EITA Resources Berhad

Sequential Recovery But Weakness Persists

Results Note – 2QFY26

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Summary

- **Earnings below expectations.** EITA registered a 2QFY26 core PAT of RM2.6m (+52.1% QoQ, -25.8% YoY), bringing its 1HFY26 cumulative core PAT to RM4.2m (-66.9% YoY). The results came in below expectations, accounting for only 26.2% of our full-year forecast of RM16.2m, largely dragged down by persistent losses in the Manufacturing segment and a significantly higher effective tax rate.

- **YoY.** 2QFY26 revenue rose 6.0% YoY to RM94.4m (from RM89.1m), fuelled by an 80.5% surge in the High Voltage System segment and an 11.1% expansion in Marketing & Distribution. However, core PAT fell 25.8% YoY to RM2.6m due to a widening LBT in the Manufacturing segment and lower revenue from the Services segment. Cumulatively, 1HFY26 recorded a lower revenue and core PAT of RM184.6m and RM4.2m, as compared to RM194.5m and RM12.8m in 1HFY25.

- **QoQ.** Revenue grew 4.8% QoQ from RM90.1m in 1QFY26 to RM94.4m in 2QFY26. Core PAT jumped 52.1% QoQ, driven by the turnaround of the High Voltage System segment into profitability and lower losses in Manufacturing segment.

- **High Voltage System turned positive.** The High Voltage System segment achieved a milestone turnaround, posting a PBT of RM58k for the quarter (vs. LBT of RM1.8m in 1QFY26), supported by accelerated Transmission Sub-Station project execution in Peninsular Malaysia.

- **Manufacturing segment remained in the red.** Conversely, the Manufacturing segment recorded another LBT of RM2.1m as low elevator and busduct product volumes were further compounded by provisions for stock losses and doubtful debts.

- **Higher taxation rate.** The effective tax rate of EITA in 2QFY26 was 46%, higher than the statutory tax rate of 24%, primarily due to the non-recognition of deferred tax assets on losses from the High Voltage System segment. Also, certain expenses incurred during the period were not tax-deductible.

- **Outlook.** While company might face pressures from higher raw materials and logistics costs driven by ongoing Middle East tensions, management remains cautiously optimistic, as the group is well-positioned to capitalize on lift installation, replacement, and modernization tenders emerging from Malaysia's infrastructure projects under the 13MP and Budget 2026 initiatives, and also its ongoing overseas expansion.

Quarterly performance 2Q26

Quarterly performance

FYE Sep (RM m)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	89.1	90.1	94.4	*4.8*	*6.0*	194.5	184.6	*(5.1)*
EBIT	5.0	3.4	4.2	*23.4*	*(17.2)*	17.0	7.6	*(55.4)*
PBT	4.4	2.6	3.7	*42.8*	*(17.0)*	15.4	6.2	*(59.7)*
Core PAT	3.4	1.7	2.6	*52.1*	*(25.8)*	12.8	4.2	*(66.9)*
Reported PAT	3.4	1.7	2.6	*52.1*	*(25.8)*	12.8	4.2	*(66.9)*
Core EPS (sen)	1.1	0.6	0.8	*52.1*	*(25.8)*	4.2	1.4	*(66.9)*
EBIT margin (%)	5.7	3.8	4.4			8.7	4.1	
PBT margin (%)	4.9	2.8	3.9			7.9	3.4	
Core PATMI margin (%)	3.9	1.9	2.7			6.6	2.3	

Source: EITA, M+ Research

HOLD

Share price	**RM0.500**
Target price	**RM0.520**
Previous TP	**RM0.540**
Capital upside	4.0%
Dividend return	3.0%
Total return	7.0%

Company profile

Primarily specializes in the manufacturing, marketing, distribution, and servicing of electrical and electronic (E&E) systems, including its proprietary elevator (EITA-Schneider®) and busduct (Furutec®) systems, serving clients across Malaysia, Southeast Asia, and the Middle East.

Stock information

Bursa Code	5208
Bloomberg ticker	EITA MK
Listing market	MAIN
Share issued (m)	301.8
Market Cap (m)	150.9
52W High/Low	0.670 / 0.450
Est. Free float (%)	24.6
Beta (x)	0.6
3-mth avg vol ('000)	63.5
Shariah compliant	Yes

Major shareholders **%**

Ruby Technique Sdn. Bhd.	26.4
Sudut Kreatif Sdn. Bhd.	14.5
Jasa Simbolik Sdn. Bhd.	9.0

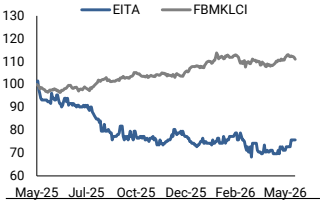
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	8.7	-2.0	-24.2
Relative	6.7	-0.6	-31.8

Earnings snapshot

FYE (Sep)	FY25	FY26f	FY27f
PAT (m)	14.6	15.0	16.4
EPS (sen)	4.8	5.0	5.4
P/E (x)	10.3	10.1	9.2

Relative performance chart



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Valuation & Recommendation

- **Forecast.** Following the weak 1HFY26 cumulative performance and higher-than-anticipated tax rate, we are adjusting our FY26f-28f core PAT forecast lower by 7.4%/6.8%/4.2% from RM16.2m, RM17.6m and RM18.9m to RM15.0m, RM16.4m and RM18.1m. This revision mainly accounts for the ongoing elevated effective tax rate resulting from non-deductible expenses.

  While the 1HFY26 core PAT represents only 28.3% of revised FY26 core PAT forecast, we believe EITA is able to recover in the 2HFY26, supported by (i) positive turnaround seen in High-Voltage segment, (ii) the group's continued participation in lift and elevator installation tenders for large-scale rail and urban transit projects and (ii) government initiatives such as 13MP, NIMP and Budget 2026.

- **Maintain HOLD with a lower TP of RM0.52.** While we revised our earnings forecast, we maintain our Hold recommendation on EITA with a slightly lower target price of RM0.52 (from RM0.54). The target price is derived based on a P/E ratio of 10.0x pegged to our mid-FY27f EPS of 5.19 sen.

- **Downside risks.** Risks to our recommendation include prolonged weakness and continued losses in the Manufacturing segment and also higher-than-anticipated tax rate.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Sep (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Cash	61	68	65	89	105	122
Receivables	71	71	86	82	83	84
Inventories	50	64	56	61	62	63
PPE	44	44	43	37	31	26
Others	138	155	163	163	163	163
Assets	**363**	**403**	**413**	**432**	**444**	**458**
Debts	67	55	58	58	58	58
Payables	48	61	78	71	72	73
Others	34	48	37	37	37	37
Liabilities	**149**	**164**	**173**	**166**	**167**	**168**
Shareholder's equity	214	245	252	266	278	290
Minority interest	1	(6)	(11)	-	-	-
Equity	**214**	**239**	**241**	**266**	**278**	**290**

Cash Flow Statement

FYE Sep (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	13	10	17	25	25	26
Depreciation & amortis	6	6	6	6	6	5
Changes in working cap	(22)	(1)	9	(7)	(1)	(1)
Share of JV profits	0	0	(0)	(0)	(0)	(0)
Taxation	(6)	(7)	(8)	(10)	(9)	(8)
Others	(15)	(3)	(15)	-	-	-
Operating cash flow	**(24)**	**5**	**10**	**13**	**21**	**22**
Net capex	(3)	(2)	(2)	-	-	-
Others	(1)	(0)	(2)	-	-	-
Investing cash flow	**(4)**	**(2)**	**(3)**	**-**	**-**	**-**
Changes in borrowings	22	(13)	3	(0)	(0)	0
Issuance of shares	-	29	-	-	-	-
Dividends paid	(7)	(6)	(8)	(4)	(5)	(5)
Others	(6)	(6)	(5)	-	-	-
Financing cash flow	**10**	**4**	**(9)**	**(5)**	**(5)**	**(5)**
Net cash flow	**(18)**	**8**	**(3)**	**24**	**16**	**17**
Forex	(1)	1	0	-	-	-
Others	2	(0)	(0)	-	-	-
Beginning cash	77	61	68	65	89	105
Ending cash	61	68	65	89	105	122

Income Statement

FYE Sep (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**317**	**395**	**431**	**447**	**454**	**461**
EBITDA	22	19	27	34	34	35
EBIT	16	13	20	28	28	29
Net finance income/ (co	(2)	(2)	(3)	(3)	(3)	(3)
Associates & JV	(0)	(0)	0	0	0	0
Profit before tax	**13**	**10**	**17**	**25**	**25**	**26**
Tax	(6)	(7)	(8)	(10)	(9)	(8)
Net profit	**7**	**3**	**9**	**15**	**16**	**18**
Minority interest	3	6	6	-	-	-
Core earnings	**10**	**9**	**15**	**15**	**16**	**18**
Exceptional items	1	(1)	-	-	-	-
Reported earnings	11	9	15	15	16	18

Valuation & Ratios

FYE Sep (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	3.5	3.1	4.8	5.0	5.4	6.0
P/E (x)	14.4	16.0	10.3	10.1	9.2	8.3
EV/EBITDA (x)	2.1	2.4	1.7	1.4	1.3	1.3
DPS (sen)	2.2	2.1	2.5	1.5	1.6	1.8
Dividend yield	4.3%	4.2%	5.0%	3.0%	3.3%	3.6%
BVPS (RM)	0.7	0.8	0.8	0.9	0.9	1.0
P/B (x)	0.7	0.6	0.6	0.6	0.5	0.5
EBITDA margin	6.9%	4.8%	6.2%	7.6%	7.5%	7.5%
EBIT margin	5.0%	3.3%	4.7%	6.2%	6.3%	6.3%
PBT margin	4.1%	2.7%	4.1%	5.6%	5.5%	5.6%
Net margin	3.3%	2.4%	3.4%	3.3%	3.6%	3.9%
ROE	5.0%	4.1%	5.9%	5.7%	6.0%	6.4%
ROA	3.0%	2.5%	3.6%	3.6%	3.7%	4.0%
Net gearing	3.2%	CASH	CASH	CASH	CASH	CASH

Source: M+ Research

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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