LGMS Berhad

Steady Start To FY26

Summary

- **Earnings within expectations.** LGMS registered a 1QFY26 core PAT of RM2.2m (+13.4% YoY, -43.2% QoQ). Despite accounting for only 18.0% of our FY26f earnings forecast of RM12.2m and 16.9% of consensus estimates of RM13.0m, we view it as broadly-in-line, given LGMS performance historically weighted towards the 2H of the year due to year-end project finalizations and billings.

- **YoY.** LGMS's revenue expanded by 12.7% YoY to RM10.9m (vs RM9.6m in 1QFY25), powered by positive contributions across all core business segments, particularly a breakout performance in cyber threat and incident response (+105.7% YoY). Meanwhile, core PAT rose 13.4% YoY, from RM1.9m to RM2.2m.

- **QoQ.** Revenue declined by 20.4% QoQ to RM10.9m, while core PAT fell 43.2% QoQ to RM2.2m. The decline was mainly attributable to a high-base effect in 4QFY25, which benefited from a higher number of project completions and billings across all three business segments.

- **Breakout performance in cyber threat and incident response.** The cyber threat and incident response segment saw a strong increase of 105.7% YoY to RM1.4m (vs. RM0.7m in 1QFY25), driven by increased demand from clients in the financial and manufacturing sectors.

- **Resilient core segments.** The group's primary revenue driver, cyber risk prevention, posted a steady 6.1% YoY growth to RM6.9m (vs RM6.5m in 1QFY25), while the cyber risk management and compliance segment recorded a marginal 3.5% YoY increase to RM2.54m (vs RM2.46m in 1QFY25).

- **Geographical contributions.** Revenue from overseas grew by 11.9% YoY to RM2.4m (representing 22.2% of total revenue), signaling progressive traction on regional business development efforts.

- **Strategic cash deployment**. Cash holdings reduced to RM51.8m as the Group executed a major cash deployment of RM16.1m into its investment in associates, signaling the formal funding push for the recently completed Antarex acquisition.

Quarterly performance 1Q26

Quarterly performance

FYE Dec (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	9.6	13.6	10.9	*(20.4)*	*12.7*
EBIT	2.5	4.8	2.9	*(40.4)*	*14.4*
PBT	2.6	5.0	3.0	*(40.4)*	*14.2*
Core PAT	1.9	3.9	2.2	*(43.2)*	*13.4*
Reported PAT	1.9	3.9	2.2	*(43.2)*	*13.4*
Core EPS (sen)	0.4	0.8	0.5	*(43.2)*	*13.4*
EBIT margin (%)	26.1	35.4	26.5		
PBT margin (%)	27.1	36.7	27.5		
Core PATMI margin (%)	20.1	28.4	20.2		

Source: LGMS, M+ Research

Results Note – 1QFY26

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BUY

Share price	**RM0.53**
Target price	**RM0.93**
Previous TP	**RM0.93**
Capital upside	75.5%
Dividend return	1.0%
Total return	76.5%

Company profile

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	MAIN
Share issued (m)	456.0
Market Cap (m)	241.7
52W High/Low	0.950 / 0.455
Est. Free float (%)	49.7
Beta (x)	1.0
3-mth avg vol ('000)	796.6
Shariah compliant	Yes

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

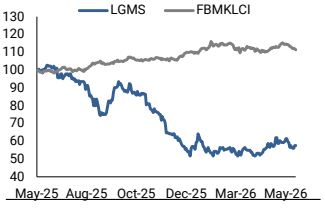
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-0.9	3.9	-42.4
Relative	0.8	5.0	-48.3

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	10.2	12.2	13.8
EPS (sen)	2.2	2.7	3.0
P/E (x)	24.1	19.9	17.6

Relative performance chart



- **Outlook.** With the rising AI and digitalization trends globally, the structural growth drivers for cybersecurity solutions remain intact, including the government's enforcement of the Cyber Security Act 2024 to push NCII entities to upgrade compliance, penetration testing, and risk advisory spending, coupled with broader AI adoption which will demand more AI security testing and LLM risk assessments; we believe LGMS is well positioned to benefit from this backdrop. Meanwhile, we believe future quarters will start reflecting the incremental earnings support and expanded market exposure from the commercialization of StarSentry and the operational integration of Antarex, supporting a stronger FY26.

Valuation & Recommendation

- **Forecast.** Despite the core PAT came in slightly below our estimates, we maintain our core PAT forecasts of RM12.2m–13.8m for FY26f–27f. We believe the Group will continue to see stronger demand moving forward due to ongoing AI and digitalization trends, coupled with its usual year-end project finalization and billings activities.

- **Maintained BUY recommendation with a TP of RM0.93.** We maintain BUY recommendation on LGMS with an unchanged target price of RM0.93. The target price is derived based on a P/E ratio of 35.0x pegged to FY26f EPS of 2.67 sen.

- **Downside risks.** Risks to our recommendation include slower demand for cybersecurity services due to lack of high-value projects and/or lack of cybersecurity awareness. Besides, competition from both local and international cybersecurity providers may put pressure on LGMS's market share and margins. Lastly, the group's heavy reliance on quality cybersecurity professionals may also pose a risk, as any huge increase in employee benefit expenses could weigh on the group's overall margins.

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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