Malacca Securities
Building Wealth Together

LGMS Berhad (LGMS)

The Gold Standard In The Cybersecurity Segment

- **LGMS Berhad is a Malaysia-based company involved in the provision of professional cybersecurity services, including (i) cyber risk prevention, (ii) cyber risk management and compliance, and (iii) cyber threat and incident response, serving clients across Malaysia and internationally in markets such as Southeast Asia, Japan, Canada, and the United States.**
- **We project 3-year earnings CAGR of 11.5%, with core PATMI expected to reach RM13.3m-RM17.1m over the next three years. This growth is underpinned by by (i) the launch of StarSentry, which targets SMEs, (ii) leveraging Mitsui Co.'s network to strengthen international market penetration, and (iii) the increasing adoption of cybersecurity services driven by global digitalization.**
- **We assign a fair value of RM1.09 per share for LGMS, indicating a 16.6% upside from the current share price of RM0.935. This valuation is based on a PE multiple of 35.0x pegged to mid-FY26f EPS of 3.12 sen.**

Investment highlights

Independent cybersecurity services provider. LGMS is an independent cybersecurity services company, focused solely on delivering integrated cybersecurity services, rather than distributing or reselling cybersecurity products. The group does not sell or recommend third-party hardware or software solutions, allowing it to maintain full impartiality when advising clients. Its core offerings span across cybersecurity assessment and penetration testing, cyber risk management and compliance, as well as cyber threat and incident response services.

Launch of StarSentry to expand SME market reach. In 2024, LGMS launched StarSentry, an innovative plug-and-play cybersecurity preventive tool designed to democratise vulnerability assessments for SMEs. After two years of in-house R&D, StarSentry enables SME businesses to conduct frequent, automated security health checks without the need for on-site consultants. Offered as a bundled service combining unlimited scans, consulting support, and software licensing, StarSentry significantly reduces reliance on manpower while maintaining high service standards. StarSentry will also reduce the group's heavy reliance on manpower, which in turn translates into higher profit margins. According to LGMS, SME inquiries have risen by 20% since the launch, and StarSentry has been recognised as the "Cybersecurity Product Innovation of the Year" at the Malaysia Cybersecurity Awards 2024.

Mitsui partnership supports international market expansion. In April 2023, Japan's Mitsui & Co Ltd became a substantial shareholder in LGMS with a 25% stake, which supports LGMS's efforts to grow internationally. About 16% of the group's current revenue is derived from overseas markets such as Singapore, Cambodia, Vietnam, New Zealand, Japan, and others. With Mitsui's entry, LGMS can further tap into the international business, particularly Japan.

Fig #1 Mitsui being the second largest shareholder of LGMS

No.	Name of Shareholders	No. of Shares	%
1	FONG CHOONG FOOK	166,036,040	36.41
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SUMITOMO MITSUI TRUST BANK (U.S.A.) LIMITED (MITSUI CO)	114,000,000	25.00
3	GOH SOON SEI	49,268,960	10.81
4	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND	11,025,200	2.42
5	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 22)	9,874,800	2.17

Source: LGMS, Annual Report 2024

IPO Note – Not rated

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BUY

Share price	**RM0.935**
Target price	**RM1.09**
Previous TP	
Capital upside	16.6%
Dividend return	-
Total return	16.6%

Company profile

Started since 2005, LGMS primarily specializes in providing professional independent cybersecurity services, including cyber risk prevention, cyber risk management and compliance, and cyber threat and incident response, serving clients across Malaysia and global.

Stock information	
Bursa Code	0249
Bloomberg ticker	LGMS MK
Listing market	ACE
Share issued (m)	456.0
Market Cap (m)	426.4
Shariah compliant	YES

Major shareholders	**%**
Fong Choong Fook	36.4
Mitsui Co.	25.0
Goh Soon Sei	10.8

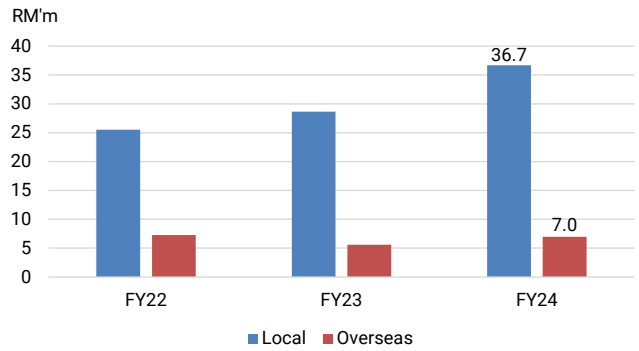
Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	12.3	13.3	15.1
EPS (sen)	2.7	2.9	3.3
P/E (x)	34.6	32.0	28.2

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Overseas contribution to diversify geographical risk. According to FY24 annual report, while 84% of its revenue derived locally, approximately 16% of LGMS's revenue is derived from overseas markets, including Southeast Asia, Japan, Netherlands, New Zealand, Australia, and the United States of America. Its recent 1Q25 announcement also showed that overseas revenue contribution grew to 22.3%. We believe the overseas market contribution will gradually increase overtime following Mitsui's partnership, which will help the group to cushion against domestic market concentration and improves the group's competitiveness to compete on a global scale. Hence, with Mitsui partnership and international certifications, we believe LGMS is ready to expand its offshore revenue base.

Fig #2 FY24 revenue by geographical locations



Source: LGMS, Annual Report 2022-2024, M+ Research

Client base expansion through CNII sectors. LGMS primarily serves large enterprises across sectors such as Tier 1 financial institutions, e-wallet service providers, major telecommunications operators, internet service providers and aviation, which are all industries with a high cybersecurity risk profile. In recent years, demand has broadened to include non-traditional sectors like agriculture, plantation, and transport, particularly following the enforcement of Malaysia's Cyber Security Act 2024. The group has also seen a notable increase in engagements with regulated entities, especially those within Malaysia's 11 Critical National Information Infrastructure (CNII) sectors. In 2024 alone, CNII-related contracts grew by 30%, reflecting LGMS's strong capabilities in helping clients meet complex compliance requirements while securing mission-critical systems.

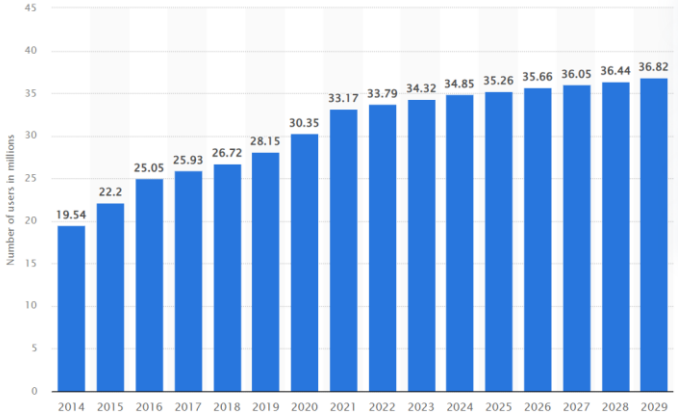
Fig #3 11 Sectors under Critical National Information Infrastructure Sectors



Source: Malaysia Cyber Security Strategy 2020-2024, National Cyber Security Agency (NACSA), M+ Research

Rising cyber threats amplify demand for LGMS services. Malaysia continues to face a sharp escalation in cyber threats, with businesses suffering an average of 74,000 cyberattacks daily in 2023, and recording 19.6m attacks in just the first half of 2024 (Source: The Edge). According to Surfshark, the country ranked as the eighth most breached globally. Deputy Prime Minister Datuk Seri Ahmad Zahid Hamidi highlighted that Malaysia incurred over RM1.22 bn in financial losses from cybercrime over 2023 itself. Meanwhile, Statista also projected that Malaysia's internet user base will increase from 34.9m in 2024 to 36.8m in 2029. Hence, as Malaysia's digital adoption accelerates, vulnerabilities to ransomware, zero-day exploits, and phishing scams are expected to rise further, underpinning the critical need for professional cybersecurity services such as those provided by LGMS.

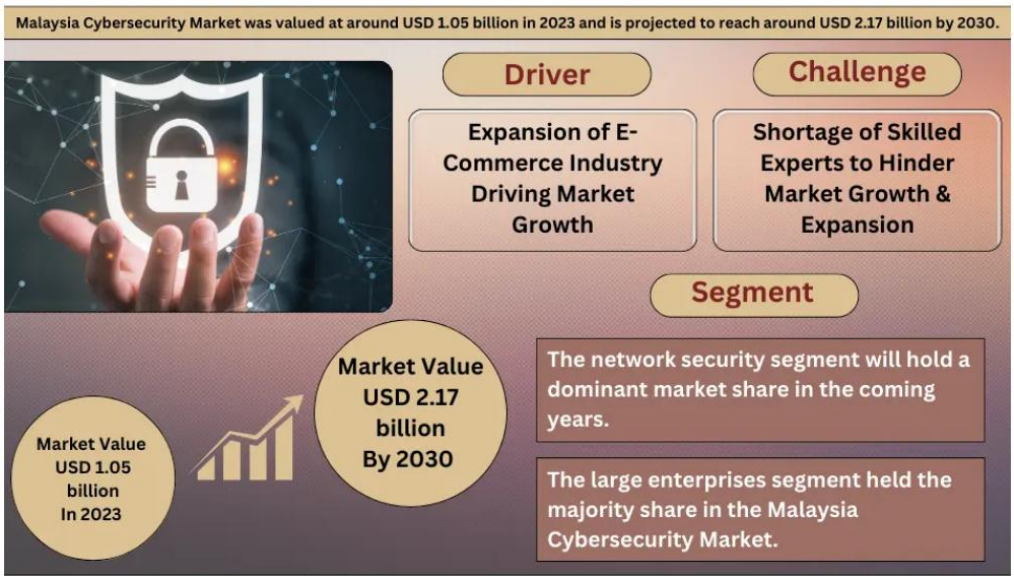
Fig #4 Number of internet users in Malaysia 2014-2029



Source: Statista

Malaysia's cybersecurity market poised for growth. According to market research firm MarkNtel, Malaysia's cybersecurity market is projected to grow from USD1.05bn in 2023 to USD2.17bn in 2030, reaching a CAGR of 10.9%, supported by ever-increasing cyber threats such as malware, information breaches, and phishing assaults. The expansion of the e-commerce industry is also expected to drive the Malaysia cybersecurity market during 2024-2030. As organizations across various sectors continue to digitize their operations, the demand for robust cybersecurity solutions is expected to rise, presenting significant opportunities for LGMS.

Fig #5 Insights and forecast on Malaysia cybersecurity market



Source: MarkNtel

Accredited with prestigious global certifications. LGMS has built a strong reputation backed by internationally recognised certifications, reinforcing its technical credibility in cybersecurity. Key certifications include ISO/IEC 27001:2005, ISO/IEC 27001:2013, CREST Certified Penetration Testing Company, and TÜV TRUST IT Accredited Tester status. The Group also holds critical Payment Card Industry (PCI) credentials, including PCI ASV, PCI QSA, and PCI 3DS Assessor statuses — a distinction shared by only a limited number of companies worldwide. Meanwhile, members of the PCI SSC include an Executive Committee of six major payment brands: American Express, Discover Financial Services, JCB International, MasterCard, Visa Inc., and UnionPay. In addition, LGMS is an authorised PECB Trainer and Examiner, Mile2 Certified Training Provider, and a CIS Member Company. These accreditations strengthen LGMS's positioning as a trusted, independent cybersecurity service provider to enterprises and regulated industries.

Fig #6 Certifications that LGMS received



Source: LGMS Berhad

Strategic workforce expansion for long-term growth. In 1Q25, LGMS saw a 12.0% YoY revenue increase to RM9.6m, but PAT fell 20.9% YoY to RM1.9m due to higher employee costs from workforce expansion. While margins were impacted short-term, this move strengthens delivery capacity for future growth. LGMS maintains high hiring standards and competitive benefits to attract top cybersecurity talent, positioning itself for sustainable long-term success.

Company background

LGMS Berhad is an independent cybersecurity services provider operating across three different segments, namely (i) cyber risk prevention, (ii) cyber risk management and compliance, and (iii) cyber threat and incident response. Focused on cybersecurity assessment, penetration testing, digital forensics, and incident response services, the group delivers independent, globally accredited solutions using internationally recognised methodologies and tools.

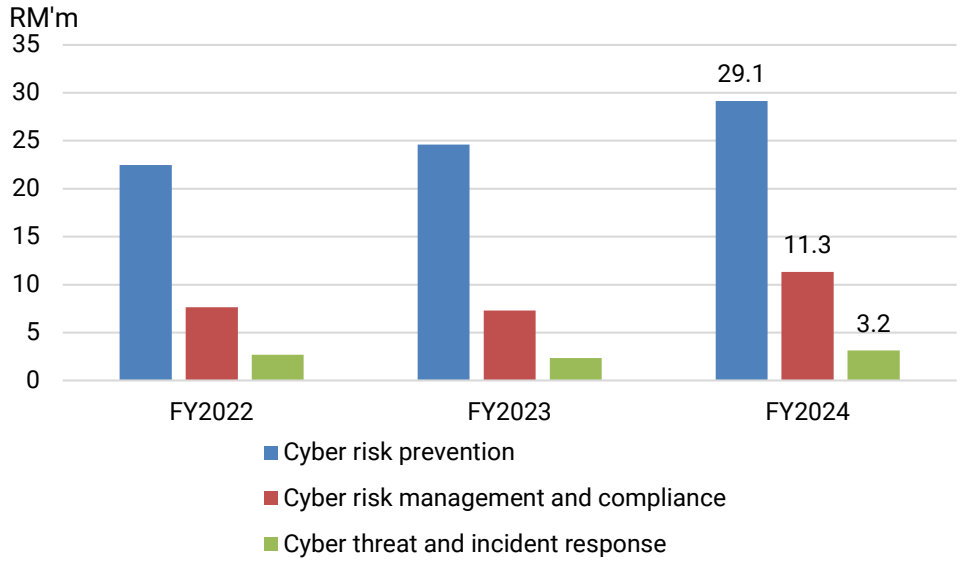
Leveraging growing demand driven by cloud infrastructures, data centres, mobile platforms, and digitalization trends, LGMS serves a diversified customer base of over 1,000 clients—including major banks, payment gateways, telecommunications companies, and Fortune 500 corporations—both locally and internationally. Operations are primarily anchored in Malaysia, with a regional and global presence across Southeast Asia, Japan, Netherlands, New Zealand, Australia, and the United States.

Fig #7 SWOT analysis of LGMS

Strength	Weakness
• Independent cybersecurity services provider • Internationally certified expertise • Strong brand reputation	• Heavily dependent on enterprise clients • Talent dependency • Still heavily rooted in Malaysia
Opportunity	**Threat**
• Rising cyber threat cases • Expansion into SME segment • Strategic leverage on Mitsui's network for global expansion	• Talent shortage affecting capability to scale • Intense competition • Technology obsolescence

Source: LGMS Berhad, M+ Research

Fig #8 LGMS's revenue segmentation



Source: LGMS Berhad, M+ Research

Substantial Shareholders and Key Management

1. Fong Choong Fook – Executive Chairman
Mr. Fong, aged 49, is the founder, Promoter, and a substantial shareholder of LGMS. Appointed to the Board on 1 September 2021, he has over 20 years of experience in cybersecurity, specialising in penetration testing, cybersecurity advisory, and digital forensics. He leads the Group's strategic direction and growth. Mr. Fong holds a Bachelor of Information Technology from Charles Sturt University and possesses a wide range of professional certifications in cybersecurity and risk management. He is also actively involved in various industry associations and committees.

2. Goh Soon Sei – Executive Director
Ms. Goh, aged 51, is a co-founder, Promoter, and substantial shareholder of LGMS. Appointed on 1 September 2021, she oversees the Group's cyber risk management and compliance segment. With over two decades of experience in IT security governance and assessment, she holds a Bachelor of Science in Computer Science and Mathematics from Campbell University and has obtained several international certifications in cybersecurity, risk management, and quality systems.

3. Toshio Kanki – Non-Independent Non-Executive Director

Mr. Kanki, aged 64, was appointed to the Board on 17 February 2025. He is currently the Chief Strategy Officer of Mitsui Bussan Secure Directions, Inc. (MBSD), a subsidiary of Mitsui in Tokyo, Japan. With more than 30 years of experience, including a past role as CEO of MBSD, he brings extensive expertise in cybersecurity strategy, global business development, and technology integration. He holds a Master's Degree in precision mechanics engineering from Kyoto University.

4. Ts. Lim Mei Shyan – Independent Non-Executive Director

Ms. Lim, aged 50, was appointed on 1 September 2021 and sits on the Audit, Nomination, and Remuneration Committees. She has over 20 years of academic experience in cybersecurity and IT education, previously serving as Dean of the Faculty of Computing and IT at TAR UMT. She is currently a principal lecturer at TAR UMT. She holds a Bachelor of Science in Mathematics from UKM and a Master's in Computing and Information Systems from the University of Greenwich, United Kingdom.

5. Gilbert Chu – Chief Operating Officer

Mr. Chu, aged 39, is responsible for LGMS's day-to-day operations, including overseeing the technical teams, business development, and marketing. A cybersecurity professional with over 15 years of experience, he holds a Bachelor of Science in Business Information Systems from UCSI University and a broad range of relevant certifications. He joined the Group in 2010 and was appointed COO in 2016.

Fig #9 Substantial shareholders

No.	Name of Substantial Shareholders	Shareholdings			
		Direct Interest	%	Deemed Interest	%
1	FONG CHOONG FOOK	166,036,040	36.41	49,268,960[a]	10.81
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR SUMITOMO MITSUI TRUST BANK (U.S.A.) LIMITED (MITSUI CO)	114,000,000	25.00	-	-
3	GOH SOON SEI	49,268,960	10.81	166,036,040[a]	36.41

Source: LGMS Berhad, Annual Report 2024

Fig #10 Directors' shareholding

No.	Name of Directors	Shareholdings			
		Direct Interest	%	Deemed Interest	%
1	FONG CHOONG FOOK	166,036,040	36.41	49,268,960[a]	10.81
2	GOH SOON SEI	49,268,960	10.81	166,036,040[a]	36.41
3	TOSHIO KANKI	-	-	-	-
4	CHAN KAM CHIEW	-	-	-	-
5	DR. TEH CHEE GHEE	-	-	-	-
6	TS. LIM MEI SHYAN	200,000	0.04	-	-

Source: LGMS Berhad, Annual Report 2024

Fig #11 Corporate milestones

Year	Milestones
2005	• Establishment of LE Global
2009	• LE Global became the first and only authorised Professional Evaluation & Certification Board (PECB) Trainer and Examiner in Malaysia
2010	• LE Global became the first cybersecurity services company in Malaysia to be certified with ISO/ IEC 27001:2005 by DQS GmbH.
2011	• First cybersecurity company in Malaysia to obtain Payment Card Industry (PCI) Approved Scanning Vendor (ASV) status
2014	• First cybersecurity company in Malaysia to be a member of the Center for Internet Security ("CIS")

2016	• LE Global qualified as PCI Qualified Security Assessor (QSA) • LE Global collaborated with TÜV Nord (Malaysia) Sdn Bhd, a subsidiary of TÜV Nord Group, to launch the TÜVLGMS Secured Software Assurance programme
2017	• First cybersecurity company in Malaysia to gain recognition from Council for Registered Ethical Security Testers (CREST) • LE Global was awarded "Cyber Security Company Of The Year" by Cyber Security Malaysia • LE Global obtained ISO/IEC 17025
2018	• Recognised by International Data Corporation (IDC) as one of the Internet of Things (IoT) key penetration testing vendors in the 2018 IDC Report • LE Global commenced its collaboration with Alibaba Cloud
2019	• LE Global became first cybersecurity company in Malaysia to be TÜV TRUST IT accredited tester • LE Global established a strategic partnership with TÜV TRUST IT via TUV Austria Cybersecurity Lab Sdn Bhd in which we have a 40% stake
2020	• TÜV Austria Cybersecurity Lab was accredited by CyberSecurity Malaysia as a Malaysian Security Evaluation Facility ("MySEF") for the Malaysian Common Criteria Evaluation & Certification ("MyCC") Scheme
2021	• LGMS formed a global partnership with Alibaba Cloud to provide advanced cyber security assessment and official PCI Data Security Standard ("PCI DSS") certifications to the international market • Signed MoU with TIME dotCom Bhd during CYDES 2021 to deliver cybersecurity services to TIME dotCom regional clients
2022	• LE Global partnered with Celcom Mobile Sdn Bhd (Celcom) to offer vulnerability assessment services and cybersecurity rating reports to the business customers of Celcom. • Made its debut on the ACE Market of Bursa Malaysia Securities Berhad (Bursa Securities) on 8 June 2022. LGMS is also the first listed cyber security services company in Malaysia. • Awarded "Cyber Security Company Of The Year 2022" by CyberSecurity Malaysia. • Named as the winner of the Cybersecurity Award category by Asian-Oceanian Computing Industry Organization (ASOCIO) at the ASOCIO Tech Excellence Awards 2022. • Identified as Leader in Strategic Security Services and Technical Security Services in Singapore and Malaysia by Information Services Group (ISG)
2023	• Formed Strategic Partnership with Mitsui & Co., Ltd. (Mitsui) of Japan to provide world-class levels of professional cybersecurity services throughout the Asia-Pacific region. • Obtained ISO/IEC 27001:2022 certification by TÜV Nord which covers various security assessments offered by LGMS. • Awarded "Cyber Security Product Innovation Of The Year 2023" in recognition of the LGMS StarSentry cybersecurity solution, at the Malaysia Cyber Security Awards 2023. • Formed Strategic Partnership with WithSecure Corporation of Finland to develop user-friendly cybersecurity solutions tailored for small and medium enterprises (SMEs) in Malaysia. • Qualified as Payment Card Industry 3-D Secure (PCI 3DS) Assessor.
2024	• Awarded "PIKOM Digital Excellence Awards - Cybersecurity (Advisory)" • Gold Winner in Digital Intelligence by Internet Alliance

	• Obtained Penetration Testing Service License from the National Cyber Security Agency (NACSA) under the Cyber Security Act 2024 (Act 854)

Source: LGMS Berhad, M+ Research

Business overview

(i) Cyber risk prevention (66.8% of FY24 revenue)

This segment covers vulnerability assessment, penetration testing, cybersecurity training, and cyber risk scoring and monitoring. Services are focused on identifying, assessing, and addressing vulnerabilities in IT systems, including networks, cloud platforms, and applications, based on various globally established standards. Training is provided through partnerships with Mile2, PECB, CSA, and ISACA. The group also launched StarSentry, a plug-and-play cybersecurity solution for SMEs, awarded 'Cybersecurity Product Innovation of the Year' at the Malaysia Cybersecurity Awards 2024. Services are typically offered on a one-off or annual renewal basis.

Fig #12 International standards that LGMS adhered to

No.	Certification	Approving Authority/ Issuer/ Partner
1	ISO/IEC 27001:2022 Information Security Management System (ISMS) Certified Company	TÜV NORD CERT GmbH
2	ISO 9001:2015 Quality Management System (QMS) Certified Company	TÜV NORD CERT GmbH
3	CREST Accredited Company for Penetration Testing	CREST (International)
4	PCI SSC Approved Scanning Vendor (ASV)	PCI Security Standards Council
5	PCI DSS Qualified Security Assessor (QSA)	PCI Security Standards Council
6	PCI 3DS Core Security Standard (3DS) Assessor	PCI Security Standards Council
7	SWIFT Customer Security Programme (CSP) Assessment Provider	SWIFT
8	Cybersecurity Service Provider License	Cybersecurity Agency Singapore
9	Cyber Security Malaysia Penetration Test Service Provider (PTSP)	Cybersecurity Malaysia
10	Center for Internet Security (CIS) Member	Center for Internet Security
11	PECB Authorised Trainer and Examiner	PECB
12	ISACA Training Provider and Channel Partner	ISACA
13	Mile2 Authorised Training Center	Mile2
14	Cloud Security Alliance Training Partner	Cloud Security Alliance

Source: LGMS Berhad

(ii) Cyber risk management and compliance (26.0% of FY24 revenue)

This segment covers the provision of cybersecurity advisory, compliance services, and certifications. Services include gap assessments, cybersecurity governance framework development, audit readiness, and advisory support to meet regulatory requirements and industry standards such as PCI DSS and ISO/IEC 27001. Customers have the option to pursue independent certifications through external bodies like TÜV Austria and TÜV NORD. LGMS does not distribute or proactively sell cybersecurity products but may assist in sourcing upon client request.

(iii) Cyber threat and incident response (7.2% of FY24 revenue)

This segment covers the provision of digital forensics, cybersecurity incident response, and compromise assessment services. Digital forensics includes computer crime investigations, data recovery, mobile and cloud forensics, litigation support, and expert witness testimony. Incident response services offer 24/7 on-site and remote support to contain cybersecurity incidents, with rapid deployment within the Klang

Valley. Compromise assessments are conducted to detect signs of system breaches, such as lateral network movements or tampered security configurations. Services are tailored to client needs and comply with applicable laws and regulations.

Fig #13 Principal business activities and services provided

Cyber Risk Prevention:	Cyber Risk Management & Compliance:	Cyber Threat & Incident Response:
(i) Vulnerability assessment and penetration testing, (ii) cybersecurity risk scoring and monitoring, and (iii) cybersecurity training.	(i) Compliance and certification services including for PCI DSS, ISO/IEC 27001, SWIFT security assessment and national cybersecurity standards.	(i) Digital forensics and computer crime investigations, (ii) cybersecurity incident response, and (iii) compromise assessment.

Source: LGMS Berhad

Financials

Revenue and income highlights. The group reported a RM9.4m or 27.5% YoY growth in revenue, increasing from RM34.2m in FY23 to RM43.6m in FY24. This increase was primarily driven by larger contract values from the customers in the cyber risk prevention as well as cyber risk management and compliance segment, which rose by RM4.5m or 18.5% and RM4.0m or 55.3% respectively. Meanwhile, the cyber threat and incident response segment also grew by RM0.8m or 34.7%. The group enjoyed a CAGR revenue growth of 15.3% since listing, from RM32.8m in FY22 to RM43.6m in FY24. Following the higher revenue, the group also recorded a higher PAT of RM12.3m in FY24, up RM1.1m or 10.0% from RM11.2m in FY23. In its recent quarterly announcement, the group also recorded an increase of RM1.0m or 12.0% YoY, from RM8.6m in 1Q24 to RM9.6m in 1Q25. However, PAT saw a 21% YoY decline to RM1.9m in 1Q25 against RM2.4m in 1Q24, primarily attributed to the increase in employee benefit expenses.

Balance sheet. For 1Q25, the group saw a slight increase in total asset from RM106.4m in FY24 to RM108.2m as at 1Q25, primarily contributed by the increase in PPE and also cash and cash equivalents. The group is in a net cash position, with net cash amounting to RM69.4m as of 1Q25.

Cash flow. Following a higher PBT, the group recorded a higher net cash from operations, increasing from RM10.9m in FY23 to RM12.9m in FY24. Cash flow from investing activities recorded a net outflow of RM13.0m, compared to net inflow of RM3.2m. The outflow was attributed to the purchase of property and equipment of RM15.3m recorded in FY24. Cash flow from financing activities recorded a lower outflow of RM5.5m in FY24 compared to an outflow of RM9.7m in FY23 following lower dividend payout. Meanwhile, as of 1Q25, the group continued to show healthy net cash flow, with a net increase of RM1.3m in cash and cash equivalents.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 11.5%, with core PATMI expected to reach RM13.3m, RM15.1m, and RM17.1m over the next three years, largely supported by (i) the launch of StarSentry, which targets SMEs, (ii) leveraging Mitsui Co.'s network to strengthen international market penetration, and (iii) the increasing adoption of cybersecurity services driven by global digitalization.

Fig #14 Financial Highlights

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Cash	73.6	68.1	75.9	89.1	104.0
Receivables	6.3	8.3	8.1	9.1	9.9
Inventories	-	-	-	-	-
Others	13.2	12.8	12.8	12.8	12.8
Assets	**95.7**	**106.4**	**117.4**	**129.6**	**143.4**
Debts	0.7	0.8	0.9	1.0	1.1
Payables	0.4	0.3	0.6	0.6	0.7
Others	8.0	10.9	10.9	10.9	10.9
Liabilities	**9.1**	**12.0**	**12.4**	**12.5**	**12.6**
Minority interest	-	-	-	-	-
Equity	**86.6**	**94.4**	**105.0**	**117.1**	**130.8**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	15.2	16.5	17.5	19.9	22.5
Depreciation & amortis	1.4	1.1	1.7	1.9	1.9
Changes in working cap	0.1	(2.1)	0.5	(0.9)	(0.8)
Share of JV profits	-	-	-	-	-
Taxation	(4.0)	(4.2)	(4.2)	(4.8)	(5.4)
Others	(1.8)	1.7	-	-	-
Operating cash flow	**10.9**	**12.9**	**15.5**	**16.2**	**18.2**
Net capex	0.0	(14.7)	(5.0)	-	-
Others	3.2	1.7	-	-	-
Investing cash flow	**3.2**	**(13.0)**	**(5.0)**	**-**	**-**
Changes in borrowings	(1.1)	0.1	0.1	0.1	0.1
Issuance of shares	-	-	-	-	-
Dividends paid	(2.3)	(6.8)	(2.7)	(3.0)	(3.4)
Others	(6.4)	1.3	-	-	-
Financing cash flow	**(9.7)**	**(5.5)**	**(2.6)**	**(2.9)**	**(3.4)**
Net cash flow	**4.4**	**(5.6)**	**7.9**	**13.2**	**14.8**
Forex	0.1	0.0	-	-	-
Others	0.0	0.0	-	-	-
Beginning cash	69.1	73.6	68.1	75.9	89.1
Ending cash	73.6	68.1	75.9	89.1	104.0

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	**34**	**44**	**48**	**53**	**58**
EBIT	14	16	17	19	22
Net finance income/ (co	1	1	1	0	0
Profit before tax	**15**	**17**	**18**	**20**	**23**
Tax	(4)	(4)	(4)	(5)	(5)
Net profit	**11**	**12**	**13**	**15**	**17**
Minority interest	-	-	-	-	-
Core earnings	**11**	**12**	**13**	**15**	**17**
Exceptional items	-	-	-	-	-
Reported earnings	11	12	13	15	17

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	2.5	2.7	2.9	3.3	3.8
P/E (x)	38.0	34.6	32.0	28.2	24.9
DPS (sen)	0.5	1.5	0.6	0.7	0.8
Dividend yield	0.5%	1.6%	0.6%	0.7%	0.8%
BVPS (RM)	0.19	0.21	0.23	0.26	0.29
P/B (x)	4.9	4.5	4.1	3.6	3.3
EBIT margin	42.3%	36.7%	35.5%	36.4%	37.8%
PBT margin	44.5%	37.9%	36.5%	37.4%	38.7%
Net margin	32.8%	28.3%	27.8%	28.4%	29.4%
ROE	13.2%	13.6%	13.3%	13.6%	13.8%
ROA	12.0%	12.2%	11.9%	12.3%	12.5%
Net gearing	CASH	CASH	CASH	CASH	CASH

Valuations

We assign a fair value of RM1.09 per share for LGMS, based on a P/E ratio of 35x pegged to mid-FY26F EPS of 3.12 sen. While this valuation represents a premium compared to both the local and globally cybersecurity peers, which trade at an average historical P/E and forward P/E between 14.5x to 17.8x for local peers and 25.9x to 31.1x for global peers, we believe it is justified given LGMS's superior business model and strong fundamentals

- LGMS reaped a significantly higher NP margin of 28.3% compared to the average of -5.5% for local peers and 21.7% for global peers. Its ROE also stood at 14.0%, outperforming the local peer average of 3.9%.
- LGMS differentiates itself by being a product-neutral specialist, whereby the group plays the role of providing independent and integrated cybersecurity services provider, unlike many players that mainly focus on cybersecurity products distribution and trading.
- Moreover, LGMS's globally recognised accreditations have also enabled the group to secure contracts from various institutions, including those from international markets. Although overseas revenue contribution stood at only 16% in FY24, its recent 1Q25 overseas revenue contribution rose to 22.3%. We believe LGMS is well-positioned for further international growth, given that the group already has experience serving overseas clients, and its partnership with Mitsui is expected to provide broader access to international markets, particularly Japan.

Hence, we believe that these qualities will support a higher valuation multiple for LGMS compared to its peers.

Fig #15 Peer comparison

Local Peers	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
LGMS Berhad	**Ace**	**Dec**	**0.935**	**426.4**	***34.6**	****28.2**	***14.0**	***28.3**
Cloudpoint Technology Bhd	ACE	Oct	0.78	412.0	20.1	17.2	26.9	14.1
Systech Bhd	ACE	Mar	0.20	128.2	N/A	N/A	(8.2)	(22.1)
Infomina Bhd	ACE	May	0.71	423.9	12.8	14.1	25.8	14.7
HeiTech Padu Bhd	MAIN	Dec	1.98	220.5	32.7	N/A	4.2	2.0
NEXG Bhd	MAIN	Mar	0.37	1,059.3	9.2	12.2	30.3	25.0
Dataprep Holdings BHD	MAIN	Dec	0.14	106.7	N/A	N/A	(26.3)	(53.5)
Theta Edge BHD	MAIN	Dec	1.07	126.2	N/A	N/A	(25.2)	(29.4)
Vetece Holdings Bhd	ACE	Aug	0.28	109.8	14.0	N/A	3.7	5.4
Avg ex-LGMS Berhad (Local Peers)				**323.3**	**17.8**	**14.5**	**3.9**	**(5.5)**
Global Peers	**Market Group**	**FYE**	**Price (USD)**	**Market Cap (USD'm)**	**P/E (x)**	**Forward P/E (x)**	**ROE (%)**	**NP Margin (%)**
International Business Machine	NYSE	Dec	266.95	248,102.4	24.6	24.1	21.8	9.6
Cisco Systems Inc	NASDAQ	Jul	63.42	251,143.1	22.7	16.0	21.4	19.2
Qualys Inc	NASDAQ	Dec	138.08	5,015.9	28.2	22.3	40.2	28.6
Fortinet Inc	NASDAQ	Dec	104.79	80,208.0	48.9	41.3	-	29.3
Avg ex-LGMS Berhad (Global Peers)				**146,117.4**	**31.1**	**25.9**	**20.9**	**21.7**

Source: M+ Research (*FY24, **FY26f)

Investment risks

Dependence on cybersecurity talent. The group's ability to deliver high-quality services depends on attracting and retaining skilled cybersecurity professionals in a competitive and talent-constrained global market. The ongoing shortage of qualified experts, combined with rapid technological change, may limit capacity to scale operations, innovate, or meet client expectations, potentially affecting service quality and business performance.

Reputation and trust are critical to business success. The group operates in a trust-based industry where any security breach, data leak, or failure to comply with regulatory standards could severely damage its reputation. Negative publicity or perceived lapses in security may result in client attrition, loss of new business opportunities, and long-term reputational harm.

Intense industry competition and fast-evolving technologies. The cybersecurity market is highly competitive, with frequent new entrants and rapid innovation. Failing to differentiate offerings, invest in next-generation capabilities, or adapt to emerging threats could impact market share and future growth.

Reliance on certifications, partnerships, and standards. The group's operations depend on maintaining critical cybersecurity certifications and strategic partnerships. Any lapse in compliance, failure to renew certifications, or breakdown in key partner relationships could disrupt service delivery and affect client confidence.

Revenue concentration in key industries. A significant portion of the group's revenue is derived from clients in the financial services and telecommunications sectors. This industry concentration exposes the group to sector-specific risks, such as regulatory changes, industry downturns, or shifts in cybersecurity spending priorities.

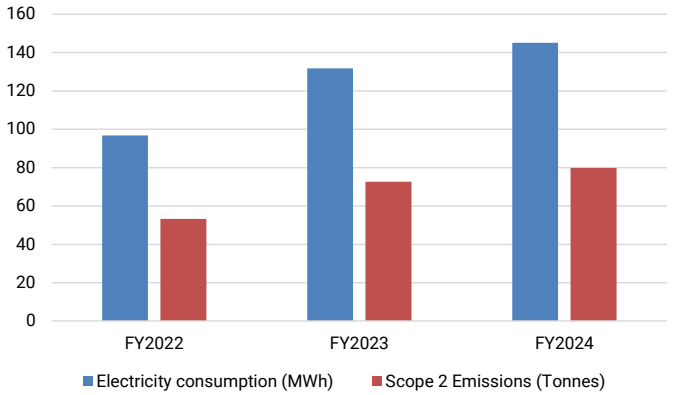
Exposure to evolving global privacy regulations. The group faces ongoing compliance challenges due to the fast-changing nature of global privacy laws and cybersecurity regulations. Failure to keep pace with these developments may result in increased legal risks, higher compliance costs, or potential penalties.

Environmental, Social and Governance (ESG) Practices

Environmental:

Energy efficiency and carbon emissions. The group focuses on managing electricity usage, its main environmental impact, by promoting energy-saving habits among staff such as turning off lights, air conditioning and electrical equipment when not in use. However, do note that scope 2 emissions rose 9.9% in FY24 compared to FY23 due to a 26.3% increase in headcount.

Fig #16 Electricity consumption and scope 2 emissions of LGMS



Source: LGMS Berhad

Water conservation. Minimal water usage is recorded, mainly for daily office operations like staff usage and routine office cleaning. Usage is monitored regularly, with ongoing staff awareness on responsible consumption.

Waste management and recycling. The group complies with regulatory requirements for disposal of obsolete electronic equipment and is exploring partnerships with recycling firms for sustainable waste management.

Social:

Diversity and inclusion. The group practices fair and merit-based hiring, with a commitment to equal pay and inclusivity across all roles. Meanwhile, female board representation continued to maintain at 33% as at FY24.

Fig #17 Workforce diversity in LGMS

Diversity by Ethnicity

Ethnicity	FY2024		FY2023		FY2022	
	Pax	(%)	Pax	(%)	Pax	(%)
Malay	27	18	16	13	13	13
Chinese	115	77	99	84	81	84
Indian	4	3	2	2	3	3
Others	3	2	1	1	0	0
Total	**149**	**100**	**118**	**100**	**97**	**100**

Diversity by Gender

Gender	FY2024		FY2023		FY2022	
	Pax	(%)	Pax	(%)	Pax	(%)
Female	54	36	45	38	39	40
Male	95	64	73	62	58	60
Total	**149**	**100**	**118**	**100**	**97**	**100**

Diversity by Age

Age	FY2024		FY2023		FY2022	
	Pax	(%)	Pax	(%)	Pax	(%)
20 – 29 years	104	70	83	70	68	70
30 – 39 years	37	24	30	26	25	26
40 – 49 years	4	3	5	4	4	4
Above 50 years	4	3	0	0	0	0
Total	**149**	**100**	**118**	**100**	**97**	**100**

Source: LGMS Berhad

Occupational safety and health (OSH). LGMS reported zero OSH-related fatalities or lost-time incidents in FY24, reflecting its commitment to a safe work environment for all stakeholders.

Talent development. The group strongly emphasizes on having a highly calibre and competent workforce, and will firstly conduct Training Needs Analysis (TNA) to identify the specific training requirements that the employees need to excel in their roles. The group also encourages staffs for company-sponsored certifications in cybersecurity, with many staff hold internationally recognised credentials.

Graduate employment. The group supports local workforce development by creating job opportunities with competitive pay and benefits for fresh graduates and Malaysians.

Governance:

Code of conduct and ethics. The group enforces a Code of Conduct to uphold integrity, transparency, and fairness across all levels, guiding ethical behaviour for both the Board and employees.

Whistleblowing policy. A confidential whistleblowing channel is in place for employees and stakeholders to report misconduct without fear of retaliation, promoting accountability and openness.

Anti-bribery and corruption. The group maintains a zero-tolerance stance on bribery and corruption, in line with the Malaysian Anti-Corruption Commission Act, ensuring ethical conduct in all business dealings. The group recorded zero confirmed incidents of corruption to-date.

Overall ESG comments: LGMS Berhad is currently not rated under the FTSE Russell ESG framework. Nonetheless, we view the group's ESG practices as fair and acceptable. Governance appears sound, with zero reported corruption cases and policies in place for whistleblowing and anti-bribery. Socially, LGMS places strong emphasis on talent development, offering competitive salary and benefits, structured training, and internationally recognised certifications to enhance its workforce capabilities. The group also promotes diversity in gender and ethnicity across its operations and Board. Environmentally, while its impact is relatively low, the group has taken steps like exploring partnerships for responsible waste recycling, which indicates a growing commitment toward environmental stewardship.

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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