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NEXG Charts Strong Growth Path



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KUALA LUMPUR: NEXG Bhd, the principal technology provider for Malaysia's MyKad national ID project since 2012, is gearing up for its next growth phase with a planned private placement and warrants issuance that could raise up to RM428 million in fresh capital.

The funds will support its factory acquisition, debt repayment, and ongoing research and development (R&D) initiatives.

While these corporate exercises may be dilutive in the short term, they are expected to enhance NEXG's financial flexibility as it undertakes its first major international expansion, according to Rakuten Trade vice president of research Thong Pak Leng.

He noted that the private placement of up to 10 per cent of its issued shares could raise up to RM133.7 million, while the 1.39 billion warrants issued at an exercise price of 21.17 sen per unit could bring in up to RM428 million if fully converted.

Thong said while the placement and warrants will dilute earnings per share, they will equip NEXG with sufficient capital to deliver on its international expansion plans while continuing to strengthen its domestic business.

"We reckon the investment into the global secure ID facility is not only to elevate NEXG's earnings profile but also to diversify its revenue base beyond Malaysia, paving the way for longer-term sustainability and resilience in a globally competitive market," he said in a research note.

NEXG produces high-security identity documents and provides end-to-end solutions for chip-enabled passports, national ID cards, polycarbonate biodata pages, and specialised driving licences. Since 2012, the company has been the principal technology provider for Malaysia's MyKad national ID programme and, since 2016, has also supplied e-passport solutions to the Malaysian government.

The company's current order book stands at about RM570 million, anchored by its ongoing national ID and passport programmes, providing strong earnings visibility.

In line with its expansion strategy, NEXG plans to construct a new RM250 million high-security identity document production facility, its first large-scale venture abroad. The plant will be developed in three phases, with each phase expected to generate between US\$100 million and US\$200 million (RM421 million to RM842 million) in revenue, depending on project scope, document type, country-specific standards, and security

complexity. This expansion will be funded through a mix of borrowings, proceeds from the private placement, and internal funds.

To cater to increasing domestic demand, the group is acquiring a 30,000 sq ft factory in the Klang Valley for RM18.4 million, alongside a RM1.6 million investment in machinery upgrades to ease capacity pressure at its fully utilised Petaling Jaya plant. Concurrently, NEXG will invest RM6 million in R&D to advance its biometric authentication, anti-fraud solutions, and mobile platforms, and allocate RM4 million for ERP and IT system upgrades to drive its digital-first operations.

Rakuten Trade has maintained its BUY recommendation on the stock with a target price of 61 sen, valuing it at 23 times its fully diluted earnings per share (EPS) for the financial year ending March 2027 (FY3/27). This valuation represents a slight discount to the regional sector average, reflecting NEXG's comparatively smaller scale.

Thong said the FD EPS estimate takes into account an enlarged share base, assuming the full exercise of the group's employee stock options, its private placement, and the conversion of 1.39 billion warrants over three years (with one-third converted annually from FY3/26 to FY3/28).