



MAG Holdings Berhad

Forex, Freight Headwinds and Processing Bottleneck Cloud Near-Term Earnings

Company Update
HOLD (↓)

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Price: RM 0.165

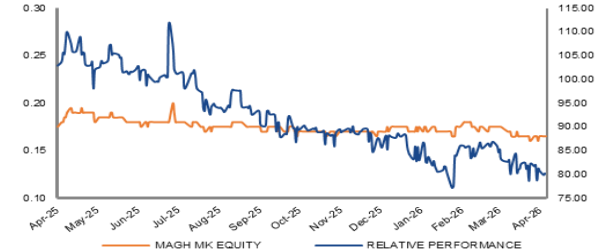
Target Price: RM 0.155 (↓)

MAG Holdings Berhad continues to face near-term headwinds from persistent MYR strength, elevated freight costs and slower-than-expected processing ramp-up. Following our management meeting, we revise down our FY26E/FY27E earnings by 13%/11%, reflecting lower GP margin assumptions of 20.5%/22.0, a more conservative processing utilisation rate of 40% and a lower contract farming contribution of 9%/11%, alongside co-alignment of earnings methodology to Core EPS. Consequently, we lower our TP by 21% to RM0.155, based on an unchanged 9.5x PER applied to FY27E EPS of 1.63 sen, and downgrade our recommendation from BUY to HOLD.

We recently held a meeting with MAG Holdings Berhad's management to discuss the Group's operational updates and future outlook. Our takeaways from the meeting are as follows:

- 1. Forex and Freight Pressure Compress Margins Despite ASP Revision.** Approximately 60% of revenue is USD-denominated, whereby the strengthening ringgit reduces the MYR value of export realisations while supply chain disruptions have driven freight costs higher. Management has partially offset these headwinds through export ASP upward revisions of more than 10%, with volume impact remaining manageable thus far. However, full pass-through is not viable without risking customer loss to regional competitors in Vietnam, Thailand and Indonesia who face comparatively less currency pressure, resulting in partial cost absorption by the Group. Bulk USD feed purchases are being explored to partially hedge input costs. Management expects GP margin to remain around current levels (18MFY25: 22.8%) or compress modestly if these pressures persist, partially cushioned by productivity gains from the lower-density farming trial, including higher survival rates, shorter farming cycles and lower FCR.
- 2. Slower-than-expected Operations & Capacity.** Processing utilisation currently stands at approximately 40% (Our estimate: 42%) on a combined basis (North Cube Plant at 50%; Wakuba Plant at 30%) against total installed capacity of 12,000 MT/year, while own-farm output reached 8,700 MT as at December 2025, representing farm utilisation of approximately 87%. The wide gap between the two reflects the structural shortfall of own-farm supply relative to processing capacity, and management has guided a longer-term target of 70–75% processing utilisation, contingent on securing sufficient third-party offtake.
- 3. Lower Contribution from Contract Farming & Third-Party Offtake.** Contract farming contributed below 10% of 18MFY25 revenue, with management targeting 10–20% over the coming years via two tracks: an in-house programme (partnered with Agro Bank, requiring full protocol compliance across at least two farming cycles) and an external offtake arrangement where MAG supplies fry to independent farms. Some larger players including CP are already supplying on this basis, though near-term growth remains constrained by pond capacity. Following management guidance, we lower our contract farming estimate to the topline from 12% to 9% for FY26E.

Share Price Performance



Business Overview

MAG Holdings Berhad (MAGH) is an aquaculture-based food producer. The company today is a leading prawn aquaculture player in Malaysia with a strength of 384 cultivation ponds and 2 processing plants. Listed on the ACE Market.

Return Information

KLCI (pts)	1,710.39
YTD KLCI chg.	1.8%
YTD Stock Price chg.	-5.7%

Price Performance	1M	3M	12M
Absolute (%)	-5.7%	-2.9%	-8.3%
Relative to KLCI (%)	-5.1%	-2.5%	-23.4%

Stock Information

Market Cap (RM m)	313.9
Issued Shares (m)	1,902.5
52-week High (RM)	0.20
52-week Low (RM)	0.16
Est. Free Float (%)	41%
Beta	0.4
3-month Avg Vol.	6,867,169
Shariah Compliant	No
Bloomberg Ticker	MAGH MK EQUITY

Top 3 Shareholders

Shareholder	%
Ng Min Lin	27.0%
Ching-Fu Hsu	4.2%
Megan Mezanin	4.0%

FY Dec (RM m)	FY25A*	FY26E	FY27E
Revenue	565.7	398.6	411.7
Gross Profit	128.8	81.7	90.6
EBITDA	-124.0	24.3	31.6
EBIT	-147.6	47.8	55.6
PBT	-164.9	38.3	46.1
Net Profit	-183.0	29.1	35.0
Core Net Profit	-183.0	27.1	33.0
Consensus Net Profit	-	47.3	49.8
Earnings Revision	-	-13%	-11%
Core EPS (sen)	-9.03	1.34	1.63
Core EPS Growth (%)	-538.6%	-114.8%	21.5%
Net DPS (sen)	0.09	0.06	0.07
Net Div. Yield (%)	0.5%	0.3%	0.4%
BV Per Share (sen)	29.7	32.1	32.9
P/B (x)	0.6	0.5	0.5
P/E (x)	-1.9	12.2	10.1
ROE (%)	-30.4%	4.5%	5.3%

*Reflecting 18 months period for the financial year.



4. FY2025 Headline loss due to RM243.9m One-Off Impairment. To recap, the Group reported an 18MFY25 headline net loss of RM183.0m (LATMI), entirely driven by a one-off non-cash provision of RM243.9m on a loan to a former subsidiary, made at the suggestion of the auditors; excluding this, adjusted PBT stood at RM79.0m (PBT margin: 14.0%), broadly in line with FY24's 14.4%. Management does not anticipate further exceptional charges of this nature. Notwithstanding the impairment, the balance sheet remains healthy with cash of RM109.6m, current ratio of 2.5x and net gearing of 0.37x as at 31 December 2025, though total equity declined to RM601.2m from RM816.1m primarily reflecting the provision. All warrants have been fully exercised. A final dividend of 0.1 sen per share was paid in January 2025, and management aspires to grow dividend payout toward ~10% of net profit over time, subject to lender covenants and the Group's financial performance.

Outlook. Management remains cautiously optimistic, though near-term earnings is tempered by persistent MYR strength and elevated freight costs weighing on export margins. On the operational front, the ongoing Smart Farming Solutions rollout and lower-density farming trial are expected to progressively improve farm productivity, providing a partial cushion against forex headwinds. Contract farming, currently below 10% of revenue, is targeted to grow to 10–20% over the coming years as the in-house programme matures and new facilities come on stream. With the RM243.9m impairment now fully provisioned, underlying earnings should better reflect core operational performance going forward, though margin recovery remains contingent on the trajectory of MYR/USD and freight costs.

Earnings Revision. We revise down our FY26E/FY27E earnings by 13%/11% to RM27.1m/RM33.0m respectively, reflecting: (i) lower GP margin assumptions of 20.5%/22.0% (previously 21.7%/23.0%), as management guided that ongoing freight cost pressures stemming from Middle East supply chain disruptions cannot be fully passed through to customers; (ii) a more conservative processing utilisation rate of 40% (previously 42%), reflecting the structural shortfall of own-farm supply against 12,000 MT of installed processing capacity, with third-party offtake arrangements still in early stages; and (iii) a lower contract farming contribution of 9%/11% (previously 12%/14%), as management guided that near-term growth remains constrained pending the availability of new pond facilities to support further programme expansion.

Valuations. We lower down our TP by 21% to **RM0.155** (from RM0.20) based on an unchanged 9.5x PER applied to FY27E EPS of 1.63 sen, implying a 15% discount to the peers' trailing PER average of 11.1x. Accordingly, we downgrade our recommendation from **BUY** to **HOLD** as valuations still demanding.

Investment Case. We continue to like MAG for several key reasons: **(i)** A leading integrated aquaculture player in Malaysia with ~20% industry revenue share, supported by a fully integrated value chain spanning hatchery, farming, processing and distribution. **(ii)** Strong export footprint, with established access to high-value markets across Asia and robust long-term demand for premium prawn products. **(iii)** Efficiency-led growth supported by smart-farming adoption, high farm utilisation and ongoing productivity improvements across its aquaculture operations. **(iv)** Favourable industry fundamentals, underpinned by tightening biosecurity standards, increasing protein consumption and Malaysia's strategic position as a certified supplier to key regional markets. **(v)** Attractive risk–reward profile for a small-cap aquaculture specialist, backed by improving fundamentals, an increasingly scalable operating model and undemanding valuations relative to peers.

Risks to our recommendation include: (i) Disease Outbreaks, (ii) Environmental Pollution, and (iii) Market and Foreign Currency Fluctuations.

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SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

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