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NationGate Holdings

FY26 a Transition Year — Look Past to FY27

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NATGATE's 1QFY26 adjusted net profit of RM0.1 mn came in below expectations, as a weakening USD lowered MYR-equivalent revenue from USD-referenced pricing and triggered downward revaluation of USD-denominated inventories, resulting in higher COGS and margin compression. Looking ahead, we expect the data computing segment to still remain the key revenue driver for FY26, with the product mix skewing more towards CPU-based server shipments, before new customers secured in networking segment to gradually ramp up as early as 4QFY26, which should support margin expansion thereafter. Post earnings, we trim our FY26 net profit forecast by 20%, reflecting a lower margin assumption and revise our TP up to RM0.78 (from RM0.66) after rolling forward our valuation base to FY27, based on unchanged 15x PER.

NATGATE's 1QFY26 adjusted net profit of RM0.1m came in below our/Street FY26 forecasts of RM100m/RM106m, mainly due to weaker-than-expected margins as USD-denominated inventories were revalued downward, increasing COGS. Our 1QFY26's core net profit of RM0.1m was derived after adjusting for RM25.9m in forex loss and RM21.7m of fair value gain on derivative financial instruments, as well as RM2.1m of allowance for slow moving inventories. During the quarter, the group declared an interim dividend of 0.25 sen per share.

YoY, 1QFY26 revenue fell 39% to RM1.7 bn, mainly due to the absence of AI GPU sales in the data computing segment. Gross profit declined 72%, as an unfavourable product mix and downward revaluation of USD-denominated inventories drove higher COGS and margin compression, resulting in an adjusted net profit of just RM0.1m (vs RM78.1m in 1QFY25).

QoQ, the group's revenue increased by 43% to RM1.7b, driven mainly by stronger contributions from the data computing segment (+50% QoQ). However, as this segment carries relatively lower margins and the higher COGS recognised due to weakening of USD, gross profit seen a reduction by 26% to RM28.3m. This resulted in a loss before tax of RM8.4m largely attributable to higher finance costs (+78% QoQ). Nonetheless, after excluding the forex gain, fair value gain on derivative financial instruments, and the allowance for slow-moving inventories — which collectively amounted to RM6.3m — the group registered an adjusted net profit of RM0.1m for the quarter.

Outlook. FY26 has been a transition year for NATGATE, as the AI server narrative from FY25 has largely faded, while the ramp-up from the networking side is only expected to materialize as early as 4QFY26, and more likely in FY27. We think investors should look beyond FY26, as there isn't much to shout about in the near term, with the key rerating catalyst being the ramp-up of the photonics segment in FY27. On the networking side, growth has been constrained by the current optical transceiver product mix, which limits the group's exposure to higher-growth AI networking demand — particularly in the 400G–800G segment, where NATGATE's presence remains limited. For its key networking customer, the group is involved in a factory-within-a-factory arrangement in Malaysia, supporting production of higher-bandwidth optical transceivers in line with the customer's China+1 diversification strategy. For the two newly secured customers in the 800G-and-above optical transceiver segment, meaningful

MARKET PERFORM ↔

Price: **RM0.76**

Target Price: **RM0.78** ↑

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-13.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	NATGATE MK EQUITY
Market Cap (RM m)	1,719.3
Shares Outstanding	2,262.6
52-week range (H)	1.77
52-week range (L)	0.56
3-mth avg. daily vol.	10,977,080
Free Float	37%
Beta	2.0

Major Shareholders

Ooi Eng Leong	48.3%
Geok Tan Ah	6.5%
Amanah Saham Nasional	5.5%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	7,612	6,042	6,558
EBIT	211	122	162
PBT	196	105	156
Net Profit	125	80	119
Adj NP	99	80	119
Consensus	-	106	135
Earnings Revision	-	-20%	10%
Core EPS (sen)	5.5	3.5	5.2
EPS Growth (%)	0.0	0.0	0.0
NDPS (sen)	2.0	2.0	2.0
BV/Share (RM)	0.4	0.5	0.5
Core PER (x)	13.8	21.8	14.6
P/BV (x)	2.0	2.0	1.9
Gearing (x)	0.3	0.0	0.1
Net Dvd Yield (%)	2.2	2.2	2.2

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contribution is expected only from 4QFY26 onwards, which should support margin expansion thereafter.

Forecasts. We cut our FY26 net profit forecast by 20% to RM80mn on lower margin assumption of 1.3% (vs 1.7% previously). On the back of new customers from networking kicking in FY27, we raise our FY27 net profit forecast by 11%.

Valuations. We raise our TP to **RM0.78** after rolling forward our valuation base to FY27, based on an unchanged 15x PER, slightly below NATGATE's mean valuation since its listing in January 2023, to reflect broader sector-wide uncertainties arising from ongoing supply-chain relocation dynamics.. 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 **NEUTRAL**.

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.

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Results Highlights								
FYE Dec (RMm)	1Q26	4Q25	QoQ Chg	1Q25	YoY Chg	3M26	3M25	YoY Chg
Turnover								
Gross Profit	1,719.9	1,203.9	42.9%	2,838.2	-39.4%	1,719.9	2,838.2	-39.4%
EBITDA	28.3	38.1	-25.7%	101.1	-72.0%	28.3	101.1	-72.0%
EBIT	16.7	43.2	-61.2%	91.1	-81.6%	16.7	91.1	-81.6%
PBT/(LPT)	3.5	30.1	-88.3%	77.5	-95.5%	3.5	77.5	-95.5%
Taxation	(8.4)	23.3	-136.2%	74.5	-111.3%	(8.4)	74.5	-111.3%
MI	0.7	(8.2)	-108.6%	(20.9)	-103.4%	0.7	(20.9)	-103.4%
Net Profit	8.3	(8.8)	-194.2%	0.3	2463.0%	8.3	0.3	2463.0%
Adj NP	0.5	6.4	-92.0%	53.9	-99.0%	0.5	53.9	-99.0%
EPS (sen)	0.1	(16.5)	-100.6%	78.1	-99.9%	0.1	78.1	-99.9%
DPS (sen)	0.0	0.3	-92.0%	2.4	-99.1%	0.0	2.4	-99.1%
	0.3	1.3	NM	0.3	0.0%	0.3	0.3	0.0%
Gross Margin								
EBITDA Margin	1.6%	3.2%	-1.5%	3.6%	-1.9%	1.6%	3.6%	-1.9%
EBIT Margin	1.0%	3.6%	-2.6%	3.2%	-2.2%	1.0%	3.2%	-2.2%
PBT Margin	0.2%	2.5%	-2.3%	2.7%	-2.5%	0.2%	2.7%	-2.5%
Adj NP Margin	-0.5%	1.9%	-2.4%	2.6%	-3.1%	-0.5%	2.6%	-3.1%
Tax Rate	0.0%	-1.4%	1.4%	2.8%	-2.7%	0.0%	2.8%	-2.7%

Source: Kenanga Research

Segmental Breakdown								
FYE Dec (RM m)	1Q26	4Q25	QoQ Chg	1Q25	YoY Chg	3M26	3M25	YoY Chg
Networking & Telecommunication								
Industrial Instruments	110.4	124.3	-11%	121.0	-9%	110.4	124.3	-11%
Data Computing	24.8	24.2	2%	30.6	-19%	24.8	24.2	2%
Consumer Electronics	1,521.0	1,016.2	50%	2,659.9	-43%	1,521.0	1,016.2	50%
Automotive	7.0	13.6	-49%	2.4	195%	7.0	13.6	-49%
Semiconductor	49.5	15.0	230%	12.0	311%	49.5	15.0	230%
TOTAL	7.3	10.6	-30%	12.3	-40%	7.3	10.6	-30%
% Rev. contribution								
Networking & Telecommunication	6.4%	10.3%	-4%	4.3%	2.2%	6.4%	10.3%	-3.9%
Industrial Instruments	1.4%	2.0%	-1%	1.1%	0.4%	1.4%	2.0%	-0.6%
Data Computing	88.4%	84.4%	4%	93.7%	-5.3%	88.4%	84.4%	4.0%
Consumer Electronics	0.4%	1.1%	-1%	0.1%	0.3%	0.4%	1.1%	-0.7%
Automotive	2.9%	1.2%	2%	0.4%	2.5%	2.9%	1.2%	1.6%
Others (medical devices, IoT, household electronic products & etc.)	0.4%	0.9%	0%	0.4%	0.0%	0.4%	0.9%	-0.4%

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	0.415	0.440	6.0%	514.4	Y	12/2026	(2.6)	2.0	-385.8%	-0.3%	N.A.	20.8	0.9	-16.6%	1.0	2.4%
FRONTKEN BHD	OP	4.88	5.10	4.5%	8,847.1	Y	12/2026	12.8	13.9	31.9%	8.7%	38.2	35.2	6.8	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	2.35	2.42	3.0%	8,948.4	Y	06/2026	4.8	8.0	-28.1%	64.6%	48.6	29.5	3.2	5.9%	5.0	2.1%
KELINGTON GROUP BHD	OP	7.43	9.05	21.8%	6,395.7	Y	12/2026	21.4	24.5	29.1%	14.1%	34.7	30.4	8.4	27.5%	15.0	2.0%
LGMS BHD	OP	0.515	0.580	12.6%	234.8	Y	12/2026	2.9	3.6	30.4%	21.8%	17.7	14.5	1.8	10.5%	2.0	3.9%
MALAYSIAN PACIFIC INDUSTRIES	MP	49.12	38.90	-20.8%	9,794.4	Y	06/2026	104.7	134.1	35.6%	28.0%	46.9	36.6	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.760	0.780	2.6%	1,719.6	Y	12/2026	3.5	5.2	-20.1%	49.3%	21.8	14.6	1.6	7.6%	2.0	2.6%
OPPSTAR BHD	UP	0.655	0.430	-34.4%	421.5	Y	03/2027	1.2	2.0	-50.9%	58.2%	53.1	33.6	3.3	6.3%	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	0.335	0.500	49.3%	523.4	Y	03/2026	5.7	4.4	-24.4%	-22.5%	5.9	7.6	0.5	8.0%	0.0	0.0%
SKYECHIP BHD	OP	2.82	2.00	-29.1%	5,064.7	Y	03/2027	2.6	3.4	30.1%	32.1%	108.5	82.1	29.2	31.2%	70.0	24.8%
UNISEM (M) BHD	UP	5.00	2.47	-50.6%	8,065.4	Y	12/2026	5.4	9.5	39.6%	74.6%	91.9	52.6	3.7	4.1%	0.0	0.0%
UWC BHD	OP	5.80	4.70	-19.0%	6,399.3	Y	07/2026	9.0	14.3	143.3%	59.0%	64.7	40.7	11.1	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.61	3.95	-14.3%	3,279.2	Y	12/2026	12.1	13.1	39.0%	8.1%	38.0	35.2	3.8	10.4%	2.0	0.4%
INFOMINA BHD	OP	1.09	1.90	74.3%	655.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.3	14.3	3.3	18.3%	1.0	0.9%
SECTOR AGGREGATE					61,408.6					12.1%	36.1%	46.1	33.9	5.5	11.0%		2.7%

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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