

29 May 2026

Engtex Group

Clearer Recovery

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ENGTEX's 1QFY26 results beat our expectations, with CNP of RM10m accounting for 32% of our FY26 estimate (but only 17% of consensus). The beat was supported by stronger manufacturing performance, driven by recovering steel product demand. Medium-term demand should be anchored by the roll-out of water infrastructure projects, while data center-related developments could provide additional pipe demand. We raise FY26F/FY27F earnings by 39%/56% and switch valuation methodology from PBV to PER, deriving a lower TP of RM0.51 (from RM0.65). Maintain OUTPERFORM.

Beating our expectation. After stripping off RM0.4m exceptional items, 1QFY26 CNP came in at RM10m. This accounted for 32% of our full-year forecast (above expectations) but only 17% of consensus (below expectations). The outperformance was mainly driven by stronger-than-expected manufacturing segment performance, supported by recovery in steel products demand.

QoQ, 1QFY26 CNP declined 36% to RM10m. The weaker performance was mainly dragged by lower delivery output for metal products in the manufactured steel segment (EBITDA -47%). This was partially cushioned by a better product mix in wholesale and distribution (+44%, margins +2 ppts). The effective tax rate increased 8 ppts to 26% during the quarter.

YoY, 1QFY26 CNP achieved a turnaround to RM10m from -RM2m in 1QFY25, mainly driven by: (i) better product mix for manufactured steel products (EBITDA margin +5 ppts to 9%), and (ii) lower production costs on the back of higher production and delivery output. As a result, GP margin expanded sharply by 4.6 ppts to 14% (1QFY25: 10%).

Outlook. We anticipate sequential improvement in the coming quarter, supported by cost optimisation initiatives and an improving product mix towards higher value-added steel products. Order flows should regain momentum as water infrastructure tenders materialise, following improved sector cash flows after the September 2025 water tariff adjustment. In addition, ongoing construction activity across 23 data centre facilities, backed by 3.8GW of ESAs in the pipeline, implies sustained demand for water piping, as data centres require water for cooling systems. This should continue to drive near-term demand.

Forecasts. We revise earnings forecasts upward by 39% and 56% for FY26 and FY27, respectively, mainly reflecting: (i) higher margin assumptions for steel and ductile iron pipes, and (ii) slightly higher utilisation rates following improved manufacturing delivery output.

Valuations. Following the better-than-expected earnings turnaround, valuation methodology has been switched from PBV to PER to reflect the improved earnings profile. A forward PER of 9x is applied, deriving a **TP of RM0.51** (from RM0.65). TP incorporates a 3% ESG premium for a 3-star rating as appraised by us (See Page 4).

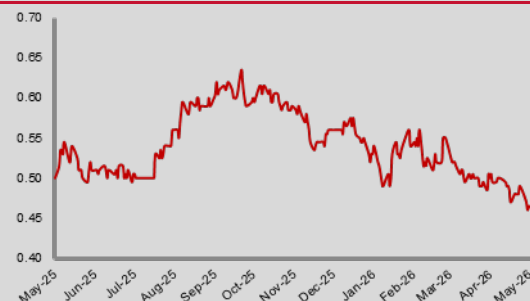
Investment case. We like ENGTEX for: (i) the huge potential in the water pipe replacement market locally, (ii) its dominant market position in both large-diameter mild steel (MS) pipes and ductile iron (DI) pipes, and (iii) its strong earnings visibility underpinned by significant order backlogs and strong pipeline of new projects. Maintain **OUTPERFORM**.

Risks to our call include: (i) volatility in input costs and end-product selling prices, (ii) rising input costs, and (iii) the delay in the roll-out of water infrastructure projects.

OUTPERFORM ↔

Price : **RM0.46**
Target Price : **RM0.51** ↓

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-19.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	ENGT MK EQUITY
Market Cap (RM m)	387.3
Shares Outstanding	841.9
52-week range (H)	0.64
52-week range (L)	0.45
3-mth avg. daily vol.	497,344
Free Float	38%
Beta	0.9

Major Shareholders

NH Holdings Sdn Bhd	22.8%
NKG Resources Sdn Bhd	9.5%
Employees Provident Fund	3.7%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,434	1,594	1,589
EBIT	62	84	97
PBT	43	57	70
Net Profit	28	43	53
Core PATAMI	24	43	53
Consensus (NP)	-	58.1	61.9
Earnings Revision	-	38.9%	55.5%
Core EPS (sen)	4.4	5.4	5.5
Core EPS Growth (%)	87.7	23.3	0.8
NDPS (sen)	0.6	0.8	0.8
NTA per Share (RM)	1.6	1.2	1.0
PER (x)	10.5	8.5	8.4
PBV (x)	0.3	0.4	0.4
Net Gearing (x)	0.4	0.5	0.4
Net Div. Yield (%)	1.3	1.6	1.6

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Results Highlights

FYE Dec (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
Revenue	323	374	-14%	310.3	4%	323	310	4%
COGS	-278	-322	-14%	-279.7	-1%	-278	-280	-1%
GP	45	52	-13%	30.6	47%	45	31	47%
Admin expenses	-15	-15	1%	-14.7	4%	-15	-15	4%
Distribution costs	-14	-14	-2%	-11.9	18%	-14	-12	18%
Net gain on impairment	0	-5	-100%	-0.3	-99%	0	0	-99%
Other operating expenses	0	0	-64%	0.0	1717%	0	0	1717%
Other operating income	2	12	-86%	3.9	-57%	2	4	-57%
EBIT	17	29	-42%	7.6	126%	17	8	126%
Finance costs	-6	-7	-6%	-6.5	-4%	-6	-6	-4%
Finance income	2	2	-25%	1.4	14%	2	1	14%
PBT	13	25	-50%	2.5	401%	13	3	401%
Tax	-3	-4	-28%	-2.5	31%	-3	-2	31%
MI	0	0	156%	-2.0	-84%	0	-2	-84%
Net Profit	9	20	-54%	0.0	20568%	15	0	32568%
Core Net Profit	10	15	-36%	-2.0	N.A.	10	-2	N.A.
GP Margin	14%	14%		10%		14%	10%	
EBIT Margin	5%	8%		2%		5%	2%	
PBT Margin	4%	7%		1%		4%	1%	
Net Margin	3%	5%		0%		3%	0%	
Core Net Margin	3%	4%		-1%		3%	-1%	
Effective Tax Rate	26%	18%		98%		26%	98%	

Source: Company, Kenanga Research

Segmental Breakdown

External Revenue (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
Wholesale & Distribution	151	173	-13%	146	4%	151	146	4%
Manufacturing	168	197	-15%	159	6%	168	159	6%
Property Development	0	0	-3%	2	-84%	0	2	-84%
Hospitality	3	4	-18%	3	-9%	3	3	-9%
Total Revenue	322	374	-14%	310	4%	322	310	4%
EBITDA (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
Wholesale & Distribution	9	6	44%	8	14%	9	8	14%
Manufacturing	15	29	-47%	6	167%	15	6	167%
Property Development	0	0	-34%	-1	N.A.	0	-1	N.A.
Hospitality	0	0	-181%	0	-271%	0	0	-271%
Total EBITDA	24	35	-32%	13	86%	24	13	86%
EBITDA margins	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
Wholesale & Distribution	6%	4%		5%		6%	5%	
Manufacturing	9%	15%		4%		9%	4%	
Property Development	56%	82%		-32%		56%	-32%	
Hospitality	-5%	5%		3%		-5%	3%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market 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.
Stocks Under Coverage																	
ENGTEX GROUP BHD	OP	0.460	0.510	10.9%	387.3	Y	12/2026	4.4	5.5	79.2%	23.3%	10.3	8.4	0.5	4.7%	0.8	1.7%
PRESS METAL ALUMINUM HOLDINGS BHD	MP	9.00	8.80	-2.2%	74,156.6	Y	12/2026	37.4	42.1	44.1%	12.7%	24.1	21.4	6.6	29.9%	14.9	0.9%
UNITED U-LI CORPORATION BHD	OP	1.41	1.83	29.8%	307.1	Y	12/2026	18.7	22.9	13.3%	22.3%	7.5	6.2	0.7	10.3%	8.0	5.7%
SECTOR AGGREGATE					74,851.0					44.0%	12.9%	23.7	21.0	6.0	25.2%		2.8%

Source: Kenanga Research

Stock ESG Ratings:

Sustainability-Related Opportunities

- **Green Product Demand & Certifications:** Engtex holds several eco-label recognitions, including SIRIM Eco-Label licenses and MyHijau Mark registrations for its concrete-lined pipes, ductile iron pipes, and welded steel fabric. This presents strong commercial pivots to capture the expanding data center infrastructure market in Malaysia, which relies heavily on low-carbon industrial components and water infrastructure.
- **Operational Decarbonisation Efficiencies:** The company has actively scaled up on-site solar photovoltaic (PV) generation, spending RM5.4 million to complete rooftop systems across 7 operational locations. This infrastructure generated 2,744,031 kWh of renewable electricity in FY2025, lowering absolute Scope 2 utility reliance and mitigating grid tariff volatility.
- **Circular Economy Sourcing:** The Group avoids raw natural resource extraction costs by utilizing scrap metals as production feedstocks in its Electric Arc Furnace, alongside integrating recycled fuel oil for plant process heating.

Sustainability-Related Risks and Disclosure Gaps

- **Physical Climate Risk Vulnerability:** Under the forward-looking IPCC SSP5-8.5 high-emissions climate scenario model, absolute pluvial flash flooding and regional fluvial basin overflows represent a material operational threat. Engtex defines its site materiality threshold at an annualised financial exposure of over RM250,000, driven by potential inventory losses, plant and machinery (P&M) asset damage, and productivity downtime.
- **Reduced Occupational Safety Performance:** The Group's Lost Time Injury Frequency Rate (LTIFR) worsened from 2.5 in FY2024 to **2.8** in FY2025, exceeding the internal corporate management target of under 2.0. This operational risk was driven by recurring incidents at two plants involving machinery adjustments and uncompliant material handling behaviors.
- **Information Risk & Disclosures Gaps:** Although Engtex references relevant sustainability reporting standards and frameworks, Scope 3 disclosure remains restricted to business travel and employee commuting, leaving upstream/downstream value chain data omitted.

ESG Rating

Criterion	Rating				
Greenhouse Gas Emissions	★	★	★	★	★
Air Quality	★	★	★		
Energy Management	★	★	★	★	
Water Management	★	★	★	★	
Waste Management	★	★	★	★	
Workforce Health & Safety	★	★	★		
Supply Chain Sourcing	★	★	★	★	
OVERALL	★	★	★	★	

☆ denotes half-star
 ★ -5% discount to TP
 ★★ -3% discount to TP
 ★★★ TP unchanged
 ★★★★ +3% premium to TP
 ★★★★★ +5% premium to TP

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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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