Nexg Berhad

(5216 | NEXG MK) Main | Technology

SHARIAH Compliant | 4 Stars | FTSE4Good

Corporate Update

Downgrade to NEUTRAL

Revised Target Price **RM0.47**
(from RM0.58)

In Diversification Mode

Core business remains intact. We downgrade our recommendation on Nexg to HOLD from buy previously with a lower target price of RM0.47. The 1QFY25 financial performance remain resilient with normalised profit of RM25.3m, a slight decline of -4.5%yoy. This was in-line with the revenue which fell slightly by -2.5%yoy.

However, our concern lies on the recent proposed diversification to the property and diversification sector which we think there is no notable synergies to the existing business. In addition, the group's future profit margin may also be diluted as we view that the existing business would garner better and more consistent profit margin.

Slight drop in earnings. Nexg's 1QFY26 reported profit came in at RM64.9m. However, after adjusting for exceptional item which mainly relates to fair value gain on other investment of RM39.9m, the normalised 1QFY25 earnings was RM25.3m, a slight decline of -4.5%yoy. The decline in earnings was mainly led by lower revenue of RM88.5m (-2.5%yoy). Note that the revenue from the supply of smart cards, passport and personalisation services came in lower at RM70.1m as compared to RM80.2m achieved a year ago.

In-line with expectations. All in, Nexg's 1QFY26 financial performance came in within ours and consensus expectations, making up 23.5% and 24.6% of full year FY26 earnings estimates respectively.

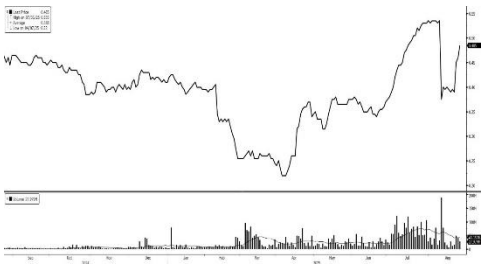
No dividend declared. There was no dividend declared in 1QFY26 as opposed to 0.75sen declared in 1QFY25. Nonetheless, we are maintaining our FY26 dividend of 0.75sen at this juncture as there should be sufficient liquid asset to pay the dividend.

Revision to target price. We roll forward our valuation-based year to CY26 and derived a new target price of RM0.47. Note that we cut our target PER to 12.9x (from 15.6x previously) which is -1SD below the five-year rolling average of 18.9x.

The lower valuation multiple takes into account the recent proposed venture into the property and construction sector via the acquisition of a 32.61% stake in Classita Holdings Bhd. We view that there is not much synergy between its core business and the new venture.

RETURN STATISTICS	
Price @ 28th August 2025 (RM)	0.48
Expected share price return (%)	-2.1
Expected dividend yield (%)	+1.6
Expected total return (%)	-0.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.6	-11.6
3months	31.1	27.3
12 months	3.2	5.3

INVESTMENT STATISTICS

FYE 31ST Dec (RM'm)	2025E	2026F	2027F
Revenue	421.2	458.4	488.1
Operating Profit	149.0	163.0	174.4
Profit Before Tax	147.2	165.0	181.0
Core PATAMI	107.4	120.4	132.1
Core EPS	3.3	3.7	4.1
DPS	0.8	0.8	0.8
Dividend Yield (%)	1.6	1.6	1.6

KEY STATISTICS

FBM KLCI	1,587.07
Issue shares (m)	2,782.16
Estimated free float (%)	48.56
Market Capitalisation (RM'm)	1,532.57
52-wk price range	RM0.21 – RM0.53
3-mth average daily volume (m)	43.19
3-mth average daily value (RM'm)	19.31
Top Shareholders (%)	
Abu Hanifah Bin Noordin	7.16
Kuantum Juang Sdn bhd	5.38
Urusharta Jamaah Sdn Bhd	4.35

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NEXG BHD: 1QFY26 RESULTS SUMMARY

Financial year ending 31st Mar (all in RM'm unless stated otherwise)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)
Revenue	88.5	90.8	-2.5	103.8	-14.8
EBITDA	77.3	39.2	97.3	54.3	42.4
Depreciation and amortisation	-4.3	-4.1	6.9	-0.4	962.3
EBIT	73.0	35.1	107.7	53.9	35.4
Interest expense	-0.6	0.8	-174.2	-0.6	-5.9
Interest income	0.2	0.2	-28.5	0.4	-51.9
PBT	72.6	36.1	100.9	53.7	35.3
Taxation	-8.1	-9.1	-11.6	-9.7	-16.9
MI	-0.4	0.0	5,014.3	0.1	-341.9
PATANCI	64.9	27.0	140.1	43.8	48.1
Normalised PATANCI	25.3	26.5	-4.5	30.9	-18.2
Normalised EPS (sen)	0.78	0.95	-17.3	1.11	-29.3
			+/- ppts		+/- ppts
EBITDA margin (%)	87.4	43.2	44.2	52.3	35.1
EBIT margin (%)	82.5	38.7	43.8	51.9	30.6
Normalised PATANCI margin (%)	28.6	29.2	-0.6	29.8	-1.2
Effective tax rate (%)	11.1	25.2	-14.1	18.1	-7.0

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	368.3	373.5	421.2	458.4	488.1
EBIT	124.7	152.9	149.0	163.0	174.4
PBT	122.5	151.8	147.2	165.0	181.0
PATANCI	92.2	115.5	107.4	120.4	132.1
Normalised PATANCI	89.2	101.1	107.4	120.4	132.1
Normalised EPS (sen)	3.2	3.6	3.3	3.7	4.1
Normalised EPS Growth (%)	24.1	14.6	-8.2	12.1	9.7
PER (x)	15.2	13.2	14.4	12.8	11.7
Dividend Per Share (sen)	3.0	0.8	0.8	0.8	0.8
Dividend yield (%)	6.3	1.6	1.6	1.6	1.6

Source: Company, MBSBR

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology