%	7.6%	7.9%
Net gearing (%)	93.6%	80.5%	70.6%	54.5%	31.3%

Assumptions					
USD/RM			4.03	4.00	4.00

Valuations	FY27
Core EPS (RM)	19.3
P/E multiple (x)	14.5
Fair Value (RM)	**2.80**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**2.80**

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & cash equivalent	89.2	97.3	169.3	151.0	235.8
Receivables	327.7	197.0	295.7	494.0	536.3
Inventories	520.6	615.9	741.6	978.0	1061.9
Other current assets	1.6	1.3	1.2	1.2	1.2
Total Current Assets	**939.1**	**911.5**	**1207.8**	**1624.2**	**1835.3**
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	827.4	898.4
Other Current Liabilities	7.7	10.8	10.8	10.8	10.8
Total Current Liabilities	**857.4**	**794.3**	**966.6**	**1258.8**	**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	881.1	1079.4
Minority interest	8.2	15.7	10.7	6.2	1.1
Total Equity	**528.2**	**617.2**	**715.6**	**887.3**	**1080.6**

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**49.7**	**80.4**	**109.4**	**187.7**	**210.6**
Depreciation & amortisation	42.1	53.2	53.7	52.5	56.8
Changes in working capital	19.9	-46.5	-60.1	-102.6	-55.3
Others	39.0	28.1	-6.3	-11.3	-12.6
Operating cash flow	**150.9**	**115.1**	**96.7**	**126.3**	**199.5**
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**	**-18.4**	**84.8**
Beginning cash & cash equivalent	52.6	89.2	97.3	169.3	151.0
Ending cash & cash equivalent	**89.2**	**97.3**	**169.3**	**151.0**	**235.8**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions 20,290.00 metric tonnes CO2e in FY25
Waste & Effluent	★★★	96,322.00 kg of waste was recycled, and 70% of total waste was diverted from disposal in FY25
Energy	★★★	Produced 2,629 MW (likely MWh) of total solar energy through 2,501 rooftop solar panels in FY25
Water	★★★	Water consumption 87.680 Megalitres in FY25
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	The total workforce is 57% male and 43% female in FY25
Human Rights	★★★	A total of 10,093 training hours were invested in employees in FY25
Occupational Safety and Health	★★	2,683 employees were trained on health and safety standards in FY25
Labour Practices	★★★	0 substantiated complaints concerning human rights violations were reported in FY25

Governance

Ethics and Integrity	★★★	0 confirmed incidents of corruption or violation of the Anti-Corruption and Anti-Bribery (ACAB) Policy in FY25
Supply Chain Integrity	★★	29% of total spending was on local suppliers (representing 61% of the supplier base) in FY25
Data Privacy & Cybersecurity	★★★	0 major reported cases of data leakage, misuse, or cybersecurity incidents in FY25

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

As of **Thursday, 16 Jul, 2026**, 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) nil.