Nextgreen Global Bhd

Company Update
HOLD (↓)

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Monday, August 10, 2026

Price: RM 0.73
Target Price: RM 0.75(↓)

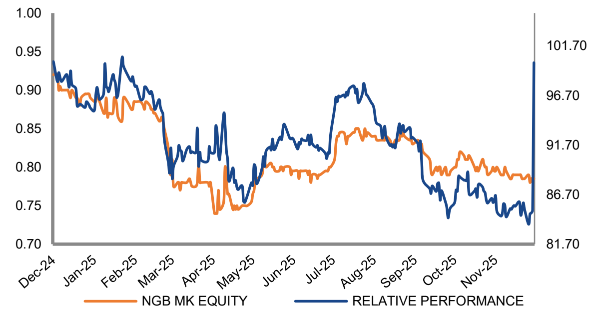
Growth Ambitions Intact, but Earnings Ramp-Up Takes Time

We remain positive albeit cautiously on Nextgreen Global Berhad's (NGGB) long-term integrated waste-to-value proposition, supported by the expansion of its existing EFB pulp facility from 10k to 15k metric tonnes per annum and growing commercial traction for NexBooster biofertiliser. Earnings ramp-up is expected to be more gradual than previously assumed, as the initial 10k-tonne animal-feed plant is only scheduled for commissioning in October–November 2026, while the 150k tonne NeuWhite pulp facility is unlikely to contribute before 2028. Accordingly, we cut our FY26E/FY27E core net profit estimates by 38%/30% to RM52m/RM73m, primarily reflecting the deferral of RM90 million in animal-feed revenue and lower pulp and animal-feed capacity assumptions. The revisions are partly cushioned by the 100% income-tax exemptions on qualifying pulp and fertiliser income, supporting effective tax-rate assumptions of 3%/5% for FY26E/FY27E. NGGB Group's sizeable capital expenditure requirements and rising leverage remain key funding and dilution risks. Rolling forward our valuation to FY27E EPS of 6.3 sen and applying an unchanged 11.8x P/E, we lower our target price to RM0.75 from RM0.85. With limited upside from the current price of RM0.73, we downgrade NGGB to HOLD.

We attended a briefing by the Management recently and among the key takeaways are;

1. **Existing pulp operations**. Nextgreen Global Berhad (NGGB) is expanding its existing empty fruit bunch (EFB) pulp plant from 10k metric tonnes (MT) to 15k MT/annum (previously 25k MT/annum , with completion targeted around October–November 2026. The upgrade may temporarily disrupt FY26 production, with the full earnings contribution expected from FY27. Management remains confident in demand for EFB pulp as a locally produced substitute for imported wood pulp, supported by potential freight savings (USD50-60/tonne) and growing interest from domestic, Japanese and Chinese customers.
2. **NeuWhite pulp project**. The proposed 150k MT NeuWhite pulp facility remains NGGB's principal medium-term growth catalyst, although the commercial timeline appears to have shifted towards 2028. The project, with estimated capital expenditure of approximately RM900 million, is supported by IOI Corporation for feedstock and infrastructure and Xiamen C&D for equipment procurement, financing, marketing and potential offtake. While the strategic partnerships reduce execution risk, further clarity is required on the final funding structure, NGGB's equity contribution, parent-company guarantees and the confirmed commissioning date.
3. **Fertilizer business**. NexBooster liquid biofertiliser remains NGGB's most established near-term growth and earnings driver, benefiting from low-cost residue generated by its pulp operations. Management is also developing a powder formulation, with machinery expected to arrive around September 2026, which could reduce storage and transportation costs and improve export viability. Field trials across paddy and oil-palm cultivation have shown encouraging yield improvements, although broader and more standardised commercial trials are required before these results can be considered conclusive.

Share Price Performance



Business Overview

Nextgreen Global Berhad (NGGB) is an integrated green technology company that converts oil palm biomass mainly empty fruit bunches (EFB) into sustainable products such as paper pulp, green packaging, and organic fertilisers.

Return Information			
KLCI (pts)			1,732.66
YTD KLCI chg.			3.1%
YTD Stock Price chg.			-8.2%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	-6.4%	-7.6%	-12.6%
Relative to KLCI (%)	-8.4%	-5.0%	-24.3%

Stock Information	
Market Cap (RM m)	798.2
Issued Shares (m)	1,093.4
52-week High (RM)	0.85
52-week Low (RM)	0.70
Est. Free Float (%)	62%
Beta vs FBM KLCI	0.5
3-month Avg Vol. (m)	2,677,769
Shariah Compliant	Yes
Bloomberg Ticker	NGB MK EQUITY

Top 3 Shareholders	%
Gan Kong Hiok	13.1%
Lim Thiam Huat	10.7%
Yuwang Plantation Sd	5.0%

FY Mar (RM m)	FY25A	FY26E	FY27E
Revenue	**91.0**	**104.7**	**140.1**
Gross Profit	63.9	73.3	98.1
EBITDA	62.5	56.5	77.0
PBT	48.3	53.8	77.3
Net Profit	**29.8**	**52.2**	**73.4**
Core Net Profit	**30.7**	**52.1**	**73.3**
Consensus (NP)			
Earnings Revision		*-38%*	*-30%*
Core EPS (sen)	2.6	4.5	6.3
Core EPS Growth (%)	21.9	69.9	40.7
Net DPS (sen)	-	-	-
Net Div. Yield (%)	0.0%	0.0%	0.0%
PBV (x)	1.7	1.9	1.9
P/E (x)	27.6	16.3	11.6
Net Gearing (x)	0.30	0.40	0.36

4. **Among the field trails providing encouraging agronomic evidence are**; i) FELCRA paddy trials recorded yield improvements ranging from 12.1% to 43%, ii) A MADA trial in Perlis generated 6.3 tonnes per hectare versus 5.4 tonnes for the control, representing a 17% improvement, iii) Wilmar's East Java trials recorded yield improvements of 4.75% and 8.78%, iv)Oil-palm testing showed an average approximately 2.5-percentage-point improvement in oil-to-bunch ratio and higher bunch weights and v) Nursery trials suggest NexBooster could maintain or improve growth while reducing the use of chemical fertiliser.
5. **Export development**. Libya, Ghana (agreement in July 26 with Ghana's Ministry of Food and Agriculture) and other African markets present meaningful longer-term opportunities for NGGB's fertiliser products, but commercialisation remains dependent on regulatory approvals, confirmed purchase orders, shipment schedules and secure payment arrangements (especially coming from Libya where management alluded to 25k tonne supply agreement). Although the company has announced distribution and supply agreements, export volumes remain at an early stage and most likely coming in stream in 4QFY26 or earlier.
6. **Animal-feed project**. NGGB intends to commission an initial 10,000-tonne-per-annum animal-feed facility around October–November 2026, followed by a potential expansion to 50,000 tonnes. Given the late commissioning schedule, the project is unlikely to make a material contribution in FY26, with a more meaningful impact expected from FY27 onwards. At previous selling-price assumptions, a fully utilised 10,000-tonne facility could generate approximately RM18-20 million of annual revenue, but late-year commissioning means FY26 contribution should be negligible.
7. **Other businesses**. The Group's printing division is expected to operate under a more asset-light model through the subcontracting of external printing work, limiting capital requirements but also reducing its significance as an earnings contributor. Property development within the Green Technology Park—including commercial premises, workers' accommodation and light-industrial facilities—offers longer-term monetisation potential but remains subject to approvals, development partners and execution timelines. Renewable-energy, wastewater-treatment and utility assets will primarily support the integrated industrial park rather than contribute materially to near-term standalone earnings.

Post Update, we slash FY26E/FY27E earnings by 38%/30% respectively to RM52m/RM73m. Among the key reasons are; i) Negligible topline contribution from its animal feed in FY26E (previously we penciled in a RM90m contribution - coming in from a 50k MT plant/annum, ii) The Pulp facility at 15k MT/annum (previously at 25k MT/per annum) for FY27E and iii) the animal feed facility capacity at 10k MT/annum for FY27E (previously at 50k MT/annum). Our GP/PBT margins remained unchanged at 70%/59% for both years. We also slash our ETR from 29% to 3%/5% as both Nextgreen Fertilizer and Nextgreen Pulp & Paper enjoy 100% income-tax exemptions on qualifying statutory income for ten years. Tax-exempt pulp and fertiliser represent approximately **92%/81% of FY26E/FY27R revenue (**and we yet to input in any animal-feed tax incentive).

Valuations. Our TP now is at RM0.75 (from RM0.85) as we rollover our valuations to FY27E EPS of 6.3 sen based on an unchanged P/E multiple of 11.8x (based on the 5-year average of its regional peers). At the current price of RM0.73, valuations are demanding and we lower our call to **HOLD**.

Investment Case. We remain positive on Nextgreen given: (i) its position as Malaysia's pioneer in palm-based waste-to-value solutions, (ii) its advantage use of patented PRC-RBMP technology that converts EFB into high-grade pulp without relying on traditional wood fibres, and (iii) its superior GP margins driven by operational efficiency and higher-value fertiliser products. NGGB's long-term integrated waste-to-value proposition remains credible with growing commercial foundation in pulp and biofertiliser, but the earnings expansion is likely to be more gradual and capital-intensive than previously assumed. Management guided for capex of RM80m each for FY26E/FY27E as its effective economic interest stands at 40% for NeuWhite and animal feed projects. With RM11.3 million in cash, RM161.4 million in borrowings and net gearing of 0.31 times as at end-March 2026, project financing, strategic-partner contributions and potentially additional equity will be required to fund the expansion programme.

Risks to our Call; i) NeuWhite timeline slippage, ii) late commissioning of the initial animal-feed plant, iii) uncertain export conversion and iv) the Group's sizeable funding requirements.

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Key Financial Data

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026E	2027E
Revenue	**36.3**	**68.0**	**91.0**	**104.7**	**140.1**
EBITDA	25.6	36.0	62.5	56.5	77.0
Depreciation & Amortz	(8.6)	(8.5)	(7.8)	(9.0)	(10.6)
Operating Profit	**17.1**	**27.5**	**54.7**	**65.5**	**87.7**
Interest Inc/(Exp)	(4.4)	(4.5)	(6.5)	(11.7)	(10.4)
Assoc Earnings	(1.0)	(1.3)	(1.3)	0.0	0.0
Profit Before Tax	**12.7**	**23.0**	**48.3**	**53.8**	**77.3**
Taxation	(3.4)	0.1	(18.5)	(1.6)	(3.9)
Net Profit	9.2	23.1	29.8	52.2	73.4
PATAMI	**9.1**	**23.0**	**30.7**	**52.1**	**73.3**

Balance Sheet

	2023A	2024A	2025A	2026E	2027E
Fixed Assets	146.4	187.6	220.3	231.0	300.4
Intangible Assets	0.5	0.5	0.5	0.5	0.5
ROU Assets	0.6	1.0	0.1	1.0	1.0
Other Fixed Assets	198.7	179.5	290.5	66.2	61.5
Inventories	14.32	94.10	90.63	113.48	97.25
Receivables	104.72	116.62	168.29	333.29	458.28
Other Current Assets	10.51	14.46	95.12	91.01	337.79
Cash	4.35	5.80	9.11	21.88	2.46
Total Assets	**465.2**	**579.3**	**770.3**	**745.5**	**918.8**
Payables	53.93	63.99	80.63	14.50	22.98
ST Borrowings	5.1	9.8	12.4	40.0	20.0
Other ST Liability	0.0	0.0	0.0	0.0	0.0
LT Borrowings	63.4	58.5	138.4	138.4	138.4
Other LT Liability	4.5	3.4	18.3	139.9	294.6
Net Assets	**337.9**	**442.6**	**497.3**	**441.8**	**441.8**
Shareholders' Equity	337.9	442.2	496.4	442.2	442.2
Minority Interests	(0.0)	0.3	0.8	(0.5)	(0.4)
Total Equity	**337.9**	**442.6**	**497.3**	**441.8**	**441.8**

Cashflow Statement

FY Mar (RM m)	2023A	2024A	2025A	2026E	2027E
Operating CF	(17.9)	(23.1)	(70.5)	11.7	138.6
Investing CF	(31.9)	(53.3)	(36.3)	(80.0)	(80.0)
Financing CF	51.3	79.8	118.9	51.0	3.4
Change In Cash	1.4	3.3	12.1	(17.3)	62.0
Free CF	(47.2)	(64.5)	(106.7)	(66.7)	62.5

Financial Data & Ratios

FY Dec	2023A	2024A	2025E	2026E	2027E
Growth	10.4%	87.1%	33.8%	15.1%	33.8%
Turnover	11.6%	40.6%	73.4%	-9.6%	36.4%
EBITDA	0.4%	61.0%	98.9%	19.8%	33.8%
Operating Profit	-8.4%	81.7%	110.1%	11.3%	43.6%
PBT	-26.3%	149.5%	29.4%	74.8%	40.7%
Core Net Profit	-26.6%	153.3%	33.1%	69.9%	40.7%
Profitability					
Gross Profit Margin	36.2%	53.9%	70.2%	70.0%	70.0%
EBITDA Margin	70.5%	53.0%	68.6%	53.9%	55.0%
Operating Margin	47.0%	40.4%	60.1%	62.6%	62.6%
PBT Margin	34.8%	33.8%	53.1%	51.4%	55.1%
Core Net Margin	25.0%	33.9%	33.7%	49.8%	52.3%
Effective Tax Rate	-27.0%	0.3%	-38.2%	-3.0%	-5.0%
ROA	2.0%	4.0%	3.9%	7.0%	8.0%
ROE	2.7%	5.2%	6.0%	11.8%	16.6%
Leverage					
Debt/Asset (x)	0.15	0.12	0.20	0.24	0.17
Debt/Equity (x)	0.20	0.15	0.30	0.40	0.36
Net (Cash)/Debt	62.7	59.2	129.0	176.0	97.0
Net Debt/Equity (x)	0.19	0.13	0.26	0.40	0.22
Valuations					
Core EPS (sen)	1.1	2.2	2.6	4.5	6.3
NDPS (sen)	-	-	-	-	-
BV/sh (RM)	39.8	41.6	42.8	38.1	38.1
PER (x)	68.1	33.7	27.6	16.3	11.6
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
PBV (x)	1.8	1.8	1.7	1.9	1.9
EV/EBITDA (x)	26.6	23.2	19.7	18.1	12.3

Source: Mercury Securities, Company, Bloomberg

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