LGMS Berhad

Decent start for the year

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OUTPERFROM ↔

Price :	**RM0.53**	
Target Price :	**RM0.58**	↔

LGMS's 3MFY26 results came in within expectations, supported mainly by stronger revenue contribution from the cyber threat and incident response segment, driven by higher demand from clients in the financial and manufacturing sectors. We remain positive on the group's long-term prospects, underpinned by structural tailwinds from the Cyber Security Act 2024 and the rollout of StarSentry, its plug-and-play cybersecurity solution targeting enterprises and SMEs. Following the result, we make no changes to our forecasts and maintain our OUTPERFORM call, with an unchanged TP of RM0.58.

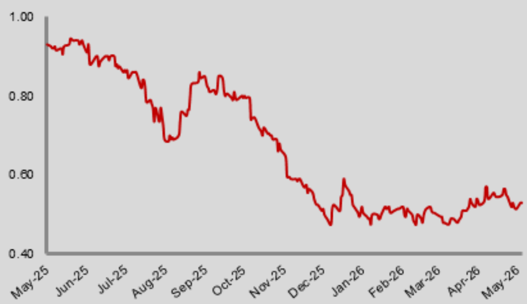
LGMS's 3MFY26 net profit of RM2.2m accounted for 17% of both our and consensus full-year estimates. We deem this set of results to be within expectations, as 1Q is historically a seasonally weaker quarter for the group, contributing around 18% of full-year earnings on average over the past three years. The in-line performance was mainly supported by stronger revenue contributions from the cyber threat and incident response segment, as well as the cyber risk prevention segment. No dividend was declared for the quarter.

YoY, LGMS's 3MFY26 revenue increased by 13% to RM10.9m, mainly driven by stronger contributions from the cyber threat and incident response segment (+107% YoY) and the cyber risk prevention segment (+6% YoY). In line with the higher revenue, PBT and PAT both grew by 13% to RM2.9m and RM2.2m, respectively, while net margin remained largely stable at 20%.

QoQ, LGMS's 3MFY26 revenue declined 20% to RM10.9m, reflecting the seasonally softer first quarter compared with 4Q. This is typically due to stronger corporate spending in the final quarter of the year, as companies accelerate IT-related expenditure to fully utilise their annual budgets before year-end. As a result, PBT fell 31% QoQ, mainly due to weaker operating leverage from the lower revenue base. Net profit declined by a sharper 43% QoQ, further impacted by a higher effective tax rate of 27%, up 4ppt QoQ, in addition to the lower revenue contribution.

Outlook. Malaysia's cybersecurity sector remains at an early yet promising stage of growth, underpinned by the implementation of the Cyber Security Act 2024 (Act 854) on 26 August 2024. The Act is expected to progressively accelerate cybersecurity adoption across industries as regulatory requirements tighten. This comes against a more challenging threat landscape, with reported cyber incidents remaining elevated at 7,616 cases in year 2025 (+23% YoY), and 1Q26 itself already recorded 2,188 (+32% YoY). This mirrors LGMS's recent performance, with its cyber incident response segment seeing stronger demand over the past few quarters. We expect this momentum to remain intact as companies become more proactive in detecting, responding to, and mitigating cyber risks. Looking ahead, 2H26 is expected to be a more active period for LGMS, supported by the gradual deployment of Star Sentry, new product launches, and cross-selling opportunities. A key upcoming product is Cyber Risk Management solution that will continuously monitor clients' security posture by tracking domain exposure across the dark web and public internet, detecting stolen credentials, and identifying potential hacker awareness. This should enhance LGMS's value proposition by helping clients uncover risks earlier and stay ahead of evolving cyber threats.

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	1.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LGMS MK EQUITY
Market Cap (RM m)	241
Shares Outstanding	456.0
52-week range (H)	0.95
52-week range (L)	0.46
3-mth avg. daily vol.	122,213
Free Float	51.8%
Beta	1.33

Major Shareholders

Fong Choong Fook	36.6%
Sumitomo Mitsui Trust Hdlg	25.0%
Go Soon Sei	10.8%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	44	49	57
EBIT	13	14	18
PBT	13	15	18
Net Profit	10	13	16
Consensus	-	13	16
Earnings Revision	-	-	-
EPS (sen)	2.24	2.92	3.56
EPS growth (%)	-17.2	30.3	21.8
NDPS (sen)	1.2	1.2	1.2
BV/Share (RM)	0.2	0.2	0.3
Core PER (x)	21.6	16.6	13.6
P/BV (x)	2.2	2.0	1.8
Gearing (x)	0	0	0
Net Dvd Yield (%)	2.5%	2.5%	2.5%

Forecasts. We make no changes to our forecasts, as LGMS's 3MFY26 results came in within expectations. We expect earnings momentum to be more 2H-weighted, supported by a visible pipeline of cybersecurity projects, ongoing cross-selling initiatives, and new product launches in 2H26.

Valuations. We maintain our OUTPERFORM call on LGMS, with an unchanged target price of RM0.58, pegged to 20x FY26F PER to reflect the still-immature cybersecurity market, which hinders adoption. There is no ESG-related adjustment to our TP, given our 3-star rating for the group (see Page 4).

Investment case. We like LGMS for: (i) its strong growth potential in the underpenetrated cybersecurity market, (ii) a robust competitive edge due to high vendor qualification barriers, and (iii) its new proprietary certification software expected to drive future growth.

Risks to our call include: (i) a prolonged product awareness timeline, (ii) economic downturn resulting in customer lowering budget allocated for cybersecurity, (iii) reluctance to spend on cybersecurity services due to the lack of knowledge and awareness in emerging countries, and (iv) failure to maintain its extensive list of accreditations due to potential loss of critical talent.

Results Highlight

FYE Dec (RM m)	1Q26	4Q25	QoQ Chg	1Q25	YoY Chg	3M26	3M25	YoY Chg
Turnover	10.9	13.6	-20.4%	9.6	12.7%	10.9	9.6	12.7%
EBITDA	2.4	4.3	-45.3%	2.2	5.0%	2.4	2.2	5.0%
EBIT	2.9	4.8	-40.4%	2.5	14.4%	2.9	2.5	14.4%
PBT/(LPT)	2.9	5.0	-41.0%	2.6	12.8%	2.9	2.6	12.8%
Taxation	0.8	1.1	-30.5%	0.7	16.3%	0.8	0.7	16.3%
MI	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
Net Profit	2.2	3.9	-43.2%	1.9	13.4%	2.2	1.9	13.4%
Core EPS (sen)	0.5	0.8	-43.2%	0.4	13.4%	0.5	0.4	13.4%
DPS (sen)	0.0	1.2	NM	0.0	NA	0.0	0.0	NA
EBITDA Margin	21.7%	31.6%		23.3%		21.7%	23.3%	
EBIT Margin	26.5%	35.4%		26.1%		26.5%	26.1%	
PBT Margin	26.9%	36.4%		26.9%		26.9%	26.9%	
NP Margin	20.2%	28.4%		20.1%		20.2%	20.1%	
Tax Rate	26.9%	22.8%		26.0%		26.9%	26.0%	

Source: Kenanga Research

Revenue Breakdown (By Segment)

FYE 31 Dec	1Q26	4Q25	QoQ Chg	1Q25	YoY Chg	3M26	3M25	YoY Chg
Cyber risk prevention	6.9	7.1	-3.4%	6.5	6.1%	6.9	7.1	-3.4%
Cyber risk mgmt & compliance	2.5	4.9	-47.5%	2.5	3.5%	2.5	4.9	-47.5%
Cyber threat & incident response	1.4	1.7	-13.7%	0.7	106.9%	1.4	1.7	-13.7%
Total Revenue	**10.9**	**13.6**	**-20.4%**	**9.6**	**12.7%**	**10.9**	**13.6**	**-20.4%**

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price (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	MP	0.440	0.470	6.8%	545.4	Y	12/2026	2.1	2.3	132.7%	39.9%	20.7	19.3	0.8	3.8%	1.0	2.3%
FRONTKEN BHD	OP	4.85	5.10	5.2%	8,792.7	Y	12/2026	12.8	13.9	31.9%	8.7%	38.0	34.9	6.8	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	2.22	2.42	9.0%	8,453.3	Y	06/2026	4.8	8.0	-28.1%	64.6%	45.9	27.9	3.1	5.9%	5.0	2.3%
KELINGTON GROUP BHD	OP	7.32	9.05	23.6%	6,301.0	Y	12/2026	21.4	24.5	29.1%	14.1%	34.1	29.9	8.3	27.5%	15.0	2.0%
LGMS BHD	OP	0.530	0.580	9.4%	241.7	Y	12/2026	2.9	3.6	30.4%	21.8%	18.2	14.9	1.8	10.5%	2.0	3.8%
MALAYSIAN PACIFIC INDUSTRIES	MP	49.14	38.90	-20.8%	9,798.4	Y	06/2026	104.7	134.1	35.6%	28.0%	46.9	36.7	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.725	0.660	-9.0%	1,640.4	Y	12/2026	4.7	5.7	7.8%	21.1%	15.4	12.7	1.5	10.2%	2.0	2.8%
OPPSTAR BHD	MP	0.670	0.230	-65.7%	431.1	Y	03/2027	(1.6)	1.0	-184.7%	-40.0%	N.A.	68.1	3.4	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.42	1.45	2.1%	545.3	Y	12/2026	5.9	8.4	0.4%	42.3%	24.0	16.9	0.8	3.5%	0.0	0.0%
SKP RESOURCES BHD	MP	0.355	0.500	40.8%	554.6	Y	03/2026	5.7	4.4	-24.4%	-22.5%	6.3	8.1	0.5	8.0%	0.0	0.0%
SKYECHIP BHD	OP	2.89	2.00	-30.8%	5,190.4	Y	03/2027	2.6	3.4	30.1%	32.1%	111.1	84.1	29.9	31.2%	70.0	24.2%
UNISEM (M) BHD	UP	5.10	2.47	-51.6%	8,226.7	Y	12/2026	5.4	9.5	39.6%	74.6%	93.7	53.7	3.8	4.1%	0.0	0.0%
UWC BHD	OP	5.89	4.70	-20.2%	6,498.6	Y	07/2026	9.0	14.3	143.3%	59.0%	65.7	41.3	11.3	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.60	3.95	-14.1%	3,272.1	Y	12/2026	12.1	13.1	39.0%	8.1%	38.0	35.1	3.8	10.4%	2.0	0.4%
INFOMINA BHD	OP	1.08	1.90	75.9%	649.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.2	14.2	3.3	18.3%	1.0	0.9%
SECTOR AGGREGATE					61,141.2					17.5%	30.2%	43.7	33.6	5.6	11.5%		2.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★	☆	
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	☆		
SPECIFIC	Occupational Health & Safety	★	★	★	★	
	Protection of Customer Data	★	★	★	★	
	Cyber Security	★	★	★	★	
	Energy Efficiency	★	★	★		
	Digital Transformation	★	★	★		
	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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