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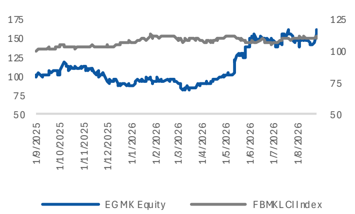
Recommendation:		**BUY**
Current Price:		RM 1.96
Previous Target Price:		RM 2.80
Target Price:	↑	RM 2.93
Capital Upside/Downside:		49.6%
Dividend Yield (%):		0.0%
Total Upside/Downside:		**49.6%**

Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	8907 / EG MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	949.8
Market Cap (RM' m)	1,861.5
52-Week Price Range (RM)	2-0.965
Beta (x)	0.7
Free float (%)	54.8
3M Average Volume (m)	9.6
3M Average Value (RM' m)	17.3

Top 3 Shareholders	**(%)**
Kang Pang Kiang	10.8
Kpk Capital Sdn Bhd	6.5
Kaf Investment Funds Bhd	5.9

Share Price Performance



	1M	**3M**	**12M**
Absolute (%)	10.1	14.6	59.3
Relative (%)	10.0	11.8	45.4

Earnings summary

FYE (Jun)	**FY26A**	**FY27F**	**FY28F**
Revenue (RM'm)	1427.5	2413.6	2608.8
PATAMI (RM'm)	127.8	184.7	215.9
CNP (RM'm)	96.2	184.7	215.9
EPS - core (sen)	10.3	17.3	20.2
P/E (x)	19.1	11.3	9.7

Source: Company, Apex Securities

EG Industries Berhad

Record Revenue, but Core Profit Falls Short of the Bar

- **EG's FY26 core net profit of RM96.2m (+35.0% YoY) coming in below expectations at 89% of our FY26F forecast and 91% of market consensus.**
- **We stay cautiously optimistic on EG's AI-driven photonics ramp, underpinned by: (i) the firm, already-executing USD241.6m 800G Optical Modules PO, versus the USD100m CPO network switch deal still pending LOI-to-PO conversion; (ii) Batu Kawan and Thailand capacity coming online mainly as a FY2027F-28F story, not an immediate driver; and (iii) NDR and Jyoto adding diversification rather than core photonics growth.**
- **We cut our core net profit forecast for FY27F/FY28F by 7%/7% from RM180.9m/RM203.1m to RM168.3m/RM188.7m. We also introduced FY29F core net profit of RM219.0m.**
- **Maintain BUY with a higher TP of RM2.93 (previously TP RM2.80), based on an unchanged 14.5x PE multiple applied to rolled forward FY28F EPS of 20.2sen.**

Below expectations. EG's 4QFY26 recorded a core net profit of RM23.9m, after adjusting exceptional items including net forex gain (-RM4.8m), one-off Gain on bargain purchase (-RM20.5m), Impairment loss on receivables (RM3.8m) and Gain on Disposal (-RM0.5m). FY26 core net profit came in as RM96.2m, which is below our estimates, accounting for only 89% of our FY26F core net profit forecast and 91% of market consensus.

QoQ. Revenue rose 33.3% QoQ to RM402.1m (3QFY26: RM301.6m), driven by stronger sales of 5G optical modules, wireless broadband and network switches. Core net profit increased 4.3% QoQ to RM23.9m (3QFY26: RM23.0m), mainly on a more favourable product sales mix and improved production efficiency and yield.

YoY. Revenue surged 283.3% YoY to RM402.1m (4QFY25: RM104.9m), driven by higher contributions from technology-related products, particularly 5G optical modules, wireless broadband-related products and network switches. Core net profit rose 79.9% YoY to RM23.9m (4QFY25: RM13.3m), primarily on the higher contribution from technology-related products, coupled with improved production efficiency and yields and a more favourable product sales mix.

YTD. For FY2026, revenue climbed 31.3% YoY to a record RM1,427.5m (FY25: RM1,087.2m), mainly driven by higher sales contributions from technology-related products, particularly 800G optical modules, wireless broadband, network switches and other industrial equipment and components. Core net profit rose 35.0% YoY to RM96.2m (FY25: RM71.3m), reflecting stronger contribution from technology-related products, a more favourable product sales mix, and improved production efficiency and yields.

Outlook. We remain cautiously optimistic on EG's AI-driven photonics ramp, underpinned by three factors: (i) the USD241.6m 800G Optical Modules order is a firm, already-executing PO that anchors near-term earnings visibility, while the USD100m CPO network switch deal stays an LOI pending further clarity on conversion to a firm order; (ii) the Batu Kawan PG2 second-floor expansion should progressively lift 800G and 1.6T Optical Module capacity through FY2027, and the Prachinburi facility in Thailand, on track for completion by end-2026, should start contributing from FY2027 onward across EV components, energy devices and regional data centre demand — making this capacity buildout largely a FY2027F-28F story rather than an immediate earnings driver; and (iii) NDR and Jyoto add vertical integration and diversification rather than core photonics growth, with NDR consolidating rubber-related earnings from March 2026 and Jyoto contributing metal fabrication capabilities from FY2027.

Earnings Revision. We **cut our core net profit forecast for FY27F/FY28F by 7%/7%** from RM180.9m/RM203.1m to RM168.3m/RM188.7m. We also introduced FY29F core net profit of RM219.0m

Valuation & Recommendation. We maintain **BUY** with a **higher TP of RM2.93** (previously TP RM2.80), based on an unchanged 14.5x PE multiple applied to rolled forward FY28F EPS of 20.2sen. At the current price of RM1.96, our revised TP implies an upside of approximately 49.6%. We continue to like EG, based on: (1) Expanding footprint across the AI networking value chain (2) Strong multi-year earnings visibility (3) Ongoing capacity expansion.

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

Results Comparison

FYE Jun (RM m)	4QFY26	4QFY25	yoy (%)	3QFY26	qoq (%)	FY26	FY25	yoy (%)
Revenue	402.1	104.9	*283.3*	301.6	*33.3*	1,427.5	1,087.2	*31.3*
EBITDA	110.7	59.5	*86.0*	64.0	*73.1*	314.3	222.6	*41.2*
Profit before tax	52.3	21.7	*140.7*	22.7	*130.4*	134.1	80.4	*66.7*
Tax expenses	(10.6)	(2.0)	*428.4*	(0.4)	*2,915.1*	(12.3)	(2.7)	*351.5*
Profit after tax	41.8	19.7	*111.6*	22.4	*86.8*	121.8	77.7	*56.7*
Reported PATMI	45.9	22.3	*105.5*	22.1	*107.4*	127.8	84.1	*51.9*
Core PATMI	23.9	13.3	*79.9*	23.0	*4.3*	96.2	71.3	*35.0*
Core EPS (sen)	2.6	1.4	*79.8*	2.5	*4.2*	10.3	7.6	*34.9*
DPS (sen)	-	-		-		-	-	
EBITDA margin	28%	57%		21%		22%	20%	
PBT margin	13%	21%		8%		9%	7%	
Core net profit margin	6%	13%		8%		7%	7%	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jun (RM m)	FY25A	FY26A	FY27F	FY28F	FY29F
Revenue	1087.2	1427.5	2413.6	2608.8	2910.2
EBITDA	170.1	314.3	457.9	485.2	521.3
EBIT	115.9	239.2	348.3	377.0	421.2
PBT	80.4	134.1	191.7	224.3	280.5
Tax	-2.7	-12.3	-11.5	-13.5	-16.8
Profit After Tax	**77.7**	**121.8**	**180.2**	**210.8**	**263.7**
Minority Interest	-6.4	-6.0	-4.5	-5.1	-5.1
Net Profit	**84.1**	**127.8**	**184.7**	**215.9**	**268.8**
Exceptionals	-10.7	-31.6	0.0	0.0	0.0
Core Net Profit	**73.3**	**96.2**	**184.7**	**215.9**	**268.8**

Key Ratios

FYE Jun (RM m)	FY25A	FY26A	FY27F	FY28F	FY29F
Core EPS (sen)	7.8	10.3	17.3	20.2	25.2
P/E (x)	25.0	19.1	11.3	9.7	7.8
BVPS	0.66	0.85	0.91	1.11	1.4
P/B (x)	3.0	2.3	2.1	1.8	1.4
EV/EBITDA (x)	13.7	7.8	5.7	5.0	4.3
DPS (sen)	0.5	0.0	0.0	0.0	0.00
Dividend Yield (%)	0.3%	0.0%	0.0%	0.0%	0.0%
EBITDA margin (%)	15.6%	22.0%	19.0%	18.6%	17.9%
EBIT margin (%)	10.7%	16.8%	14.4%	14.5%	14.5%
PBT margin (%)	7.4%	9.4%	7.9%	8.6%	9.6%
PAT margin (%)	7.1%	8.5%	7.5%	8.1%	9.1%
NP margin (%)	7.7%	9.0%	7.7%	8.3%	9.2%
CNP margin (%)	6.7%	6.7%	7.7%	8.3%	9.2%
ROE (%)	11.9%	12.1%	19.0%	18.2%	18.6%
ROA (%)	4.7%	4.5%	6.5%	7.0%	7.9%
Net gearing (%)	80.5%	76.8%	81.4%	50.5%	27.5%

Valuations	FY28F
Core EPS (RM)	20.2
P/E multiple (x)	14.5
Fair Value (RM)	**2.93**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**2.93**

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY25A	FY26A	FY27F	FY28F	FY29F
Cash & cash equivalent	97.3	118.6	100.0	235.0	374.6
Receivables	197.0	255.1	431.3	466.2	520.0
Inventories	615.9	844.6	1428.0	1543.5	1721.9
Other current assets	1.3	1.4	1.4	1.4	1.4
Total Current Assets	**911.5**	**1219.7**	**1960.7**	**2246.1**	**2617.9**
PPE	537.2	782.4	772.8	714.6	664.6
Investment properties	12.5	24.6	24.6	24.6	24.6
Other non-current assets	99.6	96.5	96.5	96.5	96.5
Total Non-current assets	**649.4**	**903.5**	**894.0**	**835.8**	**785.7**
Short-term Debt	452.5	580.7	745.8	685.8	625.8
Payables	331.0	558.9	945.0	1021.4	1139.5
Other Current Liabilities	10.8	12.1	12.1	12.1	12.1
Total Current Liabilities	**794.3**	**1151.7**	**1702.9**	**1719.4**	**1777.4**
Long-term Debt	141.9	147.6	147.6	147.6	147.6
Other non-current liabilities	7.4	29.8	29.8	29.8	29.8
Total Non-current Liabilities	**149.3**	**177.3**	**177.3**	**177.3**	**177.3**
Shareholder's equity	601.5	711.8	896.4	1112.3	1381.1
Minority interest	15.7	82.4	77.9	72.8	67.7
Total Equity	**617.2**	**794.2**	**974.4**	**1185.2**	**1448.9**

Cash Flow

FYE Jun (RM m)	FY25A	FY26A	FY27F	FY28F	FY29F
Pre-tax profit	**80.4**	**134.1**	**191.7**	**224.3**	**280.5**
Depreciation & amortisation	54.2	75.1	109.5	108.2	100.1
Changes in working capital	-46.5	-33.9	-373.5	-74.0	-114.2
Others	27.0	-1.5	-11.5	-13.5	-16.8
Operating cash flow	**115.1**	**173.7**	**-83.8**	**245.0**	**249.6**
Net capex	-73.9	-259.2	-100.0	-50.0	-50.0
Others	46.9	20.2	0.0	0.0	0.0
Investing cash flow	**-27.0**	**-239.0**	**-100.0**	**-50.0**	**-50.0**
Dividends paid	-4.5	-4.5	0.0	0.0	0.0
Others	-75.9	99.0	165.2	-60.0	-60.0
Financing cash flow	**-80.4**	**94.5**	**165.2**	**-60.0**	**-60.0**
Currency translation differences	0.4	-7.8	0.0	0.0	**0.0**
Net cash flow	**7.7**	**29.1**	**-18.6**	**135.0**	139.6
Beginning cash & cash equivalent	89.2	97.3	118.6	100.0	235.0
Ending cash & cash equivalent	**97.3**	**118.6**	**100.0**	**235.0**	**374.6**

KDN PP13226/06/2024 (035469)

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions 20,290.00 metric tonnes CO_2e 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 **Tuesday, 01 Sep, 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.