

# Synergy House Berhad (0279)

## Multiple Headwinds Cloud Outlook

Bloomberg Ticker: SYNERGY MK | Investment Horizon: 12 Months

### Recommendation

We maintain our SELL rating with a lower target price of RM0.11 (previously RM0.23), derived by rolling forward our valuation to FY27F earnings at an unchanged 9x PE. The target price reduction reflects the sharp deterioration in business performance and persistently weak consumer sentiment weighing on the outlook.

### Results Review

1QFY26 results missed expectations. Synergy reported a net loss of RM5.9mn in 1QFY26, falling short of both our full-year forecast and consensus estimates. The earnings shortfall was driven by weaker revenue across both segments, margin compression from an unfavorable product mix, and elevated operating expenses stemming from automation investments and incremental costs related to U.S. tariffs.

**YoY**, revenue declined 47% YoY as both B2B (-67%) and B2C (-33%) segments weakened considerably, reflecting subdued demand conditions as global economic uncertainties dampened market sentiment across key geographies. The shift to a loss was driven by higher operational costs from tariffs and storage expenses, compounded by margin compression from discounted pricing to clear slow-moving inventory.

**QoQ**, revenue fell 43% QoQ, with both B2B (-61%) and B2C (-31%) segments declining in the UK and U.S. markets due to typical post-seasonal demand normalization. The net loss widened to RM5.9mn, pressured by the unfavorable product mix and elevated storage costs on aging inventory. The margin drags intensified following policy changes at certain fulfillment centers, which implemented tiered storage fee structures based on inventory levels, further inflating costs.

### Outlook

**Near-term headwinds persist.** We maintain a cautious stance on the near-term outlook given ongoing margin pressures from U.S. tariffs on furniture exports, with limited ability to pass through the full cost burden. Subdued consumer demand in the U.S. and UK markets continues to weigh on performance, resulting in elevated slow-moving inventory costs. Additionally, management's strategic exit from certain platforms including Amazon where product categories and SKUs are poorly aligned, signals continued near-term revenue headwinds and margin compression.

**Longer-term structural tailwinds remain intact.** Despite near-term challenges, the Group maintains a constructive view on the global furniture e-commerce market's long-term prospects. Malaysia's competitive pricing advantage relative to China, driven by higher tariff rates on Chinese exports and shifting geopolitical trade dynamics, which positions the Group to capture order diversion opportunities. Strategically, the shift toward premium-priced, higher-margin product categories, coupled with initiatives to enhance customer engagement across both existing and new platforms and drive operational efficiency through increased automation, should support margin recovery over time.

### Forecast

We revised our FY26F–FY28F earnings forecasts downwards by 63%-89% to reflect softer sales volume with uncertainty in returning orders and higher expense cost.

### Investment Risk to our Call

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

**SELL** ↔

Target Price: RM0.11 (-47%) ↓

Current Share Price: RM0.20

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)	100.0
Issued Shares (mn)	500.0
52W High (RM)	0.73
52W Low (RM)	0.18
Estimated Free Float (%)	17.6
Beta vs FBM KLCI	1.4
3-month Average Vol. (mn)	0.1
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	0.9	2.5	4.3
TP (RM)	High	Mean	Low
	0.23	0.23	0.23
Ratings	Buy	Hold	Sell
	0	0	1

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)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	88.1	80.8	46.4	(42.6)	(47.4)
EBITDA	6.8	1.5	(5.2)	nm	nm
Depreciation	(0.8)	(0.7)	0.0	nm	nm
EBIT	6.1	0.8	(5.2)	nm	nm
Pretax Profit	4.2	0.1	(5.8)	nm	nm
Taxation	(0.9)	(2.0)	(0.0)	99.0	98.0
Net Profit	3.2	(1.9)	(5.9)	nm	nm
Core Net Profit	3.2	(1.9)	(5.9)	nm	nm
Margin (%)					
EBITDA	7.8	1.9	(11.2)		
Pretax	4.7	0.1	(12.6)		
Net Profit	3.7	(2.4)	(12.6)		
B2B	36.9	30.9	12.1	(61.0)	(67.3)
B2C	51.2	49.9	34.2	(31.4)	(33.2)

## Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
B2B	34%	-38%	3%	5%	5%	-50%	20%	5%
B2C	59%	-3%	8%	10%	15%	-25%	20%	15%

## Key Financial Metrics

FYE 30 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	392.4	311.0	202.7	243.2	272.4
EBITDA (RM'mn)	36.3	12.4	7.5	13.9	18.3
Pretax profit (RM'mn)	29.8	6.0	1.9	7.8	11.8
Net profit (RM'mn)	27.8	4.3	1.4	5.9	9.0
EPS (sen)	5.6	0.9	0.3	1.2	1.8
PER (x)	3.6	23.2	69.8	17.0	11.1
Core net profit (RM'mn)	27.8	4.3	1.4	5.9	9.0
Core EPS (sen)	5.6	0.9	0.3	1.2	1.8
Core EPS growth (%)	(4.3)	(84.5)	(66.8)	311.5	52.1
Core PER (x)	3.6	23.2	69.8	17.0	11.1
Net DPS (sen)	1.6	0.0	0.0	0.3	0.5
Dividend Yield (%)	8.2	0.0	0.0	1.7	2.6
ROE (%)	21.8	3.3	1.1	4.3	6.2
P/BV (x)	0.8	0.8	0.7	0.7	0.7

## Financial Exhibits

### Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	392.4	311.0	202.7	243.2	272.4
Operating expenses	(356.1)	(298.5)	(195.2)	(229.4)	(254.1)
<b>EBITDA</b>	<b>36.3</b>	<b>12.4</b>	<b>7.5</b>	<b>13.9</b>	<b>18.3</b>
Depreciation	(2.7)	(3.0)	(3.2)	(3.7)	(4.0)
<b>EBIT</b>	<b>33.6</b>	<b>9.4</b>	<b>4.3</b>	<b>10.2</b>	<b>14.2</b>
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
<b>Pretax profit</b>	<b>29.8</b>	<b>6.0</b>	<b>1.9</b>	<b>7.8</b>	<b>11.8</b>
Tax	(1.9)	(1.7)	(0.5)	(1.9)	(2.8)
Minority interest	0.0	0.0	0.0	0.0	1.0
<b>Net profit</b>	<b>27.8</b>	<b>4.3</b>	<b>1.4</b>	<b>5.9</b>	<b>9.0</b>
<b>Core PATAMI</b>	<b>27.8</b>	<b>4.3</b>	<b>1.4</b>	<b>5.9</b>	<b>9.0</b>

### 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
<b>Total non-current assets</b>	<b>66.2</b>	<b>70.9</b>	<b>57.1</b>	<b>60.7</b>	<b>64.7</b>
Cash and equivalents	28.4	28.0	40.4	37.3	36.7
Inventories	71.2	57.5	35.9	39.5	43.6
Receivables	56.9	42.9	29.4	32.0	35.8
Other current assets	58.6	29.2	39.1	36.8	33.3
<b>Total current assets</b>	<b>215.0</b>	<b>157.5</b>	<b>144.9</b>	<b>145.5</b>	<b>149.3</b>
Payables	45.5	23.7	14.8	14.8	16.3
Short term borrowings	37.5	63.1	31.6	31.6	31.6
Other current liabilities	45.5	(18.9)	-	-	-
<b>Total current liabilities</b>	<b>128.6</b>	<b>68.0</b>	<b>46.3</b>	<b>46.3</b>	<b>47.9</b>
Long term borrowings	24.2	22.2	22.2	22.2	22.2
Other long term liabilities	1.2	6.2	-	-	-
<b>Total long term liabilities</b>	<b>25.5</b>	<b>28.4</b>	<b>22.2</b>	<b>22.2</b>	<b>22.2</b>
<b>Shareholders' Funds</b>	<b>127.4</b>	<b>132.0</b>	<b>133.4</b>	<b>137.6</b>	<b>144.0</b>
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	29.8	6.0	1.9	7.8	11.8
Depreciation & amortisation	1.9	1.9	2.1	2.6	2.9
Working capital changes	(8.0)	2.0	26.1	(6.1)	(6.4)
Cash tax paid	(13.9)	(5.0)	(0.5)	(1.9)	(2.8)
Others	19.5	5.0	1.1	1.1	1.1
<b>C/F from operation</b>	<b>29.3</b>	<b>10.0</b>	<b>30.7</b>	<b>3.5</b>	<b>6.6</b>
Capex	(6.1)	(1.0)	(5.0)	(7.0)	(6.0)
Others	0.1	0.0	0.0	0.0	0.0
<b>C/F from investing</b>	<b>(6.0)</b>	<b>(1.0)</b>	<b>(5.0)</b>	<b>(7.0)</b>	<b>(6.0)</b>
Debt raised/(repaid)	0.0	0.0	0.0	0.0	1.0
Dividends paid	(12.5)	(3.7)	0.0	(1.7)	(2.6)
Others	30.3	(37.4)	0.0	0.0	0.0
<b>C/F from financing</b>	<b>17.8</b>	<b>(41.1)</b>	<b>0.0</b>	<b>(1.7)</b>	<b>(1.6)</b>
<b>Net change in cash flow</b>	<b>41.0</b>	<b>(32.1)</b>	<b>25.7</b>	<b>(5.2)</b>	<b>(1.0)</b>
<b>Free Cash Flow</b>	<b>23.1</b>	<b>9.0</b>	<b>25.7</b>	<b>(3.5)</b>	<b>0.6</b>



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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

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

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