EG Industries Berhad (EG)

More Than Just an EMS Player

- **EG Industries Berhad is a Malaysian Electronics Manufacturing Services (EMS) and upstream components solution provider serving global brand names across multiple industries. The group's core businesses include printed circuit board assembly (PCBA) and box-build solutions, complemented by its growing focus on upstream components and modules, including 5G optical modules and network switches.**
- **We project 3-year earnings CAGR of 21.0%, with core PAT anticipated to reach RM101.5m-RM153.5m over the next three years. This growth is underpinned by (i) EG's exclusive partnership with CIG, (ii) continuous margin improvement following the transition into higher-complexity products, and also the (iii) entry into EV and automotive ecosystem for better product mix.**
- **We assign a fair value of RM2.03 per share for EG, indicating a 50.4% upside from the share price of RM1.35. This valuation is based on a PE multiple of 16.8x pegged to mid-FY27f EPS of 12.04 sen.**

Investment highlights

First 5G optical module technology transfer to Southeast Asia through CIG. EG is the exclusive manufacturer outside China for Cambridge Industries Group's (CIG) advanced optical modules and photonics solutions for 5G and AI networks. CIG, which derives about 90% of its revenue from overseas markets, has already commenced production of 800G and 1.6T optical modules, catering to the surging demand from global hyperscalers. Its strong engagement with key clients such as Cisco and new customer acquisition like Meta is expected to deepen both CIG's and EG's market penetration. Meanwhile, CIG's planned listing on the Hong Kong Stock Exchange will support further capacity expansion and enhance overseas exposure, indirectly continue to benefit EG as its strategic manufacturing partner.

Capacity expansion through Smart Factory 4.0 in Batu Kawan. EG has completed a ~22,500sqm Smart "Lights-Out" Factory 4.0 in Batu Kawan, Penang, its first fully automated manufacturing facility to produce advanced high-speed optical transmitters and receivers for 5G networks via technology transfer from CIG. The new plant will house 24 new SMT production lines, increasing the group's total from 36 to 60 lines, complemented by cleanrooms and automation systems in testing and packaging.

Fig #1 New smart factory 4.0 in Batu Kawan, Penang



Source: EG Industries Berhad

Company Note – Non-rated

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Non-Rated

Share price	**RM1.35**
Target price	**RM2.03**
Previous TP	**-**
Capital upside	50.4%
Dividend return	-
Total return	50.4%

Company profile

EG Industries Berhad is primarily involved in providing EMS and upstream components solutions, including PCBA, box-build, 5G optical modules and network switches.

Stock information

Bursa Code	8907
Bloomberg ticker	EG MK
Listing market	MAIN
Share issued (m)	935.6
Market Cap (m)	1263.1
Shariah compliant	YES

Major shareholders	**%**
Dato Alex Pang Chi Kiang	7.6
QYH Capital Sdn Bhd	6.5

Earnings snapshot

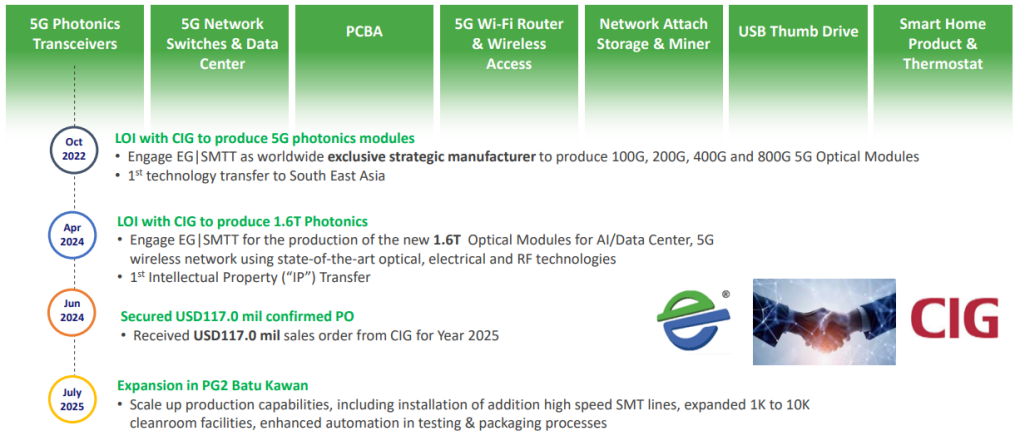
FYE (Mar)	FY25	FY26f	FY27f
PATMI (m)	86.5	101.5	123.7
EPS (sen)	9.2	10.8	13.2
P/E (x)	15.0	12.8	10.5

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Margin improvement through upstream venture. The group showed margins improvement over the years, from PAT margin of 1.3% in FY21 to 6.2% in FY25, thanks to its business evolution toward upstream components and modules over the years. During the pre-pandemic era, the group was mainly focusing on PCBA and box-build, before venturing into 5G optical module starting 2022. With the group's venture into 1.6T optical module and rising demand for chips advancement due to global AI megatrend, we expect the margin to continue to tilt to the higher end of the range, with strong earnings visibility in the years ahead.

Fig #2 EG's products & services evolution



Source: EG Industries Berhad

Expansion into the EV and autonomous vehicle supply chain. EG is positioning itself as a potential vendor for major EV and autonomous vehicle developers through its optical data transmission and receiver module capabilities, critical components for vehicle sensors and onboard communication systems. To strengthen this entry, EG acquired a 24.1% stake in Thai-based ND Rubber Public Co Ltd (NDR) for THB198m (RM26.1m) in October 2024. The partnership includes setting up a joint testing centre for 5G photonics modules in Thailand, diversifying EG's end-market exposure into the automotive technology segment.

C-TPAT accreditation reinforces supply chain reliability and global trade compliance. EG, through its subsidiary SMT Technologies Sdn Bhd, has been certified as C-TPAT (Customs-Trade Partnership Against Terrorism) compliant by the US Customs and Border Protection. This accreditation underscores the EG's strong governance and commitment to maintaining the highest standards of supply chain security, safety, and transparency. It also strengthens EG's position as a trusted manufacturing partner for global clients, enhancing cross-border trade reliability.

Company background

EG Industries Berhad is a leading Electronics Manufacturing Services (EMS) and upstream components solution provider that continue to be ranked among the world's Top 50 EMS providers. The group primarily serves global brand names across multiple industries, including consumer electronics, data storage, automotive, information and communications technologies (ICT), medical, telecommunications and data centres.

The group's core business spans two principal categories: (i) printed circuit board assembly (PCBA), involving both high- and low-mix manufacturing, and (ii) box-build, which encompasses full turnkey solutions from design, assembly and testing to logistics and final product delivery.

In addition, EG is strengthening its upstream integration with a growing focus on components, modules and devices, including next-generation technologies such as 5G optical modules (100G, 400G, 800G and 1.6T), network switches, data centre solutions and AI systems. This strategic expansion positions the group at the forefront of next-generation electronics innovation.

Fig #3 Substantial shareholders

	No. of Ordinary Shares Held			
Name	Direct Interest	%[#]	Indirect Interest	%[#]
Dato' Alex Kang Pang Kiang	34,321,000	7.55	29,563,800 [a]	6.50
QYH Capital Sdn. Bhd.	29,563,800	6.50	-	-

(a) 29,563,800 shares are held through QYH Capital Sdn. Bhd.

Source: EG Industries Berhad

Substantial Shareholders & Key Senior Management

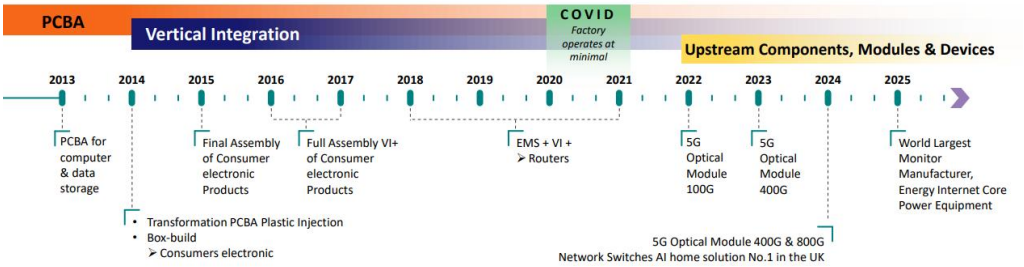
1. Dato' Alex Kang Pang Kiang – Substantial Shareholder & Group CEO
Dato' Alex, aged 53, holds double degrees in Bachelor of Commerce and Bachelor of Science from the University of Auckland, New Zealand. As a Chartered Accountant with over 20 years of experience in financial management, corporate restructuring and investor relations, he has led EG Industries as the Group CEO since 2014, driving the group's strategic growth and operations across Malaysia and Thailand.

2. Low Joo Hiang – Supply Chain Management/Plant Senior Director
Mr. Low, aged 56, holds a Diploma in Electronic Engineering from the Federal Institute of Technology, Kuala Lumpur and a Full Certification in Power Electrical from the City and Guilds of London Institute. With over 29 years of experience, he joined EG in 1996 and currently oversees the group's overall supply chain management and operations, covering production, planning, purchasing, sourcing, material control and logistics etc.

3. Tai Chee Seong – Information Technology Senior Director
Mr. Tai, aged 60, holds a Diploma in Electronic Engineering from Tunku Abdul Rahman University of Management and Technology and an MBA from Heriot-Watt University, Scotland. He joined EG in 2008 and has extensive experience in the field of electronics. Appointed IT Senior Director in 2022, he now leads the group's IT and smart manufacturing functions.

4. Goh Kar Ling – Financial Controller
Ms. Goh, aged 51, is an associate member of CIMA and a member of CGMA. She joined EG in 2021 as a Senior Finance Manager and was promoted to Financial Controller in 2022, overseeing the group's financial management, treasury, corporate finance, investor relations, M&A, as well as legal and regulatory compliance functions. With over 25 years of experience, she began her career in audit before taking on finance and risk roles in several public listed companies.

Fig #4 Corporate milestones



Source: EG Industries Berhad

Business overview

5G wireless access & photonic. The group manufactures advanced optical transceivers and photonic modules for 5G wireless networks through technology transfer from CIG. These products are critical for high-speed data transmission, supporting next-generation telecommunications, AI computing and data centre connectivity.

Consumer electronics. EG provides comprehensive EMS and ODM solutions for global consumer electronics brands, covering product design, printed circuit board assembly (PCBA), functional testing, and complete box-build assembly. The group's manufacturing expertise spans a wide range of consumer devices, ensuring consistent quality and scalability.

Network switches. The group produces and assembles high-performance network switches used in data centres and enterprise communications infrastructure. Leveraging its precision manufacturing capabilities and automated testing systems, EG supports major network equipment providers with end-to-end manufacturing services for both standard and customised configurations.

Fig #5 Principal business activities and services provided



Source: EG Industries Berhad

Fig #6 SWOT analysis of EG

Strength	Weakness
• Strategic partnership with CIG to capture global blue-chip clients • Improving margin due to upstream solutions venture • Recognised as one of the Top 50 EMS providers in the world	• Net debt company due to capital-intensive nature
Opportunity	**Threat**
• Capacity expansion following completion of Smart Factory 4.0 in Batu Kawan, Penang • Rising demand from 5G, AI and data centres • Entry into EV and autonomous vehicle market	• Customer concentration risk • Geopolitical and tariffs risks • Intense competition in the EMS industry

Source: M+ Research

Financials

Revenue and income highlights. The group registered RM256.0m or 22.4% YoY growth in revenue, increasing from RM1.1bn in FY24 to RM1.4bn in FY25. The improvement was mainly attributed to stronger sales in 5G wireless access and photonics-related products, network switches and consumer electronic products. Following the increase in revenue, PAT saw an increase of RM36.8m or 74.0%, from RM49.7m to RM86.5m. Again, this was mainly driven by a more favourable product sales mix and improved yields from 5G wireless access and photonics-related products, as well as favourable foreign exchange gains.

Balance sheet. The group held a total asset of RM1.6bn in FY25, an increase of RM61.1m or 4.0% YoY from RM1.5bn in FY24. This was primarily due to the increase in PPE, right-of-use assets, cash and bank balances as well as other investments. On the other hand, the total liabilities decreased from RM1.0bn in FY24 to RM927.8m in FY25, attributed to the decrease in trade and other payables and also lease liabilities. Meanwhile, the total equity of the group saw a rise from RM528.2m in FY24 to RM670.1m in FY25. The group is in a net gearing position of 0.76 times.

Cash flow. Despite the increase in PBT, the group recorded a lower net cash from operations, decreasing from RM150.8m in FY24 to RM124.9m in FY25 following the decrease in accounts payables. Meanwhile, cash flow used in investing activities reduced drastically from a net outflow of RM204.3m in FY24 to a net outflow of only RM102.0m in FY25, due to higher proceeds from the disposal of property, plant and equipment. Lastly, cash flow from financing activities recorded from an inflow of RM97.9m in FY24 to an outflow of RM13.3m in FY25, following the absence of private placement, repayment of term loans and higher in dividend and interest paid.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 21.0%, with core PATMI expected to reach RM101.5m, RM123.7m and RM153.5m over the next three years, largely supported by (i) EG's exclusive partnership with CIG for 800G and 1.6T 5G optical modules, (ii) continuous margin improvement following transition into higher-complexity products like optical modules and network switches, and also the (iii) entry into EV and automotive ecosystem for better product mix.

Fig #7 Financial Highlights

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY27f
Revenue	1,144.2	1,400.2	1,669.6	2,004.8	2,423.9
EBIT	78.2	116.7	141.9	170.4	206.0
PBT	49.7	82.8	104.8	127.9	158.6
PAT	49.0	80.2	101.5	123.7	153.5
PATMI – Core	49.7	86.5	101.5	123.7	153.5
PATMI – Reported	49.7	86.5	101.5	123.7	153.5
% change YoY – Core PATMI	28%	74%	17%	22%	24%
Core EPS (sen)	5.3	9.2	10.8	13.2	16.4
P/E (x)	25.4	14.6	12.4	10.2	8.2
DPS (sen)	0.1	0.7	-	-	-
Yield (%)	0%	1%	0%	0%	0%
BVPS (RM/share)	0.6	0.7	0.8	0.9	1.1
P/B (x)	2.4	1.9	1.7	1.4	1.2
ROE (%)	10%	15%	14%	15%	16%
Net Gearing (x)	1.0	0.8	0.7	0.7	0.7

M+ Research

Valuations

We assign a fair value of RM2.03 per share for EG, representing a 50.4% upside from its share price of RM1.35. This valuation is based on a P/E ratio of 16.8x, pegged to the mid-FY27F EPS of 12.04 sen.

We believe the ascribed P/E multiple of 16.8x is fair, given that VS Industry's high P/E of 56.1x will skew the peer average, hence we adopted the median P/E of 16.8x derived from the dataset of average historical and forward multiples. The selected multiple also falls within the peers' trading range of 16.7x–26.3x, making it a justifiable benchmark for EG's valuation.

Fig #8 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
EG Industries Bhd	**Main**	**Jun**	**1.35**	**1,263.1**	***14.6**	****10.2**	***14.7**	***6.2**
VS Industry Bhd	MAIN	Jul	0.52	2,004.4	55.6	16.3	1.7	1.0
WAVEFRONT Bhd	MAIN	Mar	0.24	282.7	N/A	N/A	(0.9)	(1.6)
JHM Consolidation Bhd	MAIN	Dec	0.31	184.8	N/A	N/A	(9.0)	(10.2)
Salutica Bhd	MAIN	Jun	0.23	105.5	N/A	N/A	(44.9)	(147.0)
Aurelius Technologies Bhd	MAIN	Dec	1.05	1,365.6	21.7	18.4	12.5	10.2
Nationgate Holdings Bhd	MAIN	Dec	1.22	2,778.7	12.8	17.4	29.0	3.0
Uchi Technologies Bhd	MAIN	Dec	3.07	1,420.7	15.2	14.6	48.2	51.2
Cape Ems Bhd	MAIN	Dec	0.30	292.6	N/A	N/A	(13.6)	(8.3)
Avg ex-EG Industries Berhad				**1,054.4**	**26.3**	**16.7**	**2.9**	**(12.7)**

*Source: M+ Research (*FY25, **FY27f)*

Investment risks

Competitive environment. EG operates in a highly competitive EMS market with competition from both domestic and international players.

Supply chain disruptions. Global geopolitical tensions and shipping constraints might disrupt the supply of electronic components, creating uncertainty in cost, delivery timing and availability.

Foreign currency exposure. With borrowings and transactions in USD, THB, SGD, and EUR, unfavourable currency fluctuations may adversely impact financial performance.

Labour cost pressures and talent retention. Minimum wage hikes might raise operating costs of the group, while retaining skilled labour remains a challenge in a competitive job market.

Dependence on key management. The group relies on its senior management team for strategic direction and technical expertise. Loss of key personnel without timely replacement may impact business continuity and performance.

Environmental, Social & Governance (ESG) Practices

Environmental

- **EG's 2050 Net Zero Targets.** EG has outlined a strategy to achieve 50% net zero GHG emissions by 2030, progressing towards Malaysia's 2050 net zero commitment, with core focus areas on GHG, waste, and water.
- **Energy efficiency initiatives.** Monthly monitoring of energy efficiency and wastage by an appointed energy manager, with measures such as air handling unit (AHU) saving, shutdown of non-critical equipment, and monitoring of air leakage in the production line to improve energy usage and efficiency across operations.
- **Solar panel deployment.** Rooftop solar panels installed across three sites since 2022 generated an estimated 320 MWh of clean energy, translating to ~250 tCO_2e reduction in Scope 2 emissions.
- **Carbon offsetting.** During its Transformation Day in July 2023, EG planted 3,000 shrubs around its facilities, expected to offset ~2 tCO_2e, which is equivalent to 1,000kg of coal burned.
- **Certified compliance.** Operations are accredited with ISO 14001:2015 for Environmental Management System, ensuring continuous improvement of environmental performance across all operations and the supply chain, with various measures in place including environmental training, competency program, compliance audit, and monitoring of environmental data.

Social

- **Occupational health & safety.** The group operates under an updated ESH Policy and OHSMS framework, aligned with OSHA 1994 and ISO 45001:2018, with additional RBA and Intertek WCA certifications to ensure workplace safety and compliance.
- **Employee healthcare & wellbeing**. Comprehensive benefits include mandatory health screening, annual medical surveillance, dental and optical support, and facilities for pregnant and nursing employees, with coverage extending to mental health assessments.
- **Community engagement.** EG actively supports local communities through CSR programmes and charitable contributions, reinforcing its role as a socially responsible organisation.
- **Inclusive and ethical workforce.** The group promotes diversity, equal opportunities, and a positive work culture, ensuring fair treatment regardless of gender, ethnicity, or age.

Governance

- **Board charter**. The Board operates under a formal Charter outlining roles, powers, and responsibilities, reviewed periodically to align with evolving regulations and strategic priorities.
- **Ethical standards**. A Business Code of Conduct and Anti-Corruption & Anti-Bribery Policy set clear guidelines on fair dealing, conflict of interest, insider trading, and compliance with laws, fostering a culture of integrity across the group.
- **Whistleblowing framework.** A dedicated policy provides disclosure channels and protection for whistle-blowers, with reports directed to the ARMC Chairman for independent review.
- **Leadership structure.** The roles of Chairman and Group CEO are strictly separated, ensuring accountability, balance of authority, and independence in decision-making.

Overall ESG comments: EG Industries Berhad is rated 3-star under the FTSE Russell ESG framework. We view EG's ESG practices as fair and acceptable. Governance is supported by a clear Board Charter, separation of Chairman and CEO roles, as well as established policies on whistle-blowing, anti-bribery, and business conduct, reflecting a commitment to integrity and accountability. Socially, the group enforces an Occupational Health and Safety Management System aligned with OSHA 1994 and ISO 45001:2018, complemented by comprehensive employee healthcare benefits and active CSR contributions to local communities. Environmentally, EG has outlined a net zero roadmap targeting 50% reduction in GHG emissions by 2030 and full net zero by 2050, supported by energy efficiency initiatives, solar panel installations, and carbon offsetting programmes, alongside ISO 14001:2015 accreditation with zero reported environmental non-compliance.

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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