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Malacca Securities
Building Wealth Together

LGMS Bhd

Building The Flywheel

Newsbreak

- **Softer quarterly results.** To recap, LGMS registered a drop of 44.8% YoY and 35.2% YoY in core PAT to RM2.0m and RM4.0m in 2Q25 and 1H25, respectively. According to the management, its weaker performance was due to slower clients' readiness, as clients held back most of their projects after Trump's 'Liberation Day' announcement amid tariffs uncertainty. Nevertheless, most of the projects were being reviewed starting July, which we expect to see a recovery of 2H25 results.

- **Higher employee benefits expense.** LGMS registered a higher employee benefits expense of RM5.4m (+32% QoQ) in 2Q25. We expect the employee benefits expense may increase further due to the workforce expansion plan and talent retention efforts.

- **Antarex.** LGMS is expected to finalize the transactions for Antarex by end-Aug 2025 and with Antarex's core focus on internet service providers and telecommunication providers; this will allow LGMS to benefit from a larger client base.

- **ASI**. ASI is now the first Managed Security Services (MSS) provider in Malaysia licensed as a General Insurance Agency (GIA) under PIAM. It is the first in the country to combine license insurance capability with cybersecurity expertise, targeted toward larger corporations that require cyber risk insurance. StarSentry will be the initial technology integrated into this model.

- **Benefitting from cyber insurance value chain**. LGMS was also appointed as a cyber incident responder for both local and international law firms. Whenever a cyber incident occurs, the cyber insurance agencies will activate their breach response protocol to the law firm partners. The law firm partners will then assign LGMS to lead the investigation into the cyber incident.

- **Partnerships with BDO and CelcomDigi**. LGMS has recently started a StarSentry partnership with BDO, selling it as a service to BDO's clients. Also, the Group has partnered with CelcomDigi, focusing on CelcomDigi's enterprise subscribers.

- **Gartner and Pikom recognitions.** LGMS has been identified in the Gartner Market Guide for Digital Forensics and Incident Response (DFIR) Retainer Services. As the only company mentioned in the region, this recognition validates LGMS's position among the globally recognized DFIR providers. Meanwhile, the Group also recently won the Pikom Digital Award for Best Cybersecurity Advisory.

M+ Global View

- Following the earnings call, we are cautiously optimistic on LGMS. The anticipated completion of Antarex by end-Aug 2025 will broaden its client base into internet service and telecommunication segment. Meanwhile, we believe LGMS will be able to tap into the cyber insurance value chain via ASI and the group's appointment as a cyber incident responder for law firm partners of insurance agencies enhances its role in breach response protocols. The recent partnerships with BDO and CelcomDigi may accelerate StarSentry's adoption across corporate clients and enterprise subscribers with device as a service model. Although LGMS may see softer margins amid the ongoing workforce expansion plans, we expect it is

Company update

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BUY

Share price	**RM0.735**
Target price	**RM0.930**
Previous TP	**RM0.930**
Capital upside	26.5%
Dividend return	0.6%
Total return	27.1%

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)	335.2
52W High/Low	1.530/0.735
Est. Free float (%)	51.8
Beta (x)	1.3
3-mth avg vol ('000)	133.5
Shariah compliant	Yes

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

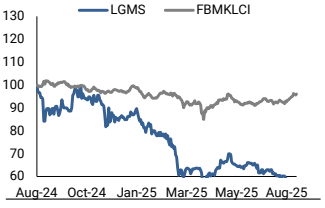
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-16.0	-26.1	-49.3
Relative	-19.1	-27.5	-47.3

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	12.3	9.5	12.1
EPS (sen)	2.7	2.1	2.7
P/E (x)	27.2	35.1	27.7

Relative performance chart



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preparing LGMS greater good, building the flywheel for the future. Thus, we expect revenue will recover in in 2H25 following the potential revival of projects starting July.

Valuation & Recommendation

- **Forecast.** Maintain.
- **Maintained BUY with TP of RM0.93.** The target price is derived based on a P/E ratio of 35.0x pegged to FY26f EPS of 2.65 sen. We believe this valuation is justified, given (i) LGMS's position as a product-neutral specialist with various international recognitions, (ii) ongoing developments like Antarex and tapping into the cyber insurance value chain, and (iii) continuous expansion of StarSentry through various partnerships like BDO and CelcomDigi.

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	73.8	84.0	95.7
Receivables	6.3	8.3	6.8	7.4	8.0
Inventories	-	-	-	-	-
Others	13.2	12.8	12.8	12.8	12.8
Assets	**95.7**	**106.4**	**114.5**	**124.2**	**135.4**
Debts	0.7	0.8	1.0	1.0	1.0
Payables	0.4	0.3	0.6	0.6	0.6
Others	8.0	10.9	10.9	10.9	10.9
Liabilities	**9.1**	**12.0**	**12.5**	**12.5**	**12.6**
Minority interest	-	-	-	-	-
Equity	**86.6**	**94.4**	**102.0**	**111.7**	**122.8**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	15.2	16.5	12.6	15.9	18.3
Depreciation & amortis	1.4	1.1	1.1	1.1	1.1
Changes in working ca	0.1	(2.1)	1.8	(0.6)	(0.6)
Share of JV profits	-	-	(0.9)	(2.1)	(2.4)
Taxation	(4.0)	(4.2)	(3.0)	(3.8)	(4.4)
Others	(1.8)	1.7	-	-	-
Operating cash flow	**10.9**	**12.9**	**11.6**	**10.5**	**12.1**
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	0.0
Issuance of shares	-	-	-	-	-
Dividends paid	(2.3)	(6.8)	(1.9)	(2.4)	(2.8)
Others	(6.4)	1.3	-	-	-
Financing cash flow	**(9.7)**	**(5.5)**	**(1.8)**	**(2.4)**	**(2.7)**
Net cash flow	**4.4**	**(5.6)**	**5.7**	**10.2**	**11.7**
Forex	0.1	0.0	-	-	-
Others	0.0	0.0	-	-	-
Beginning cash	69.1	73.6	68.1	73.8	84.0
Ending cash	73.6	68.1	73.8	84.0	95.7

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	**34**	**44**	**40**	**44**	**47**
EBIT	14	16	11	13	15
Net finance income/ (co	1	1	1	0	0
Profit before tax	**15**	**17**	**13**	**16**	**18**
Tax	(4)	(4)	(3)	(4)	(4)
Net profit	**11**	**12**	**10**	**12**	**14**
Minority interest	-	-	-	-	-
Core earnings	**11**	**12**	**10**	**12**	**14**
Exceptional items	-	-	-	-	-
Reported earnings	11	12	10	12	14

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	2.5	2.7	2.1	2.7	3.0
P/E (x)	29.9	27.2	35.1	27.7	24.1
DPS (sen)	0.5	1.5	0.4	0.5	0.6
Dividend yield	0.7%	2.0%	0.6%	0.7%	0.8%
BVPS (RM)	0.19	0.21	0.22	0.24	0.27
P/B (x)	3.9	3.6	3.3	3.0	2.7
EBIT margin	42.3%	36.7%	27.8%	30.5%	32.7%
PBT margin	44.5%	37.9%	31.4%	36.4%	38.8%
Net margin	32.8%	28.3%	23.9%	27.7%	29.5%
ROE	13.2%	13.6%	9.7%	11.3%	11.8%
ROA	12.0%	12.2%	8.6%	10.1%	10.7%
Net gearing	CASH	CASH	CASH	CASH	CASH

Source: M+ Research

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(a) nil.

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