# NationGate Holdings

## AI Boom vs. Policy Gloom

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# MARKET PERFORM ↔

| | | |
|---|---|---|
| **Price:** | **RM1.99** | |
| **Target Price:** | **RM2.15** | ↔ |

**NATGATE's FY24 adjusted net profit met our but exceeded the street's estimate, driven by strong demand in the Data Computing segment. Looking ahead, the Group is well-positioned to capitalise on AI server demand, though near-term risks persist due to potential tariff and chip policy changes. We maintain our forecast, pending updates from today's briefing, with an unchanged MARKET PERFORM rating and TP of RM2.15.**

NATGATE's FY24 adjusted net profit of RM176m (excluding forex impact and other one-off items) met our expectations at 104% but exceeded the street's estimate at 142%. The group declared a special DPS of 1.0 sen and a final DPS of 0.25 sen in 4Q, bringing the full-year DPS to 2.0 sen. Our 4QFY24 adjusted net profit of RM98.4m was derived after adjusting for RM167m in unrealised forex losses, a RM7.1m fixed asset write-off, and a RM4.9m allowance for slow-moving inventories, while excluding a RM128m realised forex gain and RM14m fair value gain on derivative financial instruments.

**YoY,** the Group reported revenue of RM5.3b, a significant increase from RM638m in the previous year, driven by strong demand from the Data Computing segment. This surge in turnover led to triple-digit growth in GP and PBT, though margins declined due to the high cost of key components within the Data Computing segment.

**QoQ**, the Group's revenue doubled, reaching RM3.0b, primarily driven by higher revenue from the Data Computing segment, which saw an increase of RM1.7b. GP advanced 257% to RM128m with higher margin of 4.2%. However, PBT declined by 15%, primarily due to unrealised foreign currency losses.

**Outlook**. NATGATE is well-positioned to capitalise on strong AI server demand in the data computing segment, supported by its scalable production capacity to meet rising demand in FY25. However, the near-term outlook remains uncertain due to the ongoing review of President Trump's tariff and chip policies, which could pose risks if the final decision is unfavourable.

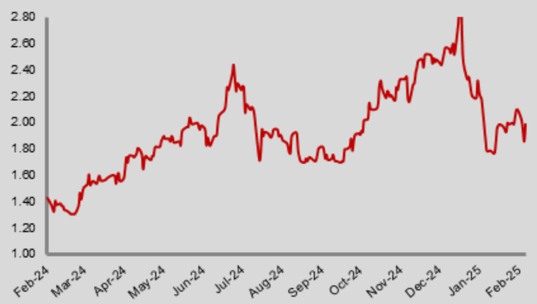
**Forecasts.** We are maintaining our earnings forecasts for now, awaiting further insights from today's results briefing.

**Valuations.** We maintain our TP at **RM2.15** based on an unchanged 24x FY25F PER. This represents a 30% premium to peers' forward mean, justified by the group's favourable exposure to the fast-growing networking product segment, and its advanced capabilities which yield better margins as well as enhancing customer stickiness. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

**Investment case.** We like NATGATE for its: (i) exposure to the fast-growing industrial and commercial products used in the networking and telecommunication sectors, and (ii) value-added services such as chip-on-board (COB) that enhance customer stickiness and yield better margins. Maintain **MARKET PERFORM**

**Risks to our call include:** (i) heavy reliance on the networking segment which contributes c.90% of group revenue, (ii) competition from foreign EMS players that have presence in Malaysia, and (iii) adverse impact from component shortage which could delay delivery schedule.

### Share Price Performance




| | |
|---|---|
| KLCI | 1,586.60 |
| YTD KLCI chg | -3.4% |
| YTD stock price chg | -21.3% |

### Stock Information

| | |
|---|---|
| Shariah Compliant | Yes |
| Bloomberg Ticker | NATGATE MK EQUITY |
| Market Cap (RM m) | 4,530.6 |
| Shares Outstanding | 2,276.7 |
| 52-week range (H) | 3.03 |
| 52-week range (L) | 1.30 |
| 3-mth avg. daily vol. | 21,148,800 |
| Free Float | 41% |
| Beta | 1.4 |

### Major Shareholders

| | |
|---|---|
| Ooi Eng Leong | 48.2% |
| Tan Ah Geok | 6.5% |
| Citigroup Inc | 3.4% |

### Summary Earnings Table

| FYE Dec (RM m) | 2023A | 2024A | 2025F |
|---|---|---|---|
| Turnover | 638 | 5,271 | 5,716 |
| EBIT | 78 | 237 | 283 |
| PBT | 71 | 231 | 277 |
| **Net Profit** | 61 | 160 | 204 |
| **Adj NP** | 61 | 176 | 204 |
| Consensus | | 124 | 210 |
| Earnings Revision | - | - | - |
| Core EPS (sen) | 2.9 | 7.0 | 8.95 |
| EPS growth (%) | -43.7 | 140.0 | 27.2 |
| NDPS (sen) | 1.0 | 2.0 | 2.0 |
| BV/Share (RM) | 0.2 | 0.4 | 0.5 |
| Core PER (x) | 67.9 | 28.3 | 22.2 |
| P/BV (x) | 10.0 | 4.9 | 4.2 |
| Gearing (x) | 0.1 | -1.0 | -0.2 |
| Net Dvd Yield (%) | 0.5% | 1.0% | 1.0% |

**Result Highlight**

| FYE Dec (RM m) | 4Q24 | 3Q24 | Chg | 4Q23 | Chg | FY24 | FY23 | Chg |
|---|---|---|---|---|---|---|---|---|
| Turnover | 3,031.6 | 1,352.5 | 124.2% | 171.6 | 1666.9% | 5,270.8 | 638.3 | 725.8% |
| Gross Profit | 127.9 | 35.8 | 256.9% | 30.4 | 321.2% | 248.0 | 111.3 | 122.8% |
| EBITDA | 92.7 | 107.1 | -13.4% | 30.4 | 204.8% | 286.9 | 119.8 | 139.6% |
| EBIT | 79.6 | 94.3 | -15.7% | 19.8 | 300.9% | 237.3 | 78.0 | 204.1% |
| PBT/(LPT) | 78.9 | 93.2 | -15.3% | 18.0 | 338.7% | 230.7 | 70.5 | 227.1% |
| Taxation | (11.6) | (31.9) | -63.6% | (2.0) | 496.3% | (51.5) | (9.6) | 435.7% |
| MI | (3.2) | (14.7) | -78.1% | (0.1) | 2719.3% | (19.0) | (0.1) | NM |
| Net Profit | 64.1 | 46.6 | 37.5% | 15.9 | 302.3% | 160.2 | 60.8 | 163.4% |
| Adj NP | 98.4 | 28.2 | 249.2% | 15.9 | 518.1% | 176.1 | 60.8 | 189.6% |
| EPS (sen) | 2.8 | 2.0 | 37.5% | 0.8 | 266.5% | 7.2 | 2.9 | 147.2% |
| DPS (sen) | 1.3 | 0.3 | NM | 0.3 | 400.0% | 2.0 | 1.0 | 100.0% |
| | | | | | | | | |
| Gross Margin | 4.2% | 2.6% | | 17.7% | | 4.7% | 17.4% | |
| EBITDA Margin | 3.1% | 7.9% | | 17.7% | | 5.4% | 18.8% | |
| EBIT Margin | 2.6% | 7.0% | | 11.6% | | 4.5% | 12.2% | |
| PBT Margin | 2.6% | 6.9% | | 10.5% | | 4.4% | 11.1% | |
| Adj NP Margin | 3.2% | 2.1% | | 9.3% | | 3.3% | 9.5% | |
| Tax Rate | -14.7% | -34.3% | | -10.9% | | -22.3% | -13.6% | |

*Source: Kenanga Research*

**Segmental Breakdown**

| FYE Dec (RM m) | 4Q24 | 3Q24 | Chg | 4Q23 | Chg | FY24 | FY23 | Chg |
|---|---|---|---|---|---|---|---|---|
| Networking & Telecommunication | 112.6 | 107.4 | 5% | 95.4 | 18% | 420.3 | 324.0 | 30% |
| Industrial Instruments | 28.0 | 25.1 | 11% | 24.5 | 14% | 103.8 | 91.1 | 14% |
| Data Computing | 2,862.2 | 1,189.9 | 141% | 25.4 | 11147% | 4,638.4 | 102.6 | 4422% |
| Consumer Electronics | 3.1 | 5.4 | -42% | 3.7 | -15% | 12.8 | 21.0 | -39% |
| Automotive | 11.4 | 12.1 | -6% | 8.7 | 30% | 48.1 | 46.1 | 4% |
| Semiconductor | - | - | NM | 8.6 | -100% | 6.9 | 33.6 | -79% |
| Others (medical devices, IoT, household electronic products & etc.) | 14.2 | 12.5 | 14% | 5.1 | 180% | 40.4 | 19.8 | 104% |
| **TOTAL** | **3,031.6** | **1,352.5** | **124%** | **171.6** | **1667%** | **5,270.8** | **638.2** | **726%** |
| | | | | | | | | |
| **% Rev. contribution** | | | | | | | | |
| Networking & Telecommunication | 3.7% | 7.9% | | 55.6% | | 8.0% | 50.8% | |
| Industrial Instruments | 0.9% | 1.9% | | 14.3% | | 2.0% | 14.3% | |
| Data Computing | 94.4% | 88.0% | | 14.8% | | 88.0% | 16.1% | |
| Consumer Electronics | 0.1% | 0.4% | | 2.2% | | 0.2% | 3.3% | |
| Automotive | 0.4% | 0.9% | | 5.1% | | 0.9% | 7.2% | |
| Semiconductor | 0.0% | 0.0% | | 5.0% | | 0.1% | 5.3% | |
| Others (medical devices, IoT, household electronic products & etc.) | 0.5% | 0.9% | | 3.0% | | 0.8% | 3.1% | |

*Source: Kenanga Research*

## Malaysian Technology Peers Comparison

| Name | Rating | Last Price @ 27 Feb. (RM) | Target Price (RM) | Upside | Mkt Cap (RM m) | Shariah Compliant | Current FYE | Core EPS (sen) | | Core EPS Growth | | PER (x) – Core Earnings | | PBV (x) | ROE | Net. Div. (sen) | Net. Div. Yld |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. |
| D&O GREEN TECHNOLOGIES BHD | OP | 1.40 | 2.03 | 45.0% | 1,735.3 | Y | 12/2025 | 8.9 | 9.0 | 178.7% | 1.0% | 16.5 | 11.7 | 1.7 | 11.5% | 1.0 | 0.5% |
| INARI AMERTRON BHD | MP | 2.19 | 2.80 | 27.9% | 8,297.8 | Y | 06/2025 | 7.4 | 9.0 | -9.7% | 21.9% | 23.3 | 18.5 | 3.0 | 7.1% | 8.0 | 2.7% |
| KELINGTON GROUP BHD | OP | 3.52 | 4.33 | 23.0% | 2,536.5 | Y | 12/2025 | 20.4 | 19.9 | 25.4% | 13.4% | 21.8 | 18.1 | 3.9 | 26.6% | 10.0 | 2.9% |
| LGMS BHD | MP | 1.05 | 1.00 | -4.8% | 478.8 | Y | 12/2025 | 3.3 | 3.8 | 22.8% | 13.2% | 22.7 | 16.6 | 4.7 | 15.3% | 2.0 | 0.8% |
| M'SIAN PACIFIC INDUSTRIES BHD | OP | 18.90 | 26.75 | 41.5% | 3,768.6 | Y | 06/2025 | 83.6 | 99.1 | 32.0% | 18.6% | 25.4 | 13.7 | 1.7 | 7.8% | 35.0 | 1.3% |
| NATIONGATE HOLDINGS BHD | MP | 1.99 | 2.15 | 8.0% | 4,530.6 | Y | 12/2025 | 9.0 | 5.5 | 16.0% | -38.1% | 34.7 | 21.7 | 4.2 | 20.5% | 2.0 | 0.6% |
| OPPSTAR BHD | UP | 0.515 | 0.390 | -24.3% | 329.9 | Y | 03/2025 | (1.0) | 1.5 | -141.3% | 53.1% | 9.1 | 7.9 | 2.3 | -4.4% | 0.0 | 1.2% |
| P.I.E. INDUSTRIAL BHD | OP | 4.20 | 6.28 | 49.5% | 1,613.0 | Y | 12/2024 | 17.4 | 29.1 | -10.1% | 67.5% | 18.9 | 14.6 | 2.5 | 10.6% | 7.0 | 0.0% |
| SKP RESOURCES BHD | OP | 0.995 | 1.24 | 24.6% | 1,554.5 | Y | 03/2025 | 7.6 | 8.6 | 22.4% | 13.9% | 13.6 | 11.7 | 1.4 | 11.4% | 0.0 | 0.0% |
| UNISEM (M) BHD | MP | 2.30 | 3.00 | 30.4% | 3,710.1 | Y | 12/2024 | 5.7 | 11.1 | 12.7% | 94.8% | 22.6 | 18.1 | 1.6 | 3.9% | 8.0 | 2.5% |
| Simple Average | | | | | 28,555.2 | | | | | 13.9% | 16.9% | 23.8 | 20.4 | 2.7 | 11.0% | | 1.2% |

*Source: Kenanga Research*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## Stock ESG Ratings:

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ☆ | |
| | Community Investment | ★ | ★ | ☆ | | |
| | Workers Safety & Wellbeing | ★ | ★ | ★ | | |
| | Corporate Governance | ★ | ★ | ★ | | |
| | Anti-Corruption Policy | ★ | ★ | ★ | | |
| | Emissions Management | ★ | ★ | ★ | | |
| SPECIFIC | Technology & Innovation | ★ | ★ | ★ | ☆ | |
| | Supply Chain Management | ★ | ★ | ★ | | |
| | Energy Efficiency | ★ | ★ | ★ | | |
| | Effluent/Water Management | ★ | ★ | ★ | | |
| | Waste Management | ★ | ★ | ★ | | |
| | Ethical Practices | ★ | ★ | ★ | ☆ | |
| | **OVERALL** | ★ | ★ | ★ | | |

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

## Stock Ratings are defined as follows:

**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations*****

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***



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