

LGMS Berhad

Broadly-In-Line 1H with Anticipated Recovery In 2HFY26

Summary

- **Earnings within expectations.** LGMS registered a 2QFY26 core PAT of RM1.7m (-13.7% YoY, -20.5% QoQ). On a cumulative basis, 1HFY26 core PAT of RM3.9m accounts for 32.3% of our FY26f earnings forecast of RM12.2m and 31.2% of consensus estimates of RM12.5m. We view this as broadly in-line, given LGMS's performance is historically weighted towards the 2H of the year due to year-end project finalizations and billings.
- **YoY.** Revenue was marginally higher by 0.4% YoY to RM10.1m (vs RM10.0m in 2QFY25), driven by a strong 17.9% growth in the cyber risk prevention segment, but was also offset by declines in cyber risk management and compliance (-21.3% YoY) and cyber threat and incident response (-32.6% YoY). Core PAT declined 13.7% YoY to RM1.7m (vs RM2.0m in 2QFY25), as the Group incurred higher employee benefit expenses (+9.1% YoY) and IT expenses (+36.7% YoY) to capture future growth in AI security and cloud protection.
- **QoQ.** Revenue declined 7.3% QoQ to RM10.1m, while core PAT fell 20.5% QoQ to RM1.7m. The sequential decline was mainly attributable to the reduction in the cyber threat and incident response segment (-56.7% QoQ) to RM0.6m due to a lower level of projects undertaken for clients in the consumer, retail and financial sectors.
- **Cyber risk prevention remains the growth pillar.** The group's primary revenue driver, cyber risk prevention, maintained its strong momentum with 17.9% YoY growth to RM6.9m (vs RM5.8m in 2QFY25), supported by stronger contributions from clients in the technology, manufacturing, and logistics sectors.
- **Margin pressure from cost investment.** EBIT margin compressed notably to 17.2% (vs 25.9% in 2QFY25 and 26.5% in 1QFY26), reflecting the impact of workforce expansion (+9.1% YoY in employee benefit expenses to RM5.9m) and increased IT spending (+36.6% YoY to RM1.2m) associated with the deployment of new solutions and resale of third-party solutions to meet client demand. This is partially offset by a lower effective tax rate of 22.7% (vs 27.1% in 2QFY25).
- **Antarex starting to contribute.** Share of results from associates rose significantly to RM0.36m in 2QFY26 (vs RM0.01m in 2QFY25), reflecting the initial earnings contribution from the 27% equity interest in Antarex Holdings Sdn Bhd (AHSB), acquired in January 2026. The aggregate profit guarantee of RM24.5m will be assessed on a cumulative basis from FY26 to FY28.
- **Overseas traction accelerating.** Overseas revenue surged 49.0% YoY to RM1.2m (representing 12.4% of 2QFY26 revenue), up from RM0.8m in 2QFY25. On a cumulative 1HFY26 basis, overseas revenue grew 22.3% YoY to RM3.7m (17.5% of total revenue), signaling continued progress on regional business development.
- **Interim dividend declared.** The Group declared a first interim single-tier dividend of 0.5 sen per ordinary share amounting to RM2.3m for FY26, payable on 23 September 2026 (ex-date: 8 September 2026).

Results Note – 2QFY26

Kieran Lim
kieranlim@msec.com.my
 (603) 2201 2100

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 / 0.420
Est. Free float (%)	48.0
Beta (x)	0.9
3-mth avg vol ('000)	930.5
Shariah compliant	Yes

Major shareholders

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

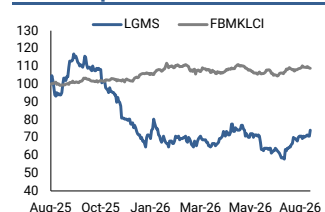
Share price vs. KLCI (%)

	1M	3M	12M
Hist. return			
Absolute	11.6	1.9	-27.9
Relative	11.5	1.6	-33.8

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



Quarterly performance 2QFY26

Quarterly performance

FYE Dec (RM m)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1H FY25	1H FY26	YoY (%)
Revenue	10.0	10.9	10.1	(7.3)	0.4	19.7	20.9	6.4
EBIT	2.6	2.9	1.7	(39.8)	(33.4)	5.1	4.6	(9.9)
PBT	2.8	3.0	2.3	(24.2)	(18.6)	5.4	5.2	(2.7)
Core PAT	2.0	2.2	1.7	(20.5)	(13.7)	4.0	3.9	(0.5)
Reported PAT	2.0	2.2	1.7	(20.5)	(13.7)	4.0	3.9	(0.5)
Core EPS (sen)	0.4	0.5	0.4	(20.5)	(13.7)	0.9	0.9	(0.5)
EBIT margin (%)	25.9	26.5	17.2			26.0	22.0	
PBT margin (%)	27.7	27.5	22.5			27.4	25.1	
Core PATMI margin (%)	20.2	20.2	17.4			20.2	18.9	

Source: LGMS, M+ Research

- **Outlook.** The structural growth drivers for cybersecurity remain intact, underpinned by 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 the rising adoption of AI which will demand more AI security testing, model risk assessment and AI governance advisory services. LGMS's inclusion in the Gartner® Market Guide for Digital Forensics and Incident Response Retainer Services for two consecutive years (2025 and 2026) further reinforces its market positioning. We believe 2H FY26 will see a material pick-up driven by (i) year-end project finalizations and billings, (ii) the ramp-up of Antarex's earnings contribution, and (iii) the commercialization of StarSentry and expansion of AI security testing capabilities.

Valuation & Recommendation

- **Forecast.** Despite the softer 1H FY26 earnings, we maintain our core PAT forecasts of RM12.2m–13.8m for FY26f–27f, while also introduced our FY28 forecasts. We believe the Group will see a meaningful pick-up in 2H FY26 driven by its usual year-end project finalizations and billings, the ramp-up of Antarex's earnings contribution, and ongoing AI and digitalization-driven demand for cybersecurity services.
- **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: (i) sustained margin pressure from elevated employee and IT costs outpacing revenue growth, (ii) slower demand for cybersecurity services due to lack of high-value projects and/or lack of cybersecurity awareness, (iii) competition from both local and international cybersecurity providers putting pressure on LGMS's market share and margins, and (iv) execution risk on the Antarex integration and the RM24.5m profit guarantee.



Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Cash	73.6	68.1	74.1	86.4	97.9	110.2
Receivables	6.3	8.3	7.0	7.4	8.0	8.6
Inventories	-	-	1.3	-	-	-
Others	13.2	12.8	13.5	12.8	12.8	12.8
Assets	95.7	106.4	114.8	124.6	135.8	147.6
Debits	0.7	0.8	0.8	1.0	1.0	1.1
Payables	0.4	0.3	0.6	0.6	0.6	0.7
Others	8.0	10.9	11.1	10.9	10.9	10.9
Liabilities	9.1	12.0	12.5	12.5	12.6	12.7
Minority interest	-	-	-	-	-	-
Equity	86.6	94.4	102.3	112.1	123.2	134.9

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	15.2	16.5	13.4	16.1	18.2	19.3
Depreciation & amortis	1.4	1.1	1.4	1.0	1.0	1.0
Changes in working cap	0.1	(2.1)	0.3	0.9	(0.6)	(0.6)
Share of JV profits	-	-	(0.1)	(2.2)	(2.2)	(2.2)
Taxation	(4.0)	(4.2)	(3.2)	(3.9)	(4.4)	(4.6)
Others	(1.8)	1.5	0.1	2.5	2.2	2.2
Operating cash flow	10.9	12.8	11.9	14.5	14.3	15.1
Net capex	0.0	(14.7)	(3.0)	-	-	-
Others	3.2	1.9	0.0	-	-	-
Investing cash flow	3.2	(12.8)	(2.9)	-	-	-
Changes in borrowings	(1.1)	0.1	0.0	0.2	0.0	0.1
Issuance of shares	-	-	-	-	-	-
Dividends paid	(2.3)	(6.8)	(6.8)	(2.4)	(2.8)	(2.9)
Others	(6.4)	1.3	4.1	-	-	-
Financing cash flow	(9.7)	(5.5)	(2.7)	(2.3)	(2.7)	(2.9)
Net cash flow	4.4	(5.6)	6.3	12.2	11.6	12.3
Forex	0.1	0.0	(0.2)	-	-	-
Others	0.0	0.0	0.0	-	-	-
Beginning cash	69.1	73.6	68.1	74.1	86.4	97.9
Ending cash	73.6	68.1	74.1	86.4	97.9	110.2

Source: M+ Research

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Revenue	34	44	44	44	47	51
EBIT	14	16	13	13	16	17
Net finance income/ (co	1	1	0	0	0	0
Profit before tax	15	17	13	16	18	19
Tax	(4)	(4)	(3)	(4)	(4)	(5)
Net profit	11	12	10	12	14	15
Minority interest	-	-	-	-	-	-
Core earnings	11	12	10	12	14	15
Exceptional items	-	-	-	-	-	-
Reported earnings	11	12	10	12	14	15

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	2.5	2.7	2.2	2.7	3.0	3.2
P/E (x)	21.5	19.6	23.7	19.7	17.5	16.5
DPS (sen)	0.5	1.5	1.5	0.5	0.6	0.6
Dividend yield	0.9%	2.8%	2.8%	1.0%	1.1%	1.2%
BVPS (RM)	0.19	0.21	0.22	0.25	0.27	0.30
P/B (x)	2.8	2.6	2.4	2.2	2.0	1.8
EBIT margin	42.3%	36.7%	29.3%	30.7%	32.9%	32.7%
PBT margin	44.5%	37.9%	30.5%	36.9%	38.6%	38.0%
Net margin	32.8%	28.3%	23.3%	28.0%	29.4%	28.9%
ROE	13.2%	13.6%	10.4%	11.5%	11.8%	11.4%
ROA	12.0%	12.2%	9.2%	10.3%	10.6%	10.4%
Net gearing	CASH	CASH	CASH	CASH	CASH	CASH

Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

This report has been prepared by research analyst(s) of MSSB pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

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

