

EG Industries Berhad (8907)

Photonics Drives the Next Leg

Bloomberg Ticker: EG MK | Investment Horizon: 12 Months

Recommendation

We reiterate our BUY call with an unchanged target price of RM2.40, based on a revised FY27F PE of 13.5x (from 11x), which is +1.0 std dev above its 5-year historical average. The unchanged target price reflects a cut to our FY27F earnings, which offsets the re-rating from the higher multiple. We raise the multiple on (i) confirmed operational progress de-risking the 1.6T ramp, including cleanroom completion and audit readiness ahead of December mass production, (ii) network switch capacity expansion, (iii) mix shift towards photonics and switches, away from consumer electronics, and (iv) a deeper one-stop proposition via Jyoto.

Outlook

PG2 ramp-up on schedule. One-stop positioning deepening. Following the post-results briefing, management reaffirmed that EG's PG2 second floor targets mass production in December 2026 for 800G and 1.6T optical modules on fully automated NPO lines, with the cleanroom completed and audit readiness targeted for October. The 1.6T optical module is a single integrated device rather than two 800G modules combined, placing EG among a small number of global manufacturers able to produce it. Current 800G yield has exceeded 80%, while 1.6T has only just begun ramping, guided to stabilise by December. We embed the 800G scale-up into our FY27F but treat 1.6T volumes as upside pending yield stabilisation, given the module commands roughly 3x the price of 800G.

Network switch momentum continues to build. The network switch capacity has risen to 80 units/day (from 50), with management targeting 100 units/day in FY27 pending testing, underpinned by a USD100mn LOI that has cleared two audits. The segment continues to gain traction, growing to 8.2% of FY26 revenue (from 7.9% in FY25), though we keep its contribution modest in our base case pending LOI-to-PO conversion.

One-stop positioning deepens across certification and upstream capability. EG's status as a CTPAT-compliant manufacturer strengthens its ability to attract new US-based customers such as Customer O (planning a visit) amid ongoing China+1 supply chain diversification. The recently acquired Jyoto Works further deepens this one-stop positioning, adding forging and stamping capability that feeds directly into EG's photonic assembly line rather than standing as a separate business line.

FY26 core earnings restated to strip out one-offs. We restate FY26 core PATAMI to RM92.5mn (from RM113mn), stripping out the one-off RM20.5mn bargain purchase gain recognised under purchase price allocation for the acquisition of Thailand-listed N.D. Rubber Public Company Limited (NDR), as this gain is non-operating in nature. This acquisition is to strengthen EG's strategic position in Thailand, capturing growing regional demand in EV components, energy devices, and data centre applications, alongside a separate new manufacturing facility under development in Prachinburi. We now base our FY27F-29F forecasts off the adjusted core earnings figure, providing a cleaner read on the group's underlying operating trajectory.

Forecast

We revise our FY27F-29F core earnings forecast down by 17%-24%, reflecting the restated FY26 core PATAMI base and a longer runway to yield stabilisation, particularly for 1.6T, which only starts contributing in 2HFY27F (December 2026).

Investment Risk to our Call

(i) Intense competitive environment, (ii) customer concentration, (iii) capital-intensive expansion, and (iv) geopolitical & trade policy risk.

BUY ↔

Target Price: RM2.40 (+43%) ↔

Current Share Price: RM1.68

Main Market
Industrial Products & Services

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Company Overview

EG Industries Bhd (EG) is a Malaysia-based electronic manufacturing services (EMS) and upstream components total solution provider, offering full turnkey solutions from printed circuit board assembly (PCBA) to box-build assembly for sectors such as telecommunications, ICT, consumer electronics, and others.

Stock Information

Market Cap (RM'mn)	1,596.5
Issued Shares (mn)	950.3
52W High (RM)	2.00
52W Low (RM)	0.97
Estimated Free Float (%)	54.3
Beta vs FBM KLCI	0.6
3-month Average Vol. (mn)	7.9
Shariah Compliant	Yes

Consensus	FY26A	FY27F	FY28F
EPS (sen)	12.0	19.3	24.0
TP (RM)	High	Mean	Low
	2.80	2.64	2.40
Ratings	Buy	Hold	Sell
	4	0	0

Category	Score	Materiality	Weighted Score
Environmental	29	45%	2.8
Social	28	25%	1.4
Governance	28	30%	1.7
Total	85	100%	5.9

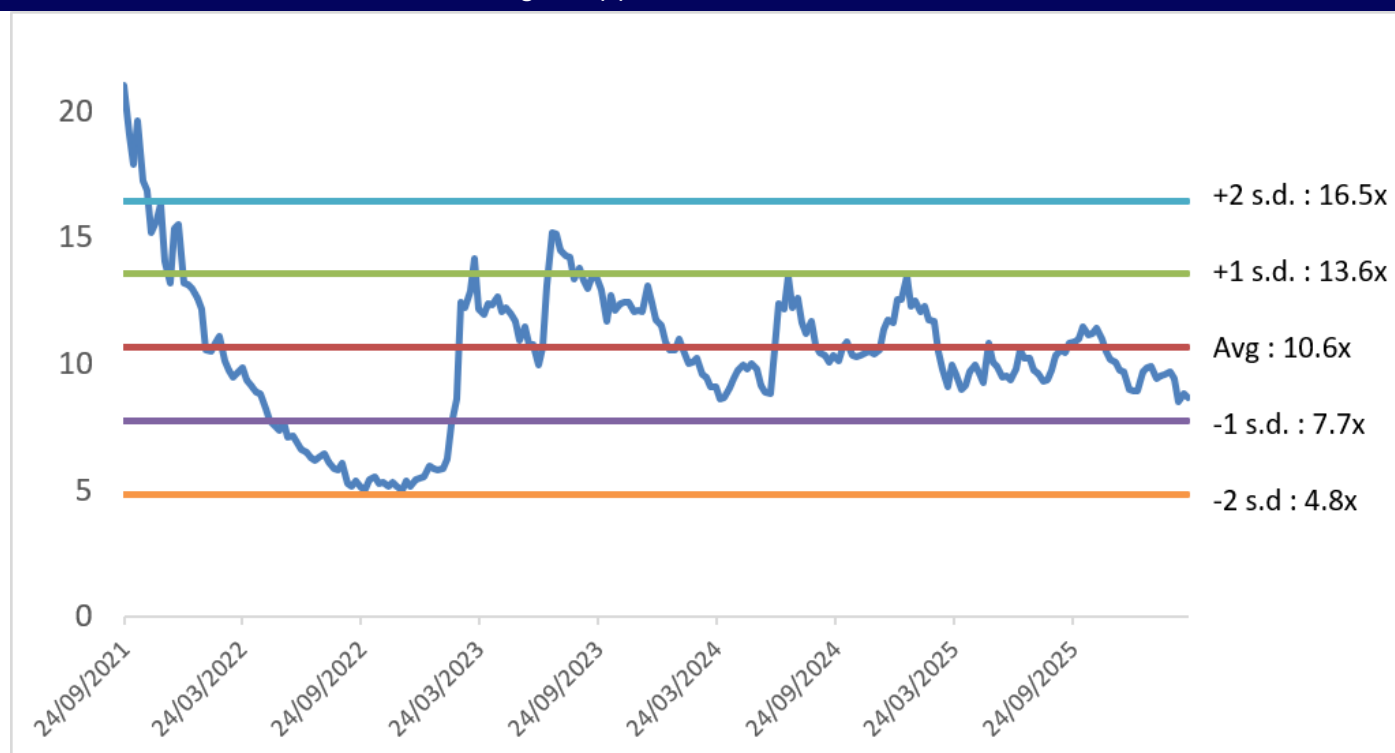
Key Assumption

Revenue growth	Actual		FY27F	Before		FY29F	After		FY29F
	FY25A	FY26A		FY28F	FY29F		FY27F	FY28F	
5G wireless access & photonic	95%	88%	80%	24%	30%	67%	20%	20%	
Consumer electronics	-48%	-48%	20%	15%	15%	10%	10%	10%	
Network switches	651%	36%	50%	30%	20%	50%	20%	15%	

Key Financial Metrics

FYE 30 Jun	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RM'mn)	1,087.2	1,427.5	2,191.0	2,604.0	3,086.7
EBITDA (RM'mn)	173.9	274.4	282.2	308.3	344.4
Pretax profit (RM'mn)	80.4	134.1	163.0	192.7	232.1
Net profit (RM'mn)	77.7	121.8	160.5	189.9	228.6
EPS (sen)	8.2	13.4	16.9	20.0	24.1
PER (x)	24.0	14.6	11.6	9.8	8.1
Core net profit (RM'mn)	80.0	92.5	168.5	199.3	240.1
Core EPS (sen)	8.4	10.2	18.5	21.9	26.4
Core EPS growth (%)	(37.5)	20.8	82.2	18.3	20.4
Core PER (x)	23.3	19.3	10.6	8.9	7.4
Net DPS (sen)	0.5	0.5	0.4	0.4	0.8
Dividend Yield (%)	0.3	0.3	0.2	0.2	0.4
ROE (%)	13.3	13.0	19.4	18.9	18.8
P/BV (x)	3.0	2.2	1.9	1.5	1.3

EG Industries Bhd's Historical 5 Years Rolling PER (x)



Source: Bloomberg estimates, Tradeview Research (As of 11th September 2026)

Financial Exhibits

Income Statement

FYE 30 Jun (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	1,087.2	1,427.5	2,191.0	2,604.0	3,086.7
Operating expenses	(913.3)	(1,153.1)	(1,908.8)	(2,295.7)	(2,742.3)
EBITDA	173.9	274.4	282.2	308.3	344.4
Depreciation	(54.1)	(75.1)	(82.9)	(79.2)	(75.9)
EBIT	119.7	199.3	199.3	229.2	268.5
Net int income/(expense)	(35.8)	(30.2)	(36.4)	(36.4)	(36.4)
Exceptional gains / (losses)	(4.0)	(35.3)	0.0	0.0	0.0
Associates' contribution	0.5	0.2	0.1	0.0	0.0
Pretax profit	80.4	134.1	163.0	192.7	232.1
Tax	(2.7)	(12.3)	(2.4)	(2.9)	(3.5)
Minority interest	(6.4)	(6.0)	(8.0)	(9.5)	(11.4)
Net Profit	77.7	121.8	160.5	189.9	228.6
Core PATAMI	80.0	92.5	168.5	199.3	240.1

Balance Sheet Statement

FYE 30 Jun (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Fixed assets	537.2	782.4	644.4	617.0	593.0
Other long term assets	112.2	121.1	197.9	208.1	220.3
Total non-current assets	649.4	903.5	842.3	825.1	813.3
Cash and equivalents	97.3	118.6	173.7	260.1	358.9
Inventories	615.9	844.6	787.9	940.7	1,116.3
Receivables	197.0	255.1	360.2	428.1	507.4
Other current assets	1.3	1.4	-	-	-
Total current assets	911.5	1,219.7	1,321.7	1,628.8	1,982.5
Payables	331.0	558.9	472.7	564.4	669.8
Short term borrowings	452.5	580.7	580.7	580.7	580.7
Other current liabilities	10.8	12.1	-	-	-
Total current liabilities	794.3	1,151.7	1,053.4	1,145.1	1,250.4
Long term borrowings	141.9	147.6	147.6	147.6	147.6
Other long term liabilities	7.4	29.8	2.5	2.5	2.5
Total long term liab.	149.3	177.3	150.1	150.1	150.1
Shareholders' Funds	601.5	711.8	868.5	1,054.8	1,276.2
Treasury shares	(6.1)	(5.9)	(5.9)	(5.9)	(5.9)
Minority Interest	15.7	82.4	90.5	100.0	111.4

Cash Flow Statement

FYE 30 Jun (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Pretax Profit	80.4	134.1	163.0	192.7	232.1
Depreciation & amortisation	48.7	72.1	81.0	77.3	74.0
Working capital changes	(46.5)	(33.9)	(134.5)	(129.0)	(149.6)
Cash tax paid	(0.6)	(3.8)	(2.4)	(2.9)	(3.5)
Others	33.1	5.2	1.8	1.8	1.8
C/F from operation	115.1	173.7	108.9	140.0	154.9
Capex	(46.7)	(246.8)	(50.0)	(50.0)	(50.0)
Others	19.7	7.8	0.0	0.0	0.0
C/F from investing	(27.0)	(239.0)	(50.0)	(50.0)	(50.0)
Debt raised/(repaid)	(4.4)	0.0	0.0	0.0	1.0
Dividends paid	(4.5)	(4.5)	(3.8)	(3.6)	(7.2)
Others	(71.5)	99.0	0.0	0.0	0.0
C/F from financing	(80.4)	94.5	(3.8)	(3.6)	(6.2)
Net change in cash flow	7.7	29.1	55.1	86.4	98.7
Free Cash Flow	68.4	(73.1)	58.9	90.0	104.9



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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