Results Note
HOLD (↔)

Nextgreen Global Bhd

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Monday, August 31, 2026

Price: RM0.695
Target Price: RM0.750 (↔)

2Q Momentum Improves but 2H Delivery is Key

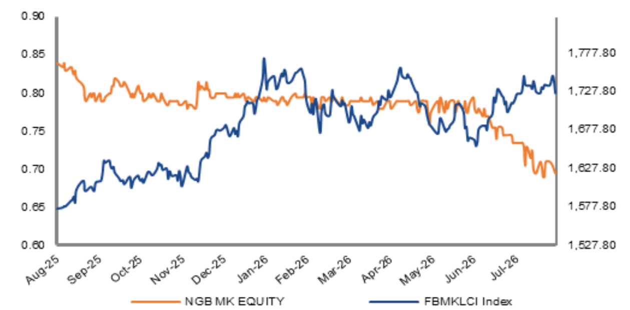
Nextgreen Global's (NGGB) 6MFY26 Results came in broadly within expectations; PATAMI rose 7% YoY to RM18.5m. While the earnings run-rate remains back-end loaded, we retain our forecasts as contributions from the expanded pulp operations, solid fertiliser and other new capacity are expected to strengthen in 2HFY26. Revenue growth remained healthy at 28% YoY, driven entirely by Manufacturing, although the shift towards lower-margin NexCompost and higher operating and financing costs compressed margins. QoQ momentum improved, with 2QFY26 PATAMI rising 32% to RM10.5m. FY26E/FY27E core earnings of RM52.1m/RM73.3m unchanged and retain our TP of RM0.75, based on an unchanged 11.8x FY27E P/E. Maintain HOLD.

PATAMI of RM18.5m accountings for 35% of both ours/market estimates. We deemed this broadly within expectations as we expect stronger contribution in 2HFY26 especially in 4QFY26. The negative variance from our estimates were failure in commercialization of overseas fertilizers in 1HFY26. No dividend was declared during the period, consistent with the Group's recent dividend track record.

YoY, 6MFY26 topline grew 28% to RM44.6m (6MFY25: RM34.8m), driven by the Manufacturing segment, which expanded 46% YoY to RM44.6m. Pulp & paper products revenue jumped 76% to RM10.8m, while liquid fertiliser sales increased 14% to RM27.9m. The commencement of NexCompost solid fertiliser sales following completion of testing and commissioning of its powder production line in 1QFY26 provided an additional RM5.8m contribution compared with nil in 6MFY25. **GP rose 22% YoY to RM28.9m**, although GP margin narrowed to 64.8% from 68.0%, reflecting a less favourable product mix following the commencement of lower-margin NexCompost sales relative to NexBooster. Opex almost doubled to RM5.1m (+92% YoY), with the Opex margin widening to 11.4% from 7.6%. As a result, EBITDA increased by only 2% to RM24.5m, while EBITDA margin compressed to 55.1% from 68.9%. EBIT nevertheless increased 15% to RM22.8m, aided partly by higher other income, principally from the sale of recovered pulping-process residue or black liquor. **PBT increased a modest 3% YoY** to RM17.7m, with PBT margin narrowing sharply to 39.6% from 49.5%, as higher operating profit was largely offset by net finance costs which almost doubled to RM5.1m from RM2.6m. PATAMI rose 7% to RM18.5m from RM17.2m, while PATAMI margin eased to 41.4% from 49.5%. No tax expense was recognised during the period, supported by the utilisation of unabsorbed capital allowances and carried-forward business losses as well as income-tax exemptions enjoyed by qualifying subsidiaries under the ECER incentives.

QoQ, operating momentum strengthened in 2QFY26. Revenue jumped 51% QoQ to RM26.8m from RM17.8m, driven by higher Manufacturing contribution. Pulp & paper sales increased 44% QoQ to RM6.4m, liquid fertiliser rose 9% to RM14.6m, while solid fertiliser contributed RM5.8m versus negligible contribution in 1QFY26. Consequently, GP increased 25% to RM16.0m, although GP margin fell to 59.9% from 72.3%, reflecting the increased contribution from lower-margin NexCompost.

Share Price Performance



Business Overview

Nextgreen Global principally involved in converting palm oil biomass specifically EFB into high-value green products, including pulp, paper, biofertilizers and bioenergy.

Return Information	
KLCI (pts)	1,725.88
YTD KLCI chg.	2.7%
YTD Stock Price chg.	-12.6%

Price Performance	1M	3M	12M
Absolute (%)	-5.4%	-8.6%	-17.3%
Relative to KLCI (%)	-6.2%	-11.0%	-26.8%

Stock Information	
Market Cap (RM m)	759.9
Issued Shares (m)	1,093.4
52-week High (RM)	0.84
52-week Low (RM)	0.69
Est. Free Float (%)	61%
Beta vs FBM KLCI	0.5
3-month Avg Vol.	3,601,110
Shariah Compliant	Yes
Bloomberg Ticker	NGB MK EQUITY

Top 3 Shareholders	%
Gan Kong Hiok	13.1%
Lim Thiam Huat	11.6%
Yuwang Plantation Sd	5.0%

FY Dec (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	53.8	77.3
Core Net Profit	**30.7**	**52.2**	**73.4**
Core EPS (sen)	2.64	4.49	6.32
Consensus Net Profit	-	*52.2*	*73.4*
Earnings Revision (%)	-	-	-
Core EPS Growth (%)	21.9	69.9	40.7
Net DPS (sen)	-	-	-
Net Div. Yield (%)	0.0%	0.0%	0.0%
BV Per Share (sen)	42.8	44.5	44.5
P/E (x)	26.3	15.5	11.0
PBV (x)	1.6	1.6	1.6
Net Gearing	0.3	0.3	0.3

Despite the margin dilution, **EBITDA rose 11% QoQ to RM12.9m**, while EBIT increased **30% to RM12.9m**. Other income increased 36% QoQ to RM5.4m, mainly from black-liquor sales, partially cushioning higher operating and financing costs. PBT consequently increased **33% QoQ to RM10.1m** from RM7.6m, although PBT margin eased to 37.7% from 42.6%. With no tax charge, **PATAMI rose 32% QoQ to RM10.5m** from RM8.0m, with PATAMI margin moderating to 39.2% from 44.7%.

Outlook. We remain cautiously positive on NGGB's longer-term growth prospects. Near-term earnings growth should be supported by: i) the ongoing expansion of the existing EFB pulp facility from approximately **10k MT to 15k MT per annum**, with the incremental capacity expected to support higher pulp output and generate additional black-liquor feedstock for NexBooster; ii) the ramp-up of NexCompost following commencement of powder-line production, with testing and commissioning of the granule line targeted by **October 2026**; and iii) completion of the proposed **10k MT per annum animal-feed facility in 4QFY26**. Beyond FY26, the proposed **150k MT NeuWhite bleached EFB pulp facility** remains NGGB's principal medium-term growth catalyst, although meaningful contribution is expected only from around 2028. The Group is also progressing feasibility work for Phase 2B of the Green Technology Park as part of its longer-term aspiration to develop integrated pulp capacity of up to 450k MT annually. These expansion plans remain capital intensive, making project execution and funding structure important factors to monitor.

Earnings Unchanged. We maintain our **FY26E/FY27E core net profit forecasts of RM52.1m/RM73.3m**. Our assumptions continue to incorporate GP margins of approximately 70% and effective tax rates of **3%/5%** for FY26E/FY27E, reflecting the tax exemptions applicable to qualifying pulp and fertiliser earnings.

Valuation. We maintain our **TP of RM0.75**, based on an unchanged **11.8x target P/E applied to FY27E core EPS of 6.3 sen**. At the current price of RM0.695, our TP implies approximately 8% upside, which remains within our HOLD return threshold. Undemanding valuations, **maintain HOLD**.

Investment Case. We remain positive on Nextgreen's longer-term integrated waste-to-value proposition, supported by: (i) its position as a pioneer in converting oil-palm EFB into higher-value sustainable products; (ii) its patented PRC-RBMP technology, which enables the production of pulp without relying on conventional wood fibres; and (iii) the increasingly integrated nature of its pulp and fertiliser operations, where pulping by-products can be reutilised as feedstock for higher-value fertiliser products. However, the earnings growth profile is likely to remain gradual and increasingly capital intensive.

Risks to our recommendation include: (i) delays in commissioning and ramp-up of the expanded pulp, fertiliser and animal-feed facilities; (ii) further slippage in the NeuWhite development timeline; (iii) slower-than-expected conversion of overseas fertiliser agreements into commercial orders; and (iv) higher-than-expected funding requirements, finance costs and potential equity dilution.

Results Highlights

Y/E: DEC (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
Turnover	**26.8**	**17.8**	***50.5%***	**20.7**	***29.1%***	**44.6**	**34.8**	*28.0%*
Gross Profit	**16.0**	**12.9**	***24.7%***	**15.2**	***5.8%***	**28.9**	**23.7**	*22.1%*
OPEX	**(2.7)**	**(2.3)**	***16.7%***	**(1.4)**	***91.4%***	**(5.1)**	**(2.7)**	*92.0%*
EBITDA	12.9	11.7	*10.7%*	13.5	*-4.3%*	24.5	24.0	*2.3%*
EBIT	12.9	9.9	*30.1%*	11.5	*11.9%*	22.8	19.9	*14.5%*
PBT/(LBT)	**10.1**	**7.6**	***33.2%***	**10.1**	***0.1%***	**17.7**	**17.2**	*2.6%*
Taxation	*0.0*	*0.0*	*N.A*	*0.0*	*0.0%*	0.0	0.0	*0.0%*
Net Profit	*10.1*	*7.6*	*33.2%*	*10.1*	*0.1%*	17.7	17.2	*2.6%*
PATAMI	**10.5**	**8.0**	***31.9%***	**10.1**	*3.8%*	**18.5**	**17.2**	*7.0%*
Core EPS (sen)	1.0	0.7	*31.9%*	1.0	*0.9%*	1.7	1.6	*4.0%*
Gross Margin	59.9%	72.3%		73.1%		64.8%	68.0%	
OPEX	-10.1%	-13.0%		-6.8%		-11.4%	-7.6%	
EBITDA Margin	48.2%	65.5%		65.0%		55.1%	68.9%	
EBIT Margin	48.1%	55.6%		55.5%		51.1%	57.1%	
PBT Margin	37.7%	42.6%		48.6%		39.6%	49.5%	
PATAMI Margin	39.2%	44.7%		48.8%		41.4%	49.5%	
ETR	0.0%	0.0%		0.0%		0.0%	0.0%	
Segmental Turnover (RM m)								
Manufacturing	26.8	17.8	***50.5%***	17.95	***49.2%***	44.57	30.58	***45.7%***
Pulp & Paper Products	*6.4*	*4.4*	***44.1%***	*2.41*	***165.5%***	*10.84*	*6.18*	***75.5%***
Liquid & Fertiliser	*14.6*	*13.4*	***9.0%***	*15.54*	***-6.3%***	*27.91*	*24.40*	***14.4%***
Solid Fertiliser	*5.8*	*0.0*	***N.A***	*0.00*	***N.A***	*5.82*	*0.00*	***N.A***
Property & Construction	0.0	0.0	***0.0%***	2.29	***-100.0%***	0.00	3.16	***-100.0%***
Printing & Publishing	(0.0)	0.0	***-400.0%***	0.50	***-100.6%***	(0.00)	1.08	***-100.2%***
Utility & RE	0.0	0.0		0.00		0.00	0.00	

Source: Company, Bursa Malaysia, Mercury Securities

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