Result Note
HOLD (⇓)
Research Team Coverage / research@mersec.com.my
Wednesday, August 19, 2026
Price: RM 0.53
Target Price: RM 0.51 (⇓)

LGMS Berhad

Slower Revenue Growth, Rising Headcount Costs

LGMS's 6MFY26 results came in below our expectations, mainly due to slower-than-expected revenue growth in the Cyber Risk Prevention and Cyber Risk Management and Compliance segments, coupled with higher employee benefits expenses from workforce expansion. Consequently, we slash our FY26E/FY27E earnings by 22%/28% to RM9.6m/RM10m hence TP lowered by 19% to RM0.51 (previously: RM0.62) as we rollover our valuation to FY27E, ascribing EPS of 2.2 sen to an unchanged 23x P/E Multiple. Downgrade our call from BUY to HOLD.

6MFY26 results came in below expectation, with core net profit of RM3.9m made up of 32%/32% of ours/market full-year estimates. The variance in our forecast comes mainly in the (i) lower-than-expected revenue growth of 6% YoY (Our assumption: 13% YoY), particularly in the Cyber risk prevention and Cyber risk management and compliance segment, and (ii) higher employee benefit expenses (56% margin per revenue vs. our assumption of 50%). A first interim dividend of 5.0 sen was declared, above our expectation, representing tripled of our FY26E full-year dividend assumption of 1.5 sen.

YoY, 6MFY26 Topline grew +6% YoY to RM21m (below our expectation of 13% YoY and makes up 42% of our full-year FY26 forecast). The growth was driven by stronger Cyber Risk Prevention segment, which grew +12% YoY to RM14m, supported by higher revenue contribution from clients in technology, manufacturing and logistics sectors. In terms of other revenue segments, the Cyber Threat and Incident segment grew +27% YoY to RM2m while Cyber risk and management and compliance fell -11% YoY to RM5m, due to the completion of compliance projects for major clients in the manufacturing and financial sector.

EBITDA fell -4% YoY to RM6m, with EBITDA margin contracting to 26% (6MFY25: 29%), attributable to higher employee benefits expenses incurred during the period due to the expansion of the Group's workforce to support business operations and growth, as well as increased IT expenses associated with the deployment of new solutions and resale of third-party solutions to meet client demand. PBT fell -3% YoY to RM5m, with PBT margin dropping to 25% (6MFY25: 27%), in line with the 3ppts drop in EBITDA margin above, moderated by higher contributions from associates, which grew >100% to RM417k (6MFY25: RM27k). Bottomline fell -5% to RM3.9m, with PATAMI margin dropping to 19% vs. our assumption of 25% (6MFY25: 20%), due to the above reasons but supported by a lower ETR of 25% (6MFY25: 27%).

QoQ, Topline declined 7% QoQ to RM10m, mainly due to the Cyber Threat and Incident Response segment, which contracted 57% QoQ to RM600k, reflecting a lower level of projects undertaken for clients in the consumer, retail and financial sectors. EBITDA declined further by 35% QoQ to RM2m, with margin contracting to 21% (1QFY26: 31%), driven by higher operating expenses, with Opex margin increasing 7ppts to 70%. Consequently, PBT fell 24% QoQ to RM2m, with PBT margin contracting to 23% (1QFY26: 28%), in tandem with the weaker EBITDA margin, although partially cushioned by higher contributions from associates. Bottomline subsequently fell 21% QoQ to RM2m, despite a lower ETR of 23% (1QFY26: 26%).

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)	1,730.49
YTD KLCI chg.	3.0%
YTD Stock Price chg.	-5.7%

Price Performance	1M	3M	12M
Absolute (%)	11.6%	1.9%	-26.1%
Relative to KLCI (%)	11.5%	1.6%	-35.4%

Stock Information	
Market Cap (RM m)	225.7
Issued Shares (m)	456.0
52-week High (RM)	0.95
52-week Low (RM)	0.42
Est. Free Float (%)	48%
Beta vs FBM KLCI	0.9
3-month Avg Vol. (m)	940,511
Shariah Compliant	Yes
Bloomberg Ticker	LGMS MK EQUITY

Top 3 Shareholders	%
Fong Choong Fook	36.6%
Goh Soon Sei	10.9%
Norges Bank	2.6%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	**43.9**	**46.5**	**52.6**
EBITDA	14.3	12.1	12.1
EBIT	12.9	10.5	10.6
PBT	13.4	12.8	13.4
Core Net Profit	**10.2**	**9.6**	**10.0**
Consensus Net Profit	-	12.5	14.6
Earnings Revision (%)	-	*-22%*	*-28%*
Core EPS (sen)	**2.24**	**2.11**	**2.20**
Core EPS Growth (%)	-17.2%	-5.8%	4.2%
Net Div. Yield (%)	2.2%	2.1%	2.2%
BVPS (sen)	21.23	22.21	23.24
PER (x)	24.5	25.1	24.1
PBV (x)	2.6	2.4	2.3
Net Gearing (x)	*N.Cash*	*N.Cash*	*N.Cash*

Outlook. We remain positive on LGMS's FY26E-FY27E earnings outlook, underpinned by: (i) the contribution from Antarex Holdings, which remains on track to meet its three-year profit guarantee of RM24.5m and provides earnings buffer to PBT, (ii) the favourable cybersecurity industry outlook, supported by increasing regulatory requirements following the implementation of Malaysia's Cyber Security Act 2024, and (iii) rising AI-enabled cyber threats, which should drive greater demand for AI security testing, model risk assessment and advanced cybersecurity solutions. Looking ahead, we expect earnings to be further supported by the commercialisation of AI-enhanced cybersecurity solutions, increasing cross-selling opportunities with Antarex, and the rollout of LGMS' proprietary AI offerings.

Earnings revised down. We slash our FY26E/FY27E earnings by 22%/28% to RM9.6m/RM10m respectively, mainly on account of (i) lower revenue contribution coming in from Cyber risk prevention and Cyber risk management and compliance segment, and (ii) Adjusted Employee Benefits Expenses to reflect the increase in headcounts.

Valuation. We rollover our valuation base to FY27E, arriving at a new TP of RM0.51 (previously: RM0.62), based on an unchanged 23x target P/E multiple, benchmarked against the three-year average historical P/E domestic peers with comparable operations, applied to our revised FY27E EPS of 2.2 sen. Valuations demanding we lower our call from **BUY** to **HOLD**.

Investment Merits. We are still optimistic albeit cautious on LGMS long term prospects, 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, partnerships with global and regional players, alongside Mitsui's 25% strategic stake, provide avenues for market access and overseas expansion.

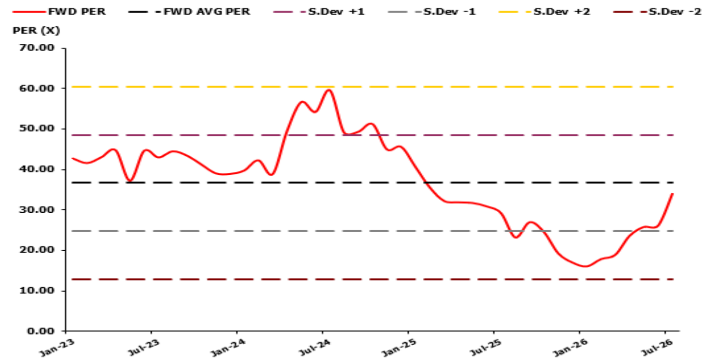
Key risks include: i) Competitive pressure, ii) Skilled labor-intensive business model, iii) inability to capture public sector contracts and iv) High local client exposure.

Results Highlights

Y/E : December (RM m)	2Q25	1Q26	QoQ Chg	2Q25	YoY Chg	6M25	6M25	YoY Chg
Turnover	**10.1**	**10.9**	***-7.3%***	**10.0**	***0.4%***	**20.9**	**19.7**	*6.4%*
OPEX	**(7.0)**	**(6.9)**	***2.5%***	**(6.2)**	***13.0%***	**(13.9)**	**(12.3)**	*12.9%*
EBITDA	2.2	3.3	*-34.9%*	2.9	*-25.1%*	5.5	5.7	*-3.5%*
EBIT	1.7	2.9	*-39.8%*	2.6	*-33.4%*	4.6	5.1	*-9.9%*
PBT/(LBT)	**2.3**	**3.0**	***-24.2%***	**2.8**	***-18.6%***	**5.2**	**5.4**	*-2.7%*
Taxation	(0.5)	(0.8)	*-34.6%*	(0.8)	*-31.7%*	(1.3)	(1.4)	*-9.0%*
Net Profit	1.7	2.2	*-20.5%*	2.0	*-13.7%*	3.9	4.0	*-0.5%*
PATAMI	**1.7**	**2.2**	*-20.5%*	**2.0**	*-13.7%*	**3.9**	**4.0**	*-0.5%*
Core EPS (sen)	0.4	0.5	*-20.1%*	0.4	*-12.9%*	0.9	0.9	*-0.8%*
DPS (sen)	**5.0**	-		-		**5.0**	-	
Margins								
Opex	-70.0%	-63.3%		-62.2%		-66.5%	-62.7%	
EBITDA	21.4%	30.5%		28.7%		26.1%	28.8%	
EBIT	17.2%	26.5%		25.9%		22.0%	26.0%	
PBT	22.5%	27.5%		27.7%		25.1%	27.4%	
PATAMI	17.4%	20.2%		20.2%		18.9%	20.2%	
ETR	-22.7%	-26.3%		-27.1%		-24.8%	-26.5%	
Revenue Breakdown (RM'm)								
Cyber Risk Prevention	6.9	6.9	*-0.1%*	5.83	*17.9%*	13.75	12.31	*11.7%*
Cyber risk management and compliance	2.6	2.5	*1.1%*	3.28	*-21.3%*	5.13	5.74	*-10.7%*
Cyber threat and incident response	0.6	1.4	*-56.7%*	0.92	*-32.6%*	2.06	1.62	*27.3%*
Total	**10.1**	**10.9**	***-7.3%***	**10.0**	***0.4%***	**20.9**	**19.7**	***6.4%***

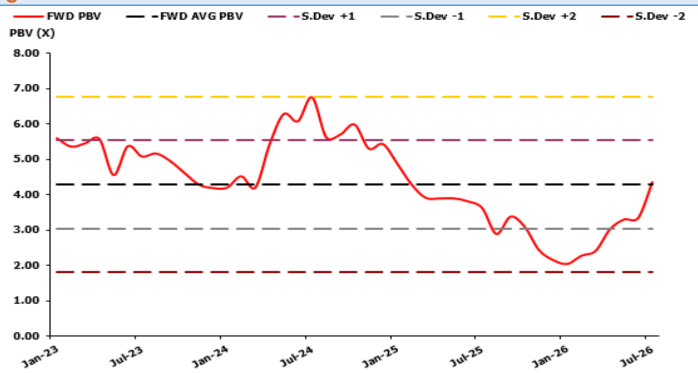
Source: Company, Bursa Malaysia, Mercury Securities

Figure 1: 3-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 3-Year P/B Band



Source: Bloomberg, Mercury Research

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