

Northeast Group Berhad (0325)

Operating Leverage Kicks In

Bloomberg Ticker: NE MK | Investment Horizon: 12 Months

Recommendation

We reiterate our BUY call with an unchanged price of RM1.34, based on FY27F 23x PE, in line with its peers' forward PE, to reflect robust demand growth in the semiconductor sector.

Results Review

Northeast's 9MFY26 core earnings of RM30.7mn came in within expectations, accounting for 78% of our full-year forecast and 86% of consensus estimates.

YoY, 9MFY26 earnings jumped 98% thanks to the increase in revenue and more favourable product mix skewed towards higher-margin photonic products, coupled with improved operational cost efficiency as EBITDA margin expanded by 8.3ppt to 36.7%.

QoQ, 3QFY26 revenue improved by 11% to RM42.9mn, driven by stronger demand and steady deliveries to global customers in the photonics, semiconductor and E&E industries. However, core profit declined 21.3% QoQ to RM9.6mn, mainly on RM3.4mn lower scrap income and higher effective tax rate of 22.5% in 3QFY26 from 13% in 2QFY26.

Outlook

Demand visibility across the photonics, semiconductor and E&E franchises stays constructive. We remain optimistic on the Groups outlook, supported by (i) resilient demand from the photonics segment, (ii) a gradual recovery in the broader semiconductor cycle, tied in part to Northeast increasingly monetising indirect AI exposure, and (iii) additional capacity from the ongoing Property I and Property II works to meet demand. We continue to view the high mix low volume model and prevailing cost differentials as adequate mitigation against near term trade policy uncertainty and geopolitical tensions in the Middle East, supported by prudent inventory procurement and proactive customer engagement to secure firm orders ahead of procurement cycles.

We are also observing benefits from trade diversion, as customers relocate production to Southeast Asia. Channel checks suggest that one of its semiconductor customers is growing fast in Malaysia, with more orders being loaded to suppliers and increased activity at the customer's second plant in Penang.

Capacity expansion timing risk has crept in. Construction of the new factory to house additional CNC machines has been further delayed pending regulatory approvals, with the Board deliberating between an updated construction timeline and an alternative site with the requisite licences in place. Renovation works at Property II remain targeted for completion by 3Q2026.

Forecast

We keep our FY26F-FY28F forecast number unchanged.

Investment Risk to our Call

(i) Intense competitive environment, (ii) technology and capital investment risk, and (iii) labour dependency and regulatory exposure.

Buy ↔

Target Price: RM1.34 (+20%) ↔

Current Share Price: RM1.12

Ace Market
Industrial Products & Services

Tan Jia Hui

Research Analyst

jiahui@tradeviewcapital.my

Company Overview

Northeast is a precision engineering company specializing in high-quality, customised components for photonics, semiconductors, and electrical & electronics (E&E), supported by strong technical expertise and a loyal customer base.

Stock Information

Market Cap (RM'mn)	828.8
Issued Shares (mn)	740.0
52W High (RM)	1.22
52W Low (RM)	0.52
Estimated Free Float (%)	28.6
Beta vs FBM KLCI	0.1
3-month Average Vol. (mn)	4.1
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	2.8	4.8	5.5
TP (RM)	High	Mean	Low
	1.35	1.35	0.93
Ratings	Buy	Hold	Sell
	3	0	0

Category	Score	Materiality	Weighted Score
Environmental	15	30%	1.0
Social	30	35%	2.1
Governance	33	35%	2.3
Total	78	100%	5.3

Results Summary

FYE 30 Sept (RMmn)	3QFY25	2QFY26	3QFY26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	31.7	38.6	42.9	11.0	35.3	83.3	118.1	41.8
COGS	-20.9	-24.2	-28.4	17.1	35.4	-57.3	-76.3	33.1
Gross profit	10.7	14.4	14.5	0.7	35.0	26.0	41.8	61.0
EBITDA	10.1	16.7	15.2	-8.6	50.3	23.6	43.3	83.3
Depreciation	-2.1	-2.3	-2.4	0.9	14.3	-6.1	-7.0	15.0
EBIT	8.1	14.3	12.9	-10.2	59.5	17.6	36.4	106.9
Finance costs	-0.2	-0.1	-0.1	0.7	-6.5	-0.7	-0.4	-36.2
Pretax Profit	7.9	14.2	12.7	-10.3	60.8	20.6	35.9	74.5
Taxation	-0.81	-1.84	-2.87	55.8	254.4	-3.5	-6.5	89.7
Net Profit	7.1	12.3	9.9	-20.1	38.8	17.1	29.4	71.5
Core Net Profit	7.6	12.2	9.6	-21.3	25.6	15.5	30.7	97.8
Margin (%)								
GP	33.9	37.3	33.8			31.2	35.4	
EBITDA	32.0	43.2	35.5			28.4	36.7	
Pretax	25.0	36.7	29.7			24.7	30.4	
Core Net Profit	24.1	31.5	22.4			18.6	26.0	

Key Assumption

Revenue Growth	Actual			Unchanged	
	FY24	FY25	FY26F	FY27F	FY28F
Photonics	37%	46%	52%	25%	10%
E&E	23%	19%	15%	20%	10%
Semiconductor	18%	38%	15%	15%	10%
Telecommunication	14%	29%	2%	5%	5%
Optoelectronics	6%	-2%	2%	5%	10%

Key Financial Metrics

FYE 30 Sept	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	90.1	119.6	157.2	180.5	197.8
EBITDA (RM'mn)	28.6	38.0	64.0	70.1	77.1
Pretax profit (RM'mn)	19.1	26.6	53.2	59.3	65.2
Net profit (RM'mn)	13.7	20.5	39.4	43.3	47.6
EPS (sen)	2.4	2.8	5.3	5.9	6.4
PER (x)	46.5	40.4	21.0	19.1	17.4
Core net profit (RM'mn)	13.7	22.9	39.4	43.3	47.6
Core EPS (sen)	2.4	3.1	5.3	5.9	6.4
Core EPS growth (%)	(3.0)	28.5	72.1	9.9	10.0
Core PER (x)	46.5	36.2	21.0	19.1	17.4
Net DPS (sen)	0	0	0	0	0
Dividend Yield (%)	0	0	0	0	0
ROE (%)	8.8	8.8	13.2	12.7	12.2
P/BV (x)	4.1	3.2	2.8	2.4	2.1

Peer Comparison

Name	Last Price	Market Cap (RM'mn)	FYE	Earnings Growth		Hist.	P/E (x)		Div. Yield	ROE
				1-yr Fwd	2-yr Fwd		1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.
Domestic Precision Engineering Peers										
UMS Integration Ltd	8.29	7,362.9	12/2025	60.3	24.0	43.8	34.7	28.0	1.9	9.8
CPE Technology Bhd	1.14	765.3	06/2026	14.5	40.6	41.9	32.1	22.8	0.0	6.4
Coraza Integrated Technology Bhd	1.09	541.1	12/2025	43.9	29.3	29.8	26.6	20.6	0.0	10.3
Simple Avg				37.4	32.3	42.9	31.1	25.4	1.9	8.1
NORTHEAST GROUP SDN BHD										
Source: Bloomberg estimates, Tradeview Research (As of 24 th August 2026)										
	1.12	828.8	09/2025	51.4	11.6	40.0	22.5	20.2	0.0	10.4

Source: Bloomberg estimates, Tradeview Research (As of 24th August 2026)

Financial Exhibits

Income Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
---------------------	---------	---------	---------	---------	---------

Revenue	90.1	119.6	157.2	180.5	197.8
Operating expenses	(61.5)	(81.7)	(93.2)	(110.4)	(120.7)
EBITDA	28.6	38.0	64.0	70.1	77.1
Depreciation	(8.1)	(8.2)	(9.1)	(9.1)	(10.2)
EBIT	20.6	29.8	54.9	61.0	66.8
Net int income/(expense)	(1.5)	(0.8)	(1.6)	(1.7)	(1.6)
Exceptional gains / (losses)	0.0	(2.4)	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	19.1	26.6	53.2	59.3	65.2
Tax	(5.3)	(6.0)	(13.8)	(16.0)	(17.6)
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit	13.7	20.5	39.4	43.3	47.6
Core PATAMI	13.7	22.9	39.4	43.3	47.6

Balance Sheet Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	70.6	80.8	89.6	91.5	92.4
Other long term assets	21.4	25.0	17.9	17.7	17.7
Total non-current assets	92.1	105.8	107.5	109.2	110.0
Cash and equivalents	87.1	153.2	180.2	217.3	262.7
Inventories	2.6	3.8	4.1	4.9	5.3
Receivables	19.5	25.1	25.4	30.0	32.0
Other current assets	5.8	7.1	-	-	-
Total current assets	114.9	189.2	209.8	252.2	300.0
Payables	7.6	17.3	6.1	7.0	8.0
Short term borrowings	2.0	0.7	0.7	0.7	0.7
Other current liabilities	1.9	0.2	-	-	-
Total current liabilities	11.5	18.1	6.8	7.6	8.7
Long term borrowings	33.6	12.0	12.0	12.0	12.0
Other long term liabilities	5.5	5.7	-	-	-
Total long term liabilities	39.0	17.7	12.0	12.0	12.0
Shareholders' Funds	156.5	259.1	298.5	341.8	389.4
Minority Interest	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	19.1	26.6	53.2	59.3	65.2
Depreciation & amortisation	6.9	7.2	8.1	8.1	9.2
Working capital changes	(8.0)	2.2	(0.7)	(5.4)	(2.4)
Cash tax paid	(6.7)	(8.0)	(13.8)	(16.0)	(17.6)
Others	3.9	1.0	1.1	1.1	1.1
C/F from operation	15.2	29.0	47.9	47.0	55.4
Capex	(2.9)	(14.1)	(20.0)	(10.0)	(10.0)
Others	0.1	(7.2)	0.0	0.0	0.0
C/F from investing	(2.8)	(21.3)	(20.0)	(10.0)	(10.0)
Debt raised/(repaid)	(3.5)	(22.9)	0.0	0.0	0.0
Dividends paid	(2.0)	0.0	0.0	0.0	0.0
Others	(0.0)	80.8	0.0	0.0	0.0
C/F from financing	(5.5)	57.9	0.0	0.0	0.0
Net change in cash flow	6.9	65.5	27.9	37.0	45.4
Free Cash Flow	12.2	14.9	27.9	37.0	45.4



DISCLOSURE AND DISCLAIMER



This report is prepared and issued by Tradeview Capital Sdn Bhd ("Tradeview") for general circulation only and shall not be construed or considered as an offer, recommendation, invitation and/or solicitation to purchase, subscribe to or sell any securities of the subject company mentioned in this report.

The information contained herein are based on data and sources believed to be reliable at the time of issuance and are subject to change without further notice. Readers are encouraged to evaluate any specific investment or strategy based on individual circumstances, risk profile, investment objectives and/or to seek legal, tax, financial and/or other advice prior to executing any transaction.

Tradeview does not make any representations and/or guarantee to the accuracy and completeness of the information and opinion contained herein and accepts no liability for any direct or consequential loss arising from the reliance of this report. Tradeview and its affiliates, directors, shareholders, employees and/or agents may have positions in the subject company covered in this report and may, from time to time, buy or sell securities of the subject company. This report can be found on <https://www.tradeviewcapital.my/research-depository/>

This report has been prepared by Tradeview pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report. This report can be found on : <https://my.bursamalaysia.com/market/market-updates/bursa-digital-research>

Tradeview Research Investment Rating System

Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

NEUTRAL: Total stock return expected to below +15% over 12-month period