



LGMS Berhad

Results Above Expectations

LGMS's FY25 results came in above our expectations. Looking ahead, we raised our FY26E earnings by 1.5% to reflect the contribution from its new associate, Antarex Holdings, which will be recognised for the full year. Conversely, we trimmed our FY27E earnings by 3.4%, mainly due to higher employee benefits expenses as LGMS plans to expand its workforce. Accordingly, we tweaked our target price to RM0.62 (from RM0.61), based on an unchanged 23x P/E multiple applied to our FY26E EPS. Our call raised to BUY given the sharp weakness in its price in recent weeks.

12MFY25 results came in above expectations, with core net profit accounting for 114% of our estimates. This outperformance was driven by slightly higher-than-expected revenue growth of 0.6% (vs. our estimate of -0.4%) and lower operating expenses, with FY25 OPEX margin at 59% versus our 62% estimate. A DPS of 1.2 sen was declared for the quarter in review, bringing the cumulative FY25 DPS to 1.2 sen (FY24: 1.5 sen), implying a payout ratio of 54% for the financial year (below expectations).

YoY, Topline rose marginally by 0.6% to RM43.9m (FY24: RM43.6m), driven by strong growth in the cyber risk management and compliance (+18%) and cyber threat and incident response (+41%) segments, supported by a higher number of billable clients and stronger contributions from the financial and technology services sectors, partly offset by a 10% YoY decline in the cyber risk prevention segment due to weaker demand from the industrial, manufacturing and automotive industries. Bottom line fell 17% YoY to RM10.2m (FY24: RM12.3m), dragged by higher employee benefits expenses from headcount expansion. Consequently, EBITDA margins narrowed to 32% (FY24: 39%), mainly due to higher employee benefits expenses (50% of revenue vs. 42% in FY24). PBT margins fell to 30% (FY24: 40%), resulting in a PAT margins of 23% (FY24: 28%), despite a lower ETR (effective tax rate) of 24% (FY24: 25%).

QoQ, revenue rose 29%, driven by higher project completions across all business segments. Cyber risk prevention increased 6% QoQ to RM7m (3QFY25: RM7m), while cyber risk management and compliance recorded the strongest growth, surging 77% QoQ to RM5m (3QFY25: RM3m). Cyber threat and incident response also rose 44% QoQ to RM2m (3QFY25: RM1m). In terms of margins, OPEX improved - declining 4ppts to 55% mainly due to a lower employees' benefits. EBITDA improved by 8ppts to 39% (FY24: 31%), driven by lower employees' benefit expenses (45% of revenue vs 51% in FY24). PBT margins improved to 37% (3QFY25: 28%), supported by higher interest income. PAT margins lifted by 5ppts to 28%, offset by a 2ppts increase in the ETR .

Outlook. We expect FY26E–FY27E earnings to strengthen, supported by the contribution from Antarex Holdings following its acquisition, which provides an earnings buffer to PBT. The Malaysia cybersecurity market is projected to grow from US\$6.2bn in FY2025 to US\$6.6bn in FY2026 and further to US\$9.3bn by FY2031 (7.2% CAGR over 2026–2031). LGMS is well positioned to benefit from this structural growth, underpinned by stronger regulatory requirements following the Cyber Security Act 2024 and supported by national initiatives such as the National Cyber Security Strategy 2025–2030 and the MyDIGITAL Blueprint, which are expected to drive sustained cybersecurity adoption across both public and private sectors.

Result Note

BUY (↑)

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Wednesday, February 25, 2026

Price: RM 0.50

Target Price: RM 0.62 (↑)

Share Price Performance



Business Overview

LGMS Berhad is a cybersecurity firm offering penetration testing for web and mobile application, IoT, wireless networks, source code, CREST, Intelligence LED, cyber drills and advisory services including governance, SWIFT security, digital forensics, and national cybersecurity compliance. The Company is currently listed on the MAIN market.

Return Information

KLCI (pts)	1,754.01
YTD KLCI chg.	4.4%
YTD Stock Price chg.	-4.8%

Price Performance	1M	3M	12M
Absolute (%)	-1.0%	-22.5%	-52.1%
Relative to KLCI (%)	2.0%	8.4%	10.7%

Stock Information

Market Cap (RM m)	228.0
Issued Shares (m)	456.0
52-week High (RM)	1.12
52-week Low (RM)	0.46
Est. Free Float (%)	51.6%
Beta vs FBM KLCI	1.3
3-month Avg Vol. (m)	913,860
Shariah Compliant	Yes
Bloomberg Ticker	LGMS MK EQUITY

Top 3 Shareholders

Shareholder	%
Fong Choong Fook	36.5%
Goh Soon Sei	10.8%
Norges Bank	3.0%

FY Dec (RM m)	FY24A	FY25E	FY26E
Revenue	43.6	43.9	49.6
EBITDA	17.1	14.2	15.4
EBIT	16.0	12.9	13.8
PBT	16.5	13.4	16.2
Core Net Profit	12.3	10.2	12.3
Consensus Net Profit	-	-	12.4
Earnings Revision (%)	-	-	1.5%
Core EPS (sen)	2.71	2.24	2.70
Core EPS Growth (%)	10.4%	-17.2%	20.4%
Net Div. Yield (%)	0.9%	2.2%	2.6%
BVPS (sen)	20.7	21.2	22.5
PER (x)	20.3	24.5	20.4
PBV (x)	2.7	2.6	2.4
Net Gearing (x)	N.Cash	N.Cash	N.Cash

Post-results, we raised our FY26E earnings by 1.5%, reflecting the expected growth in the cybersecurity market and the full-year contribution from its new associate, Antarex Holdings. Conversely, we trimmed our FY27E earnings by 3.4%, mainly due to higher-than-expected employee benefits expenses (previous estimate: 9.7%; latest: 13.3%) as LGMS plans to expand its workforce, in line with its project-based business model where capacity is driven by headcount growth.

Valuation. We raised slightly our target price to RM0.62 (from RM0.61), based on an unchanged target P/E multiple of 23x applied to FY26E EPS of 2.7 sen. The target multiple is benchmarked against the three-year average historical P/E of domestic peers with comparable operations. Due to the sharp weakness in price in recent weeks, we nevertheless upgrade our recommendation to BUY from HOLD.

Investment Merits. We remained optimistic on LGMS, underpinned by its (i) strong industry positioning as a recognized cybersecurity specialist in the Asia-Pacific region. LGMS's inclusion in Gartner's Market Guide for DFIR Retainer Services and (ii) its track record of high-margin delivery supports its competitive differentiation. Strategically, (iii) partnerships with global and regional players, alongside Mitsui's 25% strategic stake, provide avenues for market access and overseas expansion. While near-term earnings may be affected by headcount expansion and one-off costs, we expect revenue growth to remain supported by structural demand for cybersecurity services and improved capacity utilisation over time.

Key risks include: i) Competitive pressure, ii) Skilled labor-intensive business model, iii) inability to capture public sector contracts and iv) High local client exposure.

Results Highlights

Y/E : December (RM m)	4Q FY25	3Q25	QoQ Chg	4Q24	YoY Chg	12M25	12M24	YoY Chg
Turnover	13.6	10.6	28.6%	13.2	3.1%	43.9	43.6	0.6%
OPEX	(7.5)	(6.3)	18.8%	(7.1)	4.7%	(26.1)	(24.1)	8.1%
EBITDA	5.3	3.3	62.5%	5.7	-6.9%	14.3	17.1	-16.4%
EBIT	4.8	2.9	64.6%	5.5	-11.9%	12.9	16.0	-19.7%
PBT/(LBT)	5.0	3.0	66.2%	5.6	-11.4%	13.4	16.5	-18.9%
Taxation	(1.1)	(0.6)	79.8%	(1.6)	-28.0%	(3.2)	(4.2)	-23.9%
Net Profit	3.9	2.4	62.6%	4.1	-5.0%	10.2	12.3	-17.2%
PATAMI	3.9	2.4	62.6%	4.1	-5.0%	10.2	12.3	-17.2%
Core EPS (sen)	0.9	0.5	63.5%	0.9	-4.5%	2.2	2.7	-17.3%
DPS (sen)	0.9	0.5	63.5%	0.9		2.2	2.7	
Margins								
Opex	-54.7%	-59.2%		-53.8%		-59.4%	-55.3%	
EBITDA	39.2%	31.0%		43.4%		32.5%	39.2%	
EBIT	35.4%	27.6%		41.4%		29.3%	36.7%	
PBT	36.7%	28.4%		42.7%		30.5%	37.9%	
PATAMI	28.4%	22.5%		30.8%		23.3%	28.3%	
ETR	-22.6%	-20.9%		-27.8%		-23.8%	-25.3%	
Revenue Breakdown (RM'm)								
Cyber Risk Prevention	7.1	6.7	6.2%	8.16	-12.7%	26.14	29.14	-10.3%
Cyber risk management and compliance	4.9	2.7	77.3%	4.33	12.1%	13.33	11.34	17.5%
Cyber threat and incident response	1.7	1.2	43.6%	0.74	124.4%	4.45	3.15	41.0%
Total	13.6	10.6	28.6%	13.2	3.1%	43.9	43.6	0.6%

Source: Company, Bursa Malaysia, Mercury Securities



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