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Cnergenz Berhad (0246)

Outlook Improves

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BUY ⇔

TP: RM0.60 (+21%) ↑

Current Share Price: RM 0.495

Valuation

Our target price is based on:

FY26F PE of 23x, which is -0.5 std dev to its peer average of 26x, justified by its smaller market capitilisation and early entry into the manufacturing division

Results Report | **Growth** | **Investment Horizon : 12 months**

Results Review

Cnergenz's 9MFY25 earnings of RM3mn were in line with expectations, accounting for 70% of our full-year forecast. QoQ, revenue rose 32%, supported by stronger sales of standalone SMT machines and equipment, and likely new contributions from ITW Electronics Assembly Equipment (ITWEAE), for which Cnergenz secured distribution rights in June 2025. Earnings surged 67% due to a favourable product mix that leaned towards higher-margin products and services.

Outlook

We anticipate a stronger 4QFY25 as the company gains further traction following the resolution of reciprocal tariffs, coupled with increased contributions from ITWEAE, particularly driven by robust demand in the Thailand market. Our positive outlook is underpinned by rising SMT equipment demand across Southeast Asia, supported by trade diversion from China and Taiwan. We expect the recovery to be driven by (i) the resumption of capex spending for production line relocation and expansion, (ii) new income streams from subsidiary Xlent, especially its inline in-circuit test station, and (iii) revenue contributions from ITWEAE. Additionally, Cnergenz's early stage to be part of the AI manufacturing ecosystem by its own original design manufacturing (ODM) inline in-circuit test station and automated soldering solution. We understand that demonstration units have already been delivered to prospective clients. Thus, we tweak FY26F earnings by 7% to reflect better quarters ahead with favourable product mix skewed toward high margin products. We maintain our BUY call and in our target price to RM0.60 (from RM0.55), based on unchanged FY26F PE of 23x, which is -0.5 std dev to its peer average of 26x, justified by its smaller market capitilisation and early entry into the manufacturing division

Key Assumption

	Before			After		
Revenue growth	**FY2025F**	**FY2026F**	**FY2027F**	**FY2025F**	**FY2026F**	**FY2027F**
Provision of integrated solutions for SMT manufacturing line	-65%	200%	20%	-65%	200%	20%
Sales of standalone SMT machines and equipment	-25%	40%	30%	-25%	51%	21%
Provision of other services	-50%	50%	20%	-50%	50%	20%

Results Summary

FYE 31 Dec (RM'mn)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	**27.3**	**19.8**	**26.2**	***32.2***	***(3.8)***	**82.0**	**65.2**	***(20.4)***
Gross profit	**2.6**	**2.5**	**4.5**	***77.6***	***74.8***	**11.5**	**9.2**	***(19.5)***
EBITDA	**1.1**	**0.8**	**1.9**	***>100***	***71.5***	**7.3**	**2.6**	***(65.1)***
Depreciation	(0.8)	(0.8)	(0.8)	*(8.1)*	*(8.7)*	(2.2)	(2.4)	*(7.2)*
EBIT	**0.4**	**0.0**	**1.1**	***>100***	***>100***	**5.1**	**0.2**	***(96.6)***
Pretax Profit	**1.7**	**1.1**	**2.1**	***87.8***	***25.5***	**8.7**	**3.3**	***(62.0)***
Taxation	(1.0)	(0.5)	(0.6)	*(20.7)*	*40.5*	(2.7)	(1.1)	*59.9*
Net Profit	**0.7**	**0.6**	**1.5**	***>100***	***>100***	**6.0**	**2.2**	***(62.9)***
PATAMI	**0.9**	**1.0**	**1.6**	***66.5***	***71.8***	**6.3**	**3.0**	***(51.4)***
Margin (%)								
GP	9.5	12.8	17.2			14.0	14.1	
EBITDA	4.1	3.9	7.3			9.0	3.9	
Pretax	6.1	5.6	7.9			10.6	5.1	
PATAMI	(3.5)	(4.9)	(6.2)			(7.6)	(4.7)	

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMm)	161.7	128.8	81.4	140.6	169.2
EBITDA (RMm)	16.6	11.2	0.6	11.6	14.2
Pretax profit (RMm)	19.7	15.4	6.1	18.3	22.4
Net profit (RMm)	14.2	12.3	4.6	13.9	17.0
EPS (sen)	2.9	2.5	0.9	2.8	3.4
PER (x)	17.3	20.1	53.1	17.7	14.5
Core net profit (RMm)	14.2	11.4	4.3	12.9	15.9
Core EPS (sen)	2.9	2.3	0.9	2.6	3.2
Core EPS growth (%)	(34.5)	(19.6)	(62.2)	199.3	22.6
Core PER (x)	17.3	21.6	57.1	19.1	15.5
Net DPS (sen)	0.8	0.8	0.3	0.8	0.8
Dividend Yield (%)	1.6	1.6	0.6	1.6	1.6
ROE (%)	8.8	7.0	2.7	7.6	8.7
P/BV (x)	1.5	1.5	1.5	1.4	1.3

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue	161.7	128.8	81.4	140.6	169.2
Operating expenses	(145.1)	(117.6)	(80.8)	(128.9)	(154.9)
EBITDA	**16.6**	**11.2**	**0.6**	**11.6**	**14.2**
Depreciation	(2.6)	(3.1)	(2.9)	(3.0)	(3.0)
EBIT	**14.0**	**8.1**	**(2.3)**	**8.7**	**11.2**
Net int income/(expense)	4.8	5.3	5.5	5.6	6.2
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	**19.7**	**15.4**	**6.1**	**18.3**	**22.4**
Tax	(5.5)	(3.1)	(1.5)	(4.4)	(5.4)
Minority interest	0.0	0.9	0.3	1.0	1.2
Net profit	**14.2**	**12.3**	**4.6**	**13.9**	**17.0**
Core net profit	**14.2**	**11.4**	**4.3**	**12.9**	**15.9**

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Fixed assets	21.5	18.4	21.6	21.7	21.9
Other long term assets	3.3	7.0	3.1	3.1	3.1
Total non-current assets	**24.8**	**25.5**	**24.7**	**24.9**	**25.0**
Cash and equivalents	121.6	113.1	121.2	126.5	138.6
Inventories	18.3	18.2	24.1	26.4	26.5
Receivables	33.0	40.3	22.3	27.0	27.8
Other current assets	1.9	1.6	-	(0.0)	(0.0)
Total current assets	**174.9**	**173.1**	**167.6**	**179.8**	**192.9**
Payables	35.7	30.7	24.1	26.4	26.5
Short term borrowings	0.0	0.1	0.1	0.1	0.1
Other current liabilities	1.0	1.9	4.9	5.1	5.2
Total current liabilities	**36.6**	**32.7**	**29.0**	**31.5**	**31.8**
Long term borrowings	1.5	1.1	1.1	1.1	1.1
Other long term liabilities	0.5	0.4	-	-	-
Total long term liab.	**2.0**	**1.6**	**1.1**	**1.1**	**1.1**
Shareholders' Funds	**161.0**	**163.2**	**161.1**	**170.0**	**181.9**
Minority Interest	**0.0**	**0.7**	**1.0**	**2.0**	**3.2**

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Pretax Profit	19.7	15.4	6.1	18.3	22.4
Depreciation & amortisation	2.5	2.9	2.8	2.8	2.8
Working capital changes	6.8	(11.0)	5.4	(4.6)	(0.9)
Cash tax paid	(6.0)	(4.1)	(1.5)	(4.4)	(5.4)
Others	(3.9)	(5.8)	0.2	0.2	0.2
C/F from operation	**19.2**	**(2.6)**	**13.0**	**12.2**	**19.2**
Capex	(5.3)	(0.5)	(2.0)	(3.0)	(3.0)
Others	4.2	6.2	0.0	0.0	0.0
C/F from investing	**(1.1)**	**5.6**	**(2.0)**	**(3.0)**	**(3.0)**
Debt raised/(repaid)	(0.4)	(0.9)	0.0	0.0	0.0
Dividends paid	(4.0)	(8.0)	(1.5)	(4.0)	(4.0)
Others	(0.1)	(0.5)	0.0	0.0	0.0
C/F from financing	**(4.5)**	**(9.3)**	**(1.5)**	**(4.0)**	**(4.0)**
Net change in cash flow	**13.6**	**(6.3)**	**9.5**	**5.2**	**12.2**

Investment Risk

1. Cyclical semiconductor & electronics industry. Cnergenz's revenue is highly dependent on capex cycles of electronics and semiconductor manufacturers. During global slowdowns, clients tend to defer or reduce investments in new production lines, which directly impacts order flows.

2. High revenue concentration in ASEAN. The group's sales are heavily concentrated in Malaysia, Thailand, and Vietnam, making it vulnerable to regional economic or political disruptions. While ASEAN is benefiting from trade diversion, overreliance on a few markets limits diversification and increases exposure to localised downturns.

3. Dependence on technology partners. Cnergenz distributes and integrates equipment from global SMT and automation principals. Any termination or non-renewal of distributorship agreements could reduce its product range, weaken its competitive positioning, and disrupt revenue streams.