

Synergy House Berhad (0279)

Margin Headwinds Persist

Bloomberg Ticker: SYNERGY MK | Investment Horizon: 12 Months

Recommendation

We downgrade our call to SELL (from HOLD) with lower TP of RM0.23 (from RM0.42) based on FY26F PE of 9x, given that reciprocal tariffs have adversely affected business performance.

Results Review

Synergy's FY25 core earnings of RM4mn came in below expectations, accounting for only 35% of our full-year forecast. The earnings shortfall was mainly attributable to margin compression from an unfavourable product mix and pricing adjustments amid tariff-related demand uncertainty. Higher operating expenses, including automation investments and additional costs arising from U.S. import tariffs, further weighed on profitability.

On a YoY basis, FY25 revenue declined by 20.8%, adversely impacted by weaker performance across both the B2B (-38.5% YoY) and B2C (-2.6% YoY) segments amid softer demand conditions as global economic uncertainties weighed on market sentiment across key operating markets. Earnings similarly declined by 20.8%, driven by an unfavourable product mix, pricing adjustments aimed at attracting customer traffic, and elevated operating expenses.

QoQ, 4QFY25 revenue increased by 10.4%, supported by stronger contributions from both the B2B (+12.8% QoQ) and B2C (+9.0% QoQ) segments in the UK and U.S. markets, driven by seasonal winter demand and year-end promotional sales. However, EBITDA margin contracted by 1.2ppt due to higher operating expenses related to the implementation of robotic process automation (RPA) systems, alongside the impact of U.S. import tariffs. Consequently, the Group recorded a net loss of RM1.9mn during the quarter, weighed down by an unfavourable product mix and a higher effective tax rate.

Outlook

We remain cautious on the near-term outlook as the impact of U.S. tariffs on furniture exporters is expected to continue exerting pressure on margins, particularly as the Group may need to partially absorb the additional tariff costs. We are also cautious that the newly imposed 15% reciprocal tariff may not provide any immediate favourable impact to the Group. Management intends to adjust product pricing across its e-commerce platforms to pass through part of the incremental costs to end customers, while concurrently negotiating cost reductions with suppliers to mitigate margin pressure.

Nevertheless, the Group remains cautiously optimistic on the longer-term demand outlook for the global furniture e-commerce market. Malaysia continues to retain a relative pricing advantage over China amid higher tariff rates imposed on Chinese exporters and ongoing geopolitical trade realignments, which could support order diversion opportunities. This underpins our expectation of stronger revenue contributions in FY26F-FY28F. Over the longer term, the Group continues to broaden its product portfolio towards premium-priced, higher-margin offerings, while introducing new strategies across both existing and new platforms to enhance customer engagement and improve operational efficiency through greater system automation.

Forecast

We revised our FY25F–FY27F earnings forecasts downwards by 33%–46% to reflect the tariff impact and uncertainty in returning orders. We also introduce FY28F numbers.

Investment Risk to our Call

(i) Cyclical consumer demand conditions, (ii) B2C e-commerce volatility, and (iii) intense competition

SELL ↓

Target Price: RM0.23 (-19%) ↓

Current Share Price: RM0.28

ACE Market
Consumer Products & Services

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Company Overview

Synergy House Berhad sells affordable, designer-inspired RTA furniture through cross-border e-commerce channels.

Stock Information

Market Cap (RM'mn)	142.5
Issued Shares (mn)	500.0
52W High (RM)	1.20
52W Low (RM)	0.23
Estimated Free Float (%)	17.6
Beta vs FBM KLCI	1.7
3-month Average Vol. (mn)	0.2
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	2.3	4.6	6.5
Ratings	Buy	Hold	Sell
	0	1	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

Results Summary

FYE 30 Sept (RM'mn)	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	117.4	73.1	80.8	10.4	(31.2)	392.4	311.0	(20.8)
EBITDA	10.1	2.3	1.5	(32.9)	(84.9)	36.3	12.4	(65.8)
Depreciation	(0.7)	(0.8)	(0.7)	2.4	(1.4)	(2.7)	(3.0)	(13.9)
EBIT	9.4	1.5	0.8	(48.0)	(91.6)	33.6	9.4	(72.1)
Pretax Profit	8.4	0.8	0.1	(93.5)	(99.4)	29.8	6.0	(79.8)
Taxation	4.2	2.0	(2.0)	nm	nm	(1.9)	(1.7)	11.9
Net Profit	12.6	2.8	(1.9)	nm	nm	27.8	4.3	(84.5)
Core Net Profit	12.6	2.8	(1.9)	nm	nm	27.8	4.3	(84.5)
Margin (%)								
EBITDA	8.6	3.1	1.9			9.2	4.0	
Pretax	7.1	1.1	0.1			7.6	1.9	
Net Profit	10.7	3.8	(2.4)			7.1	1.4	
B2B	56.1	27.4	30.9	12.8	(44.9)	198.4	122.1	(38.5)
B2C	61.3	45.7	49.9	9.0	(18.7)	194.0	188.9	(2.6)

Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
B2B	34%	-38%	-40%	10%	10%	3%	5%	5%
B2C	59%	-3%	1%	20%	25%	8%	10%	15%

Key Financial Metrics

FYE 30 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	392.4	311.0	329.7	356.4	396.7
EBITDA (RM'mn)	36.3	12.4	22.1	34.6	38.5
Pretax profit (RM'mn)	29.8	6.0	16.5	28.5	32.0
Net profit (RM'mn)	27.8	4.3	12.5	21.6	24.3
EPS (sen)	5.6	0.9	2.5	4.3	4.9
PER (x)	5.0	32.4	11.2	6.5	5.8
Core net profit (RM'mn)	27.8	4.3	12.5	21.6	24.3
Core EPS (sen)	5.6	0.9	2.5	4.3	4.9
Core EPS growth (%)	(4.3)	(84.5)	190.1	72.8	12.5
Core PER (x)	5.0	32.4	11.2	6.5	5.8
Net DPS (sen)	1.6	0.0	0.7	1.3	1.4
Dividend Yield (%)	5.9	0.0	2.6	4.5	5.0
ROE (%)	21.8	3.3	8.9	13.8	14.0
P/BV (x)	1.1	1.1	1.0	0.9	0.8

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	392.4	311.0	329.7	356.4	396.7
Operating expenses	(356.1)	(298.5)	(307.6)	(321.8)	(358.2)
EBITDA	36.3	12.4	22.1	34.6	38.5
Depreciation	(2.7)	(3.0)	(3.2)	(3.7)	(4.0)
EBIT	33.6	9.4	18.9	30.9	34.5
Net int income/(expense)	(3.9)	(3.4)	(2.4)	(2.4)	(2.4)
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	29.8	6.0	16.5	28.5	32.0
Tax	(1.9)	(1.7)	(4.0)	(6.8)	(7.7)
Minority interest	0.0	0.0	0.0	0.0	1.0
Net profit	27.8	4.3	12.5	21.6	24.3
Core PATAMI	27.8	4.3	12.5	21.6	24.3

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	16.0	18.1	18.9	23.3	26.4
Other long term assets	50.2	52.8	38.1	37.3	38.3
Total non-current assets	66.2	70.9	57.1	60.7	64.7
Cash and equivalents	28.4	28.0	25.9	33.0	37.2
Inventories	71.2	57.5	58.4	57.0	63.5
Receivables	56.9	42.9	47.9	46.9	52.2
Other current assets	58.6	29.2	29.5	33.9	33.6
Total current assets	215.0	157.5	161.6	170.7	186.4
Payables	45.5	23.7	24.0	21.4	23.8
Short term borrowings	37.5	63.1	31.6	31.6	31.6
Other current liabilities	45.5	(18.9)	-	-	-
Total current liabilities	128.6	68.0	55.6	52.9	55.4
Long term borrowings	24.2	22.2	22.2	22.2	22.2
Other long term liabilities	1.2	6.2	-	-	-
Total long term liabilities	25.5	28.4	22.2	22.2	22.2
Shareholders' Funds	127.4	132.0	140.9	156.2	173.5
Minority Interest	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	29.8	6.0	16.5	28.5	32.0
Depreciation & amortisation	1.9	1.9	2.1	2.6	2.9
Working capital changes	(8.0)	2.0	(5.6)	(0.3)	(9.3)
Cash tax paid	(13.9)	(5.0)	(4.0)	(6.8)	(7.7)
Others	19.5	5.0	1.1	1.1	1.1
C/F from operation	29.3	10.0	10.1	25.0	19.0
Capex	(6.1)	(1.0)	(5.0)	(7.0)	(6.0)
Others	0.1	0.0	0.0	0.0	0.0
C/F from investing	(6.0)	(1.0)	(5.0)	(7.0)	(6.0)
Debt raised/(repaid)	0.0	0.0	0.0	0.0	1.0
Dividends paid	(12.5)	(3.7)	(3.6)	(6.3)	(7.1)
Others	30.3	(37.4)	0.0	0.0	0.0
C/F from financing	17.8	(41.1)	(3.6)	(6.3)	(6.1)
Net change in cash flow	41.0	(32.1)	1.5	11.7	7.0
Free Cash Flow	23.1	9.0	5.1	18.0	13.0



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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

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