

EG Industries Berhad (8907)

Multiple Growth Layers Ahead

Bloomberg Ticker: EG MK | Investment Horizon: 12 Months

Recommendation

We reiterate our BUY call with a higher target price of RM2.40 (from RM2.06), rolling forward to a FY27F PE of 11x (from FY26F PE of 16x), in line with EMS peer average multiples, reflecting our constructive view on the structural adoption of photonic connectivity.

Results Review

EG's 9MFY26 core PATAMI of RM83.8mn came in within expectations, accounting for 72% of both our and consensus full-year forecasts.

YoY, 9MFY26 revenue grew 4.4%, supported by stronger sales in 5G wireless access and photonics-related products. Core PATAMI also improved by 44.6%, driven by a more favourable product mix and better production yield.

QoQ, 3QFY26 revenue declined 20.5% due to shorter operating days and early order pull-forward ahead of the festive season. Nonetheless, core PATAMI rose 34.2%, primarily driven by a lower effective tax rate of 1.5% (vs. 2.6% in 2QFY26) and after adjusting for RM12.4mn in unrealised forex losses.

Outlook

We remain optimistic about EG's outlook, underpinned by (i) robust demand for optical modules and network switches driven by the expansion of wireless networking technologies and rising requirements from hyperscale data centres locally and globally, (ii) the onboarding of new customers, and (iii) margin expansion from a more favourable product mix. Operationally, utilisation has improved to 70%–75% currently from 60%–70% in 1QCY26, with management reserving at least 20% of future capacity for new customer onboarding and higher-margin opportunities amid industry-wide supply constraints. We view this strategy positively as it should support stronger future margins.

Looking ahead, multiple growth drivers are expected to support FY27–FY28. FY27 growth is likely to be led by stronger demand for photonics products such as 1.6T optical modules, Linear Pluggable Optics (LPO), and Co-Packaged Optics (CPO), with margins expected to improve as photonics contribution increases and consumer electronics exposure moderates. Yield enhancement remains a key margin catalyst, with production yield improving to 70%–80% from approximately 50% previously. Meanwhile, the Thailand facility is targeted to commence operations by CY26, initially supporting EV-related products for Customer T and energy applications, with the energy segment expected to scale more meaningfully from FY28 onwards.

The Group has also commenced construction of its new manufacturing facility in Prachinburi, Thailand, involving RM40mn capex, including RM6.1mn for land acquisition. The expansion, funded via internal funds and borrowings, aims to support regional growth and meet demand from new U.S. customers for energy storage, EV, and data centre applications. We are positive on this initiative, given the increasing relocation of multinational production bases into Thailand, particularly within the automotive and data centre sectors, amid ongoing supply chain diversification away from Vietnam and China.

Forecast

We keep our FY26-FY28F forecasts unchanged.

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 (+57%) ↑

Current Share Price: RM1.53

Main Market
Industrial Products & Services

Tan Jia Hui

Research Analyst

jiahui@tradeviewcapital.my

Company Overview

EGI 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)	1,391.8
Issued Shares (mn)	909.7
52W High (RM)	1.64
52W Low (RM)	0.97
Estimated Free Float (%)	53.3
Beta vs FBM KLCI	0.4
3-month Average Vol. (mn)	8.8
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	12.0	15.0	18.0
TP (RM)	High	Mean	Low
	2.10	2.02	1.90
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

Results Summary

FYE 30 Jun (RMmn)	3QFY25	2QFY26	3QFY26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	300.6	379.5	301.6	-20.5	0.3	982.3	1025.5	4.4
EBITDA	31.9	59.2	46.7	-21.2	46.5	122.2	153.1	25.3
Depreciation	-13.3	-16.7	-17.3	3.2	29.8	-40.8	-50.4	23.7
EBIT	18.6	42.5	29.4	-30.7	58.4	81.5	102.7	26.1
Pretax Profit	11.2	34.6	22.7	-34.3	>100	58.7	81.8	39.3
Taxation	-0.1	-0.9	-0.4	61.1	-483.3	-0.7	-1.8	-140.4
Net Profit	11.2	33.7	22.4	-33.6	>100	58.0	80.0	38.0
MI	-1.4	-1.9	0.2	nm	nm	-3.8	-1.9	50.2
PATAMI	12.6	35.6	22.1	-37.8	75.7	61.8	81.9	32.6
Core PATAMI	17.2	25.7	34.5	34.2	>100	58.0	83.8	44.6
Margin (%)								
EBITDA	10.6	15.6	15.5			12.4	14.9	
Pretax	3.7	9.1	7.5			6.0	8.0	
Core PATAMI	5.7	6.8	11.4			5.9	8.2	

Key Assumption

Revenue Growth	Actual		Unchanged		
	FY24	FY25	FY26F	FY27F	FY28F
5G wireless access & photonic	-33%	95%	80%	30%	24%
Consumer electronics	-8%	-48%	50%	20%	15%
Network switches	-	651%	100%	40%	30%

Key Financial Metrics

FYE 30 Jun	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	1,144.2	1,087.2	2,010.3	3,116.9	3,802.5
EBITDA (RM'mn)	107.7	165.9	197.1	288.6	350.9
Pretax profit (RM'mn)	49.7	80.4	113.0	191.6	244.1
Net profit (RM'mn)	49.7	84.1	116.9	198.1	252.4
EPS (sen)	10.7	9.2	12.9	21.8	27.8
PER (x)	14.3	16.5	11.9	7.0	5.5
Core net profit (RM'mn)	62.9	80.1	116.9	198.1	252.4
Core EPS (sen)	13.5	8.8	12.9	21.8	27.8
Core EPS growth (%)	25.0	(34.6)	45.9	69.5	27.4
Core PER (x)	11.3	17.4	11.9	7.0	5.5
Net DPS (sen)	1.0	0.5	0.5	0.5	0.5
Dividend Yield (%)	0.7	0.3	0.3	0.3	0.3
ROE (%)	12.1	13.3	16.5	22.2	22.4
P/BV (x)	2.6	2.3	1.9	1.5	1.2

Peer Comparison

Name	Last Price	Market Cap (RM'mn)	FYE	Earnings Growth		P/E (x)			Div. Yield	ROE
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.
Domestic EMS Peers										
	MYR									
Nationgate Holdings Bhd	0.73	1,640.4	12/2025	(16.2)	30.4	13.2	15.8	12.1	2.8	12.8
PIE Industrial Bhd	1.42	545.3	12/2025	(1.3)	66.7	NM	26.3	15.8	1.4	3.5
Aurelius Technologies Bhd	0.78	1,014.5	12/2025	7.8	9.3	15.5	14.4	13.2	4.2	13.0
VS Industry Bhd	0.20	751.6	07/2025	50.2	69.7	NM	13.4	7.9	2.9	1.3
SKP Resources Bhd	0.36	554.6	03/2025	(21.4)	12.2	5.5	7.9	7.0	6.1	9.3
Simple Avg				3.8	37.7	11.4	15.6	11.2	3.5	8.0
EG Industries Bhd	1.53	1,391.8	06/2025	10.3	41.6	13.7	10.7	7.6	0.3	15.2

Source: Bloomberg estimates, Tradeview Research (As of 26th May 2026)

Financial Exhibits

Income Statement

FYE 30 Jun (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	1,144.2	1,087.2	2,010.3	3,116.9	3,802.5
Operating expenses	(1,036.5)	(921.3)	(1,813.2)	(2,828.3)	(3,451.7)
EBITDA	107.7	165.9	197.1	288.6	350.9
Depreciation	(42.1)	(54.1)	(54.6)	(67.3)	(77.1)
EBIT	65.6	111.8	142.5	221.3	273.8
Net int income/(expense)	(29.0)	(35.8)	(29.7)	(29.7)	(29.7)
Exceptional gains / (losses)	13.2	3.9	0.0	0.0	0.0
Associates' contribution	(0.1)	0.5	0.2	0.0	0.0
Pretax profit	49.7	80.4	113.0	191.6	244.1
Tax	(0.7)	(2.7)	(1.7)	(2.9)	(3.7)
Minority interest	(0.7)	(6.4)	(5.6)	(9.4)	(12.0)
Net profit	49.7	84.1	116.9	198.1	252.4
Core PATAMI	62.9	80.1	116.9	198.1	252.4

Balance Sheet Statement

FYE 30 Jun (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	503.1	537.2	574.1	560.9	538.0
Other long term assets	94.7	112.2	131.8	138.7	148.2
Total non-current assets	597.8	649.4	705.9	699.7	686.2
Cash and equivalents	89.2	97.3	154.1	289.9	554.2
Inventories	520.6	615.9	593.5	726.1	736.6
Receivables	327.7	197.0	209.3	264.7	260.4
Other current assets	1.6	1.3	-	-	-
Total current assets	939.1	911.5	956.9	1,280.7	1,551.2
Payables	409.0	331.0	336.3	458.6	466.2
Short term borrowings	440.8	452.5	452.5	452.5	452.5
Other current liabilities	7.7	10.8	-	-	-
Total current liabilities	857.5	794.3	788.9	911.1	918.7
Long term borrowings	142.9	141.9	141.9	141.9	141.9
Other long term liabilities	8.3	7.4	2.5	4.2	5.8
Total long term liab.	151.2	149.3	144.4	146.1	147.7
Shareholders' Funds	520.0	601.5	708.2	892.4	1,128.3
Treasury shares	(7.4)	(6.1)	(6.1)	(6.1)	(6.1)
Minority Interest	8.2	15.7	21.3	30.7	42.8

Cash Flow Statement

FYE 30 Jun (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	49.7	80.4	113.0	191.6	244.1
Depreciation & amortisation	38.7	48.7	50.5	63.1	72.9
Working capital changes	19.9	(46.5)	15.4	(65.7)	1.4
Cash tax paid	(1.9)	(0.6)	(1.7)	(2.9)	(3.7)
Others	44.3	33.1	4.2	4.2	4.2
C/F from operation	150.8	115.1	181.4	190.3	318.9
Capex	(216.1)	(46.7)	(120.0)	(50.0)	(50.0)
Others	11.8	19.7	0.0	0.0	0.0
C/F from investing	(204.3)	(27.0)	(120.0)	(50.0)	(50.0)
Debt raised/(repaid)	(7.3)	(4.4)	0.0	0.0	0.0
Dividends paid	0.0	(4.5)	(4.5)	(4.5)	(4.5)
Others	105.2	(71.5)	0.0	0.0	0.0
C/F from financing	97.9	(80.4)	(4.5)	(4.5)	(4.5)
Net change in cash flow	44.4	7.7	56.8	135.7	264.3
Free Cash Flow	(65.3)	68.4	61.4	140.3	268.9



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