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Company Update
HOLD (↔)
research@mersec.com.my
Monday, August 3, 2026
Price: RM 0.165
Target Price: RM 0.181 (↑)

MAG Holdings Berhad

Near-Term Margin Pressure Persists, Shanghai Plant to Anchor Next Leg of Growth

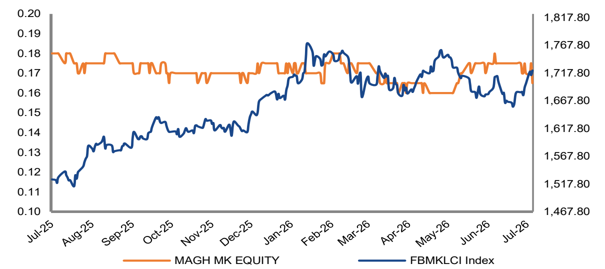
MAG Holdings Berhad continues to navigate near-term margin pressure from feed supply disruptions and elevated freight costs stemming from the Middle East conflict, though revenue momentum has remained resilient, supported by i) favourable forex and ii) expanded farm and processing capacity. We trim/revise up our FY26E/FY27E earnings by -2%/17%, reflecting housekeeping adjustment and a new revenue stream from the Shanghai plant of RM30m/RM45m based on a conservative utilisation rate of 10%/15%. Consequently, we raise our TP by 17% to RM0.181, based on an unchanged 9.5x PER applied to FY27E EPS of 1.91 sen and reiterate our HOLD recommendation.

We recently held a meeting with MAG Holdings Berhad's management. Key takeaways from the meeting were as follows:

1. **Feed Supply Disruptions and Freight Cost Escalation Compress Margins.** GP margin fell to 15.0% in 1QFY26 (1QFY25: 26.6%), driven by elevated utility costs, rising freight charges and feed cost volatility. With 40% of feed sourced abroad, MAGH remains exposed to global shipping disruptions arising from the Middle East conflict since Feb 2026, which disrupted vessel movements and shipping routes through the region, driving up freight costs, borne by the Company and causing repeated delivery delays. Feed shipments have arrived up to two months later than scheduled with suppliers issuing multiple delay notices in the interim. In response, MAGH has extended its feed buffer stock from one month to one to two months' coverage, although this raises the risk of feed quality deterioration from prolonged storage. Management notes that the situation has yet to show signs of improvement and is exploring feedmill partnerships to diversify its supplier base.

2. **Revenue Momentum Remains Steady, Underpinned by Favourable Forex and Capacity Expansion.** Even amid the operational headwinds discussed above, MAGH's revenue grew significantly, with 1QFY26 revenue up 41.6% YoY. For comparison, 1QFY26 revenue made up 26% of 12MFY25's full-year figure, well above the typical 18-19% first-quarter contribution due to seasonal factor. This is supported by a favourable forex backdrop given the Group's 60% USD / 40% Ringgit revenue mix. The Ringgit weakened against the USD from RM3.88 to RM4.04 (-4.2%) within the first quarter, further boosting revenue, and has stayed volatile into 1HFY26, peaking at RM4.15 in June 2026. The high revenue in 1QFY26 also mirrored in farm production and processing output, where 1QFY26 farm output of 1,950MT already reached 22.4% of FY25's full-year 8,700MT and processing utilisation rate is at 50% (FY25 utilisation rate: 40%), despite Q1 being seasonally the weakest quarter. This was driven by expanded farm and processing capacity. Average Selling prices have held stable since the ASP hikes of over 10%-12% following the Middle East conflict, with market share steady despite the higher pricing and customer base still growing.

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)	1,720.31
YTD KLCI chg.	2.4%
YTD Stock Price chg.	-5.7%

Price Performance	1M	3M	12M
Absolute (%)	-5.7%	0.0%	-8.3%
Relative to KLCI (%)	-9.4%	-0.2%	-20.8%

Stock Information

Market Cap (RM m)	313.9
Issued Shares (m)	1,902.5
52-week High (RM)	0.19
52-week Low (RM)	0.16
Est. Free Float (%)	44%
Beta	0.3
3-month Avg Vol.	7,131,043
Shariah Compliant	No
Bloomberg Ticker	MAGH MK EQUITY

Top 3 Shareholders	%
Ng Min Lin	27.0%
Ching-Fu Hsu	4.2%
Megan Mezanin	4.0%

FY Dec (RM m)	FY25A*	FY26E	FY27E
Revenue	**519.4**	**572.5**	**602.3**
Gross Profit	112.1	117.4	132.5
EBITDA	(138.9)	97.4	110.6
EBIT	(164.2)	68.7	81.3
PBT	(180.5)	34.9	50.8
Net Profit	**(198.1)**	**26.5**	**38.6**
Core Net Profit	**(198.1)**	**26.5**	**38.6**
Consensus Net Profit	-	*32.1*	*46.3*
Earnings Revision	-	-2%	13%
Core EPS (sen)	(9.78)	1.31	1.91
Core EPS Growth (%)	-575.0%	-113.4%	45.7%
Net DPS (sen)	0.09	0.05	0.08
Net Div. Yield (%)	0.5%	0.3%	0.4%
BV Per Share (sen)	30.2	31.3	32.4
P/B (x)	0.6	0.6	0.5
P/E (x)	(1.8)	13.4	9.2
Net Gearing (x)	0.5	0.6	0.7

**Reflecting 18 months period for the financial year.*

3. **New Shanghai Plant to Emerge as Growth Engine From 4QFY26.** MAGH owns a plant in Shanghai, China, which completed major renovation in April 2026 and is now commissioning new machinery to produce ready-to-cook products, primarily beef and meat-based items. Small-scale production is expected to begin in Aug 2026, with full operations targeted by 4QFY26. The plant has a total capacity of more than 10,000MT, with management currently assessing potential for further capacity expansion beyond this base figure. For 4QFY26, management guides for utilisation of 20%/30% (base/bull case) of the 10,000MT capacity; at the base case of 20% (2,000MT), this could translate to RMB100m-130m (RM60m-78m) to the topline. Beyond FY26, management targets utilisation to reach 50%, a level we view as optimistic as historically the processing plant took few years before the utilisation rate may reach the targeted rate (e.g. Processing plant reached 40% utilisation rate in FY25 from 13.3% after 5 financial years).

Outlook. Management remains cautiously optimistic, with near-term margins tempered by persistent feed supply disruptions and elevated freight costs stemming from the Middle East conflict, though a favourable MYR/USD backdrop and capacity-driven volume growth have helped sustain topline momentum. The commissioning of the Shanghai plant from Aug 2026, with full operations targeted by 4QFY26, presents a new growth engine for the Group; while management targets utilisation of 20-30% for 4QFY26 and 50% over the longer term, we adopt a more conservative stance given the Group's historical ramp-up trajectory at its existing processing plant, which took five financial years to progress from 13.3% to 40% utilisation. As feed supply conditions and freight costs have yet to show signs of improvement, we maintain our GP margin forecast of 20.5% for FY26 (FY25 actual: 21.6%) and we assume the situation to be normalised by FY27 with our forecast GP margin of 22%.

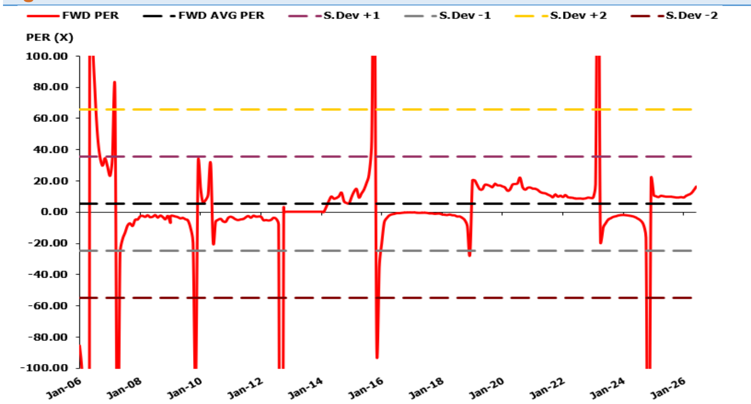
Earnings Revision. We trim/revise up our FY26E/FY27E earnings by -2%/17% to RM26.5m/RM38.6m respectively, reflecting the new revenue stream coming in from Shanghai Plant for FY26E/FY27E of RM30m/RM45m based on conservative utilisation rate of 10%/15%.

Valuations. We revised up our TP by 17% to **RM0.181** (from RM0.155) based on an unchanged 9.5x PER applied to FY27E EPS of 1.91 sen, implying a 15% discount to the peers' trailing PER average of 11.1x. Reiterate our **HOLD** recommendation.

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.

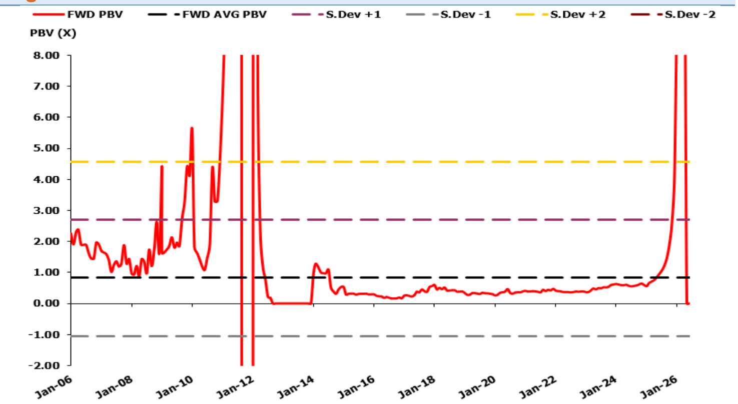
Risks to our recommendation include: (i) Disease Outbreaks, ii) Environmental Pollution, iii) Market and Foreign Currency Fluctuations and iv) Escalation of the Middle East War.

Figure 1: 10-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 10-Year P/B Band



Source: Bloomberg, Mercury Research

Key Financial Data

Income Statement

FY Dec (RM m)	2024A	2025A	2026E	2027E	2028E
Revenue	**305.1**	**519.4**	**572.5**	**602.3**	**637.6**
EBITDA	64.4	(138.9)	97.4	110.6	149.1
Depreciation & Amortization	(13.6)	(25.3)	(28.7)	(29.3)	(29.9)
Operating Profit	50.8	(164.2)	68.7	81.3	119.2
Interest Inc/(Exp)	(6.8)	(16.3)	(33.8)	(28.9)	(22.5)
Profit Before Tax	44.0	(180.5)	34.9	50.8	93.3
Taxation	(11.3)	(17.6)	(8.4)	(12.2)	(22.4)
Net Profit	32.7	(198.1)	26.5	38.6	70.9
PATAMI	**34.3**	**(198.1)**	**26.5**	**38.6**	**70.9**

Balance Sheet

	2024A	2025A	2026E	2027E	2028E
Fixed Assets	377.5	529.7	546.7	559.0	570.7
Intangible Assets	143.2	140.8	140.4	138.8	137.2
ROU Assets	-	-	-	-	-
Other Fixed Assets	328.1	-	-	-	-
Inventories	5.0	8.5	9.4	9.8	10.4
Receivables	172.5	342.8	381.7	401.6	425.0
Other Current Assets	13.2	14.8	15.8	16.5	17.2
Cash	175.2	9.4	(152.1)	(209.2)	(240.1)
Total Assets	**1,214.6**	**1,097.3**	**1,083.6**	**1,271.9**	**1,162.0**
Payables	155.6	94.0	104.1	109.5	115.9
ST Borrowings	24.8	51.3	51.3	14.9	17.7
Other ST Liability	7.5	0.1	0.1	0.1	0.1
LT Borrowings	83.9	273.0	245.7	218.4	191.1
Other LT Liability	126.6	67.5	67.9	284.1	67.5
Net Assets	**1,214.6**	**1,097.3**	**1,083.6**	**1,271.9**	**1,162.0**
Shareholders' Equity	546.5	589.0	584.7	589.0	589.0
Minority Interests	(0.0)	(0.0)	-	-	-
Total Equity	**546.5**	**589.0**	**584.67**	**589.00**	**589.00**

Cashflow Statement

FY Mar (RM m)	2024A	2025A	2026E	2027E	2028E
Operating CF	90.5	(121.2)	(2.8)	28.4	67.6
Investing CF	(78.6)	(178.0)	(40.0)	(40.0)	(40.0)
Financing CF	(2.8)	130.7	(112.5)	(45.5)	(58.6)
Change In Cash	9.1	(168.6)	(155.3)	(57.1)	(30.9)
Free CF	**4.2**	**(302.9)**	**(42.8)**	**(11.6)**	**27.6**

Financial Data & Ratios

FY Dec	2024A	2025A	2026E	2027E	2028E
Growth					
Turnover	51.3%	70.3%	10.2%	5.2%	5.8%
EBITDA	-1.8%	-315.6%	-170.1%	13.6%	34.8%
Operating Profit	-5.5%	-423.0%	-141.8%	18.4%	46.6%
PBT	-2.9%	-510.0%	-119.3%	45.7%	83.7%
Core Net Profit	0.5%	-676.8%	-113.4%	45.7%	83.7%
Profitability					
Gross Profit Margin	22.0%	21.6%	20.5%	22.0%	25.9%
EBITDA Margin	21.1%	-26.7%	17.0%	18.4%	23.4%
Operating Margin	16.7%	-31.6%	12.0%	13.5%	18.7%
PBT Margin	14.4%	-34.7%	6.1%	8.4%	14.6%
Core Net Margin	11.3%	-38.1%	4.6%	6.4%	11.1%
Effective Tax Rate	25.7%	-9.8%	24.0%	24.0%	24.0%
ROA	2.7%	-18.1%	2.4%	3.0%	6.1%
ROE	4.0%	-32.4%	4.2%	5.9%	10.0%
Leverage					
Debt/Asset (x)	0.2	0.3	0.3	0.4	0.2
Debt/Equity (x)	0.2	0.5	0.5	0.7	0.3
Net (Cash)/Debt	(66.4)	314.9	449.2	442.6	448.9
Net Debt/Equity (x)	(0.1)	0.5	0.7	0.7	0.6
Valuations					
Core EPS (sen)	2.1	-9.8	1.3	1.9	3.5
NDPS (sen)	0.10	0.09	0.05	0.08	0.14
BV/sh (RM)	48.9	30.2	31.3	32.4	34.8
PER (x)	8.9	-1.8	13.4	9.2	5.0
Div. Yield (%)	0.5%	0.5%	0.3%	0.4%	0.8%
PBV (x)	0.36	0.58	0.56	0.54	0.50

Source: Mercury Securities, Company

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