

Cnergenz Berhad (0246)

Order Momentum Builds on Thailand's AI Wave

Bloomberg Ticker: CNERGEN MK | Investment Horizon: 12 Months

Recommendation

We maintain our BUY rating with a higher target price of RM1.07 (from RM0.94), based on an unchanged FY27F PE of 21x (+1.0 std dev above its 5-year historical average), as we raise our FY26F-28F earnings forecast by 8%-14% to reflect the bullish outlook on its expected orders inflow from Thailand and Malaysia's customers.

Outlook

Our post-results briefing reinforces our bullish thesis, with FY26F orderbook visibility largely secured, in line with our expectations, as management guided that the orderbook will be fully recognised within the year. Any new order received in 3QFY26 can be delivered in FY26 as well. However, orders that come in by 4QFY26 will spill over to FY27F. We expect the order replenishment to remain strong, driven by (i) new client factories coming online, (ii) the universal ODM AI tester drawing interest from AI-related equipment makers, and (iii) trade diversion from China into Southeast Asia.

Thailand is the group's primary growth engine, with its revenue contribution rising to 54% in 1HFY26 from 23% in 1HFY25, and now contributing 67% of the orderbook, as local customers accelerate capacity build-out to serve AI-related data centre infrastructure. We expect this momentum to broaden across both core segments: (i) sale of standalone SMT machines and equipment, and (ii) integrated SMT lines solutions, as Thai customers scale further, with the group's ITWEAE distribution rights adding a wider product range and reinforcing cross-sell opportunities alongside its core SMT equipment business. We view Thailand's order strength as structural, anchored by the region's position at the centre of trade diversion out of China and the broader Southeast Asian AI-infrastructure build-out, a multi-year tailwind, not a cyclical upswing.

Capacity remains sufficient as guided by the management, with headcount expected to stay stable in the near-term, giving the group a fixed-cost base that drives operating leverage as revenue rises. Margin profile is further supported by a rising mix contribution from higher-margin integrated SMT line segment (34% of orderbook vs. 54% sale of standalone SMT machines). We maintain our net margin assumption of 8% for FY26F, slightly above management's guided 7% base case, as we expect the integration segment to grow more than five-fold, lifting its contribution to 24% of total revenue in FY26F from 1% in FY25.

Meanwhile, the ODM segment accounting for 7% of the orderbook, is expanding in line with rising customer demand. The ODM business outlook remains positive with the AI-focused inline in-circuit tester station developed for a Tier-1 US-based multinational automated test equipment manufacturer having commenced mass production during 2QFY26. We expect a higher revenue recognition in the 2HFY26F as production ramps. Segment margin runs above the group average, and the tester's speed and efficiency continue to draw growing interest from AI-related equipment makers, supporting our thesis of a broadening ODM pipeline beyond the current customer base.

Forecast

We raise our FY26F/27F/28F earnings forecast by 8%/14%/14%, driven by (i) the orderbook being fully recognised within FY26 and (ii) gradual order inflow from Thailand and Malaysia factories scheduled to go live over the next two years.

Investment Risk to our Call

(i) Cyclical exposure to global E&E demand, (ii) customer concentration risk, and (iii) execution & operational efficiency risk.

BUY ↔

Target Price: RM1.07 (+16%) ↑

Current Share Price: RM0.92

Main Market
Technology

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Company Overview

Cnergenz Berhad is a company that specializes in providing SMT manufacturing solutions for the electronics and semiconductor industries, offering integrated production line systems and smart factory solutions, while diversifying into equipment ODM.

Stock Information

Market Cap (RM'mn)	383.8
Issued Shares (mn)	498.4
52W High (RM)	0.80
52W Low (RM)	0.29
Estimated Free Float (%)	26.8
Beta vs FBM KLCI	1.3
3-month Average Vol. (mn)	1.2
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	0.06	2.70	3.80
TP (RM)	High	Mean	Low
	0.85	0.78	0.71
Ratings	Buy	Hold	Sell
	2	0	0

Category	Score	Materiality	Weighted Score
Environmental	29	45%	2.8
Social	28	25%	1.4
Governance	28	30%	1.7
Total	85	100%	5.9

Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Provision of integrated solutions for SMT manufacturing line	-55%	-96%	5000%	10%	11%	5500%	25%	20%
Sales of standalone SMT machines and equipment	-35%	10%	80%	9%	19%	100%	15%	15%
Provision of other services	-2%	-2%	2%	2%	2%	2%	2%	2%

Key Financial Metrics

FYE 30 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	128.8	114.8	287.6	336.8	390.7
EBITDA (RM'mn)	11.2	(0.2)	26.5	28.0	32.3
Pretax profit/(loss) (RM'mn)	15.4	3.8	29.1	32.4	38.2
Net profit/ (RM'mn)	11.4	3.0	22.8	25.4	29.8
EPS (sen)	2.3	0.6	4.6	5.1	6.0
PER (x)	26.1	100.8	20.1	18.1	15.4
Core net profit (RM'mn)	11.4	3.0	22.8	25.4	29.8
Core EPS (sen)	2.3	0.6	4.6	5.1	6.0
Core EPS growth (%)	(19.6)	(74.1)	668.1	11.4	17.7
Core PER (x)	26.1	100.8	20.1	18.1	15.4
Net DPS (sen)	0.8	0.0	0.8	0.8	1.8
Dividend Yield (%)	1.3	0.0	0.9	0.9	2.0
ROE (%)	7.0	1.9	12.7	12.6	13.4
P/BV (x)	1.8	1.9	2.5	2.3	2.1

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	128.8	114.8	287.6	336.8	390.7
Operating expenses	(117.6)	(115.0)	(259.7)	(306.4)	(355.1)
EBITDA	11.2	(0.2)	27.9	30.4	35.6
Depreciation	(3.1)	(3.2)	(3.1)	(3.1)	(3.1)
EBIT	8.1	(3.4)	24.9	27.3	32.5
Net int income/(expense)	5.3	4.2	4.2	5.2	5.7
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	15.4	3.8	29.1	32.4	38.2
Tax	(3.1)	(1.4)	(7.0)	(7.8)	(9.2)
Minority interest	0.9	(0.6)	(0.6)	(0.7)	(0.8)
Net profit	11.4	3.0	22.8	25.4	29.8
Core PATAMI	11.4	3.0	22.8	25.4	29.8

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	18.4	15.7	21.7	21.9	23.1
Other long term assets	7.0	15.2	8.8	8.6	7.3
Total non-current assets	25.5	30.9	30.6	30.5	30.4
Cash and equivalents	113.1	101.5	95.4	115.9	127.2
Inventories	18.2	20.3	54.0	52.7	61.0
Receivables	40.3	50.9	55.2	55.4	64.2
Other current assets	1.6	2.3	-	-	-
Total current assets	173.1	175.0	204.5	224.0	252.4
Payables	30.7	40.0	54.0	52.7	61.0
Short term borrowings	0.1	0.2	0.2	0.2	0.2
Other current liabilities	1.9	3.7	-	-	-
Total current liabilities	32.7	43.9	54.3	52.9	61.2
Long term borrowings	1.1	1.2	1.2	1.2	1.2
Other long term liabilities	0.4	1.8	-	-	-
Total long term liabilities	1.6	3.0	1.2	1.2	1.2
Shareholders' Funds	163.6	158.5	179.9	201.3	222.1
Minority Interest	0.7	0.4	-0.2	-0.9	-1.8

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	15.4	3.8	29.1	32.4	38.2
Depreciation & amortisation	2.9	2.9	2.8	2.8	2.8
Working capital changes	(11.0)	(3.1)	(23.9)	(0.2)	(8.9)
Cash tax paid	(4.1)	(2.4)	(7.0)	(7.8)	(9.2)
Others	(7.2)	(3.1)	0.3	0.3	0.3
C/F from operation	(4.0)	(1.8)	1.3	27.5	23.3
Capex	(0.5)	(1.2)	(3.0)	(3.0)	(4.0)
Others	5.6	(2.2)	0.0	0.0	0.0
C/F from investing	5.1	(3.4)	(3.0)	(3.0)	(4.0)
Debt raised/(repaid)	(0.9)	(1.1)	0.0	0.0	1.0
Dividends paid	(8.0)	0.0	(4.0)	(4.0)	(9.0)
Others	(0.2)	0.3	0.0	0.0	0.0
C/F from financing	(9.0)	(0.9)	(4.0)	(4.0)	(8.0)
Net change in cash flow	(7.9)	(6.1)	(5.7)	20.6	11.3
Free Cash Flow	(4.5)	(3.0)	(1.7)	24.5	19.3



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BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

NEUTRAL: Total stock return expected to below +15% over 12-month period