

Cnergenz Berhad (0246)

Integrated SMT Orders to Power Earnings Recovery

Bloomberg Ticker: CNERGEN MK | Investment Horizon: 12 Months

Recommendation

We maintain our BUY call and our target price at RM0.57, based on unchanged FY26F PE of 23x, which is -0.5 std dev to its peer average of 26x, justified by its smaller market capitalisation and early entry into the manufacturing division.

Results Review

We deem Cnergenz Berhad's 1QFY26 results to be within our expectation. Despite a 1Q FY26 loss of RM0.5mn, we maintain our FY26F earnings forecast of RM12mn, underpinned by the confirmed conversion of an RM82mn orderbook (>50% higher-margin integrated SMT solutions) in 2Q-3Q FY26F. This creates immediate visibility on a sharp margin recovery, with 1Q's unfavorable product mix and elevated integration costs now behind the group.

YoY, 1QFY26 revenue rose 43.5%, underpinned by stronger sales of standalone SMT machines and equipment. Nevertheless, the group slipped into a net loss of RM0.5mn versus a profit of RM0.4mn in 1QFY25, mainly due to an unfavourable product mix skewed towards lower-margin standalone SMT machines, coupled with higher administrative expenses following the consolidation of ITWEAE in June 2025 and Xlent in June 2024.

QoQ, 1QFY26 revenue declined 44.5% due to lower standalone SMT machine sales and the absence of integrated SMT line contributions. The group recorded a net loss of RM0.5mn, weighed down by a weaker product mix tilted towards lower-margin products.

Outlook

We remain cautiously optimistic on FY26 prospects as the company continues to gain traction following the easing of reciprocal tariff uncertainties, alongside increasing contributions from ITWEAE, particularly driven by robust demand from the Thailand market.

Our constructive outlook is underpinned by rising SMT equipment demand across Southeast Asia, supported by trade diversion from China and Taiwan. As at March 2026, the group's outstanding purchase orders stood at approximately RM82mn, versus RM27mn as at December 2025, which was recognised in 1QFY26. We understand that more than 50% of the current orderbook comprises integrated SMT line solutions, which typically command better margins and should support an improved earnings profile going forward.

We expect further order replenishment to be driven by (i) the resumption of capex spending for production line relocation and expansion activities, (ii) new income streams from subsidiary Xlent, particularly its inline in-circuit test stations, and (iii) incremental revenue contributions from ITWEAE.

Cnergenz is also at an early stage of positioning itself within the AI manufacturing ecosystem through its in-house ODM inline in-circuit test stations and automated soldering solutions. We understand the group recently secured a new purchase order involving 22 units of test stations, signalling encouraging customer adoption after recognising the first batch of 20 units in FY25 and 1QFY26.

Overall, we believe the group is likely to return to profitability in FY26F, supported by the full recognition of test station production costs in 4QFY25 and a progressively improving product mix skewed towards higher-margin integrated solutions.

Forecast

Thus, we cut FY26F earnings by 4% to reflect higher administrative cost. We also introduce FY28F numbers.

Investment Risk to our Call

(i) Cyclical semiconductor & electronics industry, (ii) high revenue concentration in ASEAN, and (iii) dependence on technology partners

Buy ↔

Target Price: RM0.57 (+30%) ↔

Current Share Price: RM0.44

**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, smart factory solutions, and diversify business into equipment ODM.

Stock Information

Market Cap (RM'mn)	221.6
Issued Shares (mn)	498.0
52W High (RM)	0.58
52W Low (RM)	0.27
Estimated Free Float (%)	26.0
Beta vs FBM KLCI	1.8
3-month Average Vol. (mn)	0.3
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	0.006	0.028	0.031
TP (RM)	High	Mean	Low
	0.57	0.56	0.55
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

Results Summary

FYE 31 Dec (RM'mn)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	19.2	49.5	27.5	(44.5)	43.5
Gross profit	2.2	4.6	2.5	(45.6)	15.0
EBITDA	(0.1)	0.3	(0.8)	nm	nm
Depreciation	(0.8)	(0.8)	(0.8)	(6.1)	(3.4)
EBIT	(0.9)	(0.6)	(1.5)	(177.7)	(63.4)
Pretax Profit	0.1	0.5	(0.8)	nm	nm
Taxation	(0.0)	(0.3)	(0.1)	(76.1)	196.4
Net Profit	0.1	0.2	(0.9)	nm	nm
PATAMI	0.4	(0.0)	(0.5)	nm	nm
Margin (%)					
GP	11.2	9.2	9.0		
EBITDA	(0.7)	0.5	(2.8)		
Pretax	0.6	1.0	(2.8)		
PATAMI	2.3	(0.1)	(1.8)		

Key Assumption

Revenue Growth	Actual		Unchanged Forecast		
	FY24	FY25	FY26F	FY27F	FY28F
Provision of integrated solutions for SMT manufacturing line	-55%	-96%	500%	20%	20%
Sales of standalone SMT machines and equipment	10%	20%	25%	21%	21%
Provision of other services	-2%	-2%	-2%	20%	20%

Key Financial Metrics

FYE 31 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RMm)	128.8	114.8	146.4	176.4	212.5
EBITDA (RMm)	11.2	(0.2)	7.1	9.5	11.3
Pretax profit (RMm)	15.4	3.8	13.0	16.6	19.5
PATAMI (RMm)	11.4	3.0	12.5	16.0	18.8
EPS (sen)	2.3	0.6	2.5	3.2	3.8
PER (x)	22.0	84.8	20.1	15.7	13.4
Core PATAMI (RMm)	11.4	3.0	12.5	16.0	18.8
Core EPS (sen)	2.3	0.6	2.5	3.2	3.8
Core EPS growth (%)	(19.6)	(74.1)	321.1	28.3	17.2
Core PER (x)	22.0	84.8	20.1	15.7	13.4
Net DPS (sen)	0.8	0.0	0.8	0.8	1.8
Dividend Yield (%)	1.6	0.0	1.6	1.6	3.6
ROE (%)	7.0	1.9	7.4	8.8	9.8
P/BV (x)	1.5	1.6	1.5	1.4	1.4

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	128.8	114.8	146.4	176.4	212.5
Operating expenses	(117.6)	(115.0)	(139.3)	(166.9)	(201.1)
EBITDA	11.2	(0.2)	7.1	9.5	11.3
Depreciation	(3.1)	(3.2)	(3.1)	(3.1)	(3.1)
EBIT	8.1	(3.4)	4.1	6.4	8.2
Net int income/(expense)	5.3	4.2	5.0	5.3	5.3
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	2.0	3.0	4.0	5.0	6.0
Pretax profit	15.4	3.8	13.0	16.7	19.5
Tax	(3.1)	(1.4)	(3.1)	(4.0)	(4.7)
Minority interest	0.9	(0.6)	(2.5)	(3.2)	(3.8)
PATAMI	11.4	3.0	12.5	16.0	18.8
Core PATAMI	11.4	3.0	12.5	16.0	18.8

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	18.4	15.6	21.7	21.9	23.1
Other long term assets	7.0	15.2	6.8	6.5	5.3
Total non-current assets	25.5	30.9	28.5	28.4	28.3
Cash and equivalents	113.1	101.5	111.2	119.1	119.2
Inventories	18.2	20.3	28.5	28.2	33.8
Receivables	40.3	50.0	28.1	29.0	34.9
Other current assets	1.6	2.2	-	-	-
Total current assets	173.1	174.0	167.8	176.3	187.9
Payables	30.7	38.0	28.5	28.2	33.8
Short term borrowings	0.1	0.2	0.2	0.2	0.2
Other current liabilities	1.9	5.7	-	-	-
Total current liabilities	32.7	44.0	28.7	28.4	34.1
Long term borrowings	1.1	1.2	1.2	1.2	1.2
Other long term liabilities	0.4	1.8	-	-	-
Total long term liab.	1.6	3.0	1.2	1.2	1.2
Shareholders' Funds	163.2	157.8	168.8	180.8	190.5
Minority Interest	0.7	0.1	-2.4	-5.7	-9.5

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	15.4	3.8	13.0	16.7	19.5
Depreciation & amortisation	2.9	3.0	2.8	2.8	2.8
Working capital changes	(11.0)	(0.8)	4.2	(0.9)	(5.9)
Cash tax paid	(4.1)	(2.5)	(3.1)	(4.0)	(4.7)
Others	(7.2)	(3.7)	0.3	0.3	0.3
C/F from operation	(4.0)	(0.2)	17.2	14.8	12.0
Capex	(0.5)	(2.0)	(3.0)	(3.0)	(4.0)
Others	5.6	(3.6)	0.0	0.0	0.0
C/F from investing	5.1	(5.6)	(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)	(0.8)	(4.0)	(4.0)	(8.0)
Net change in cash flow	(7.9)	(6.6)	10.2	7.9	0.1
Free Cash Flow	(4.5)	(2.2)	14.2	11.8	8.0



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Equity:

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