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LGMS Berhad

Soft 3QFY25 Amid Slower-Than-Expected Recovery Pick-Up

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LGMS's 9MFY25 results fell short of expectations, primarily due to weaker revenue from the cyber risk management and compliance segment, as the post-tariff recovery in customer activity proved slower than anticipated. Nonetheless, we remain positive on its long-term outlook, underpinned by structural tailwinds from the Cyber Security Act 2024 and the rollout of StarSentry, a plug-and-play cyber security solution targeting enterprises and SMEs. The group's shift to an in-house, subscription-based sales model is to drive recurring revenue although margins could come under pressure in the near term. In response to the results, we lower our FY25F/FY26F earnings marginally by 4%/4%, respectively. We also reduce our FY26 target price to RM0.73 (from RM0.86), applying a lower FY26F PER of 27x (previously 30x) to reflect a more moderate near-term sector outlook amid slower-than-expected demand. We reiterate our MARKET PERFORM rating.

LGMS's 9MFY25 net profit of RM6.3m was below expectation, making up only 61%/63% of our/consensus estimates. Historically, the group's 9M net profit has accounted for ~68% of full-year earnings. The underperformance was mainly due to softer revenue from the cyber risk management and compliance segment, arising from fewer billable clients in the technology and telecommunications & media industries, as activity levels have yet to fully recover following tariff-related disruptions. Notably, LGMS is progressing with the proposed transfer of its listing from the ACE Market to the Main Market, targeted for completion by 4QCY25, which should boost its visibility and aid business development. No dividend was declared for the quarter.

YoY. LGMS's 9MFY25 revenue was broadly flat at RM30.3m (-0.4% y/y), as the softer 2QFY25 performance—driven by tariff uncertainty that caused customers to delay IT security spending—offset the recovery momentum seen in 3QFY25. Despite a flat turnover, 9MFY25 PBT fell 23% to RM8.4m, with margins contracting to 28% from 36% a year earlier. The decline was mainly due to higher employee benefits expenses, which rose 33% YoY (accounting for 52% of 9MFY25 revenue, +10 ppt YoY) following its headcount growth to 150 from ~134, reflecting ongoing workforce expansion. Correspondingly, its net profit dropped by 23% to RM6.3m.

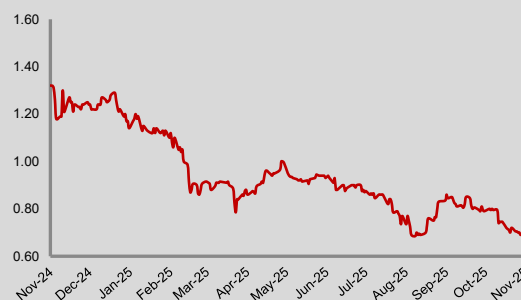
QoQ. 3QFY25 revenue rose 6% to RM10.6m, driven primarily by the cyber risk prevention segment, which increased 15% QoQ following the partial resumption of IT spending after tariff clarity. This was partly offset by a 16% QoQ decline in the cyber risk management and compliance segment. Overall, the improved mix helped lift net profit by 18% QoQ.

Outlook. Malaysia's cybersecurity sector remains in an early but promising growth phase, supported by the implementation of the Cyber Security Act 2024 (Act 854) on 26 August 2024, which is expected to progressively accelerate cybersecurity adoption across industries. This comes amid a more challenging threat landscape, with [reported](#) cyber incidents rising to 2,058 cases in 2Q25 (+24% QoQ) from 1,657 cases in the prior quarter. Although ransomware cases eased to 13 incidents (-19% QoQ), prevailing trends suggest the risk could heighten. Against this backdrop, LGMS's proprietary StarSentry—a plug-and-play device designed to detect system vulnerabilities—is timely, with ransomware concerns and compliance requirements likely to drive demand. Policy support, including Budget 2026's tax deduction for MSMEs in AI and upskilling, could further strengthen the industry's long-term outlook.

MARKET PERFORM ↔

Price : RM0.66
Target Price : RM0.73 ↓

Share Price Performance



KLCI 1614.06
YTD KLCI chg -1.7%
YTD stock price chg -47.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LGMS MK EQUITY
Market Cap (RM m)	301.0
Shares Outstanding	456.0
52-week range (H)	1.34
52-week range (L)	0.66
3-mth avg. daily vol.	331,155
Free Float	51.8%
Beta	1.39

Major Shareholders

Fong Choong Fook	36.4%
Sumitomo Mitsui Trust Hdlg	25.0%
Go Soon Sei	10.8%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	44	42	49
EBIT	16	13	16
PBT	17	13	16
Net Profit	12	10	12
Consensus	-	10	13
Earnings Revision	-	-4%	-4%
EPS (sen)	2.7	2.19	2.68
EPS growth (%)	9.9	-19.2	22.4
NDPS (sen)	1.5	1.0	1.5
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	24.4	30.2	24.7
P/BV (x)	3.2	3.0	2.9
Gearing (x)	0.7	0.7	0.7
Net Dvd Yield (%)	2.2%	1.5%	2.3%



However, LGMS's near-term performance will still depend on higher product awareness, enterprise adoption, and the pace of regulatory enforcement, prompting a more measured view on its short-term growth trajectory despite favourable structural prospects.

Forecasts. We have revised our FY25F/FY26F net profit forecasts downwards by 4%/4%, together with a 2%/3% cut in revenue, to factor in the weaker 9M25 performance and a more conservative view on FY26 expansion prospects. We have not factored in the potential share of associate profit from the proposed 27% stake in Antarex Holdings Sdn Bhd (AHSB), which carries a RM24.5m cumulative profit guarantee over three years, as the acquisition is subject to conditions precedent under the SSA, with deal completion targeted by 4QCY25. We estimate that the inclusion of the profit guarantee would result in a +9%/+12% uplift to FY25F/FY26F net profit, which would, in turn, raise our FY26F target price by 10 sen.

Valuations. We lower our target price to RM0.73 (from RM0.86 previously), based on a lower FY26F PER of 27x (from 30x), which is aligned with its 3-year average forward mean PE. There is no adjustment to our TP based on its ESG rating given a 3-star rating as appraised by us (see Page 4). Maintain MARKET PERFORM rating.

Investment case. We like LGMS for: (i) its strong growth potential in the underpenetrated cybersecurity market, (ii) a robust competitive edge due to high vendor qualification barriers, and (iii) its new proprietary certification software expected to drive future growth.

Risks to our call include: (i) a prolonged product awareness timeline, (ii) economic downturn resulting in customer lowering budget allocated for cybersecurity, (iii) reluctance to spend on cybersecurity services due to the lack of knowledge and awareness in emerging countries, and (iv) failure to maintain its extensive list of accreditations due to potential loss of critical talent.

Results Highlight									
FYE Dec (RM m)	3Q25	2Q25	QoQ Chg	3Q24	YoY Chg	9M25	9M24	YoY Chg	
Turnover	10.6	10.0	5.8%	10.3	3.3%	30.3	30.4	-0.4%	
EBITDA	2.6	2.3	11.2%	2.5	1.7%	7.1	9.8	-26.8%	
EBIT	2.9	2.6	12.9%	2.8	5.0%	8.0	10.6	-23.8%	
PBT/(LPT)	3.0	2.8	7.7%	2.9	4.4%	8.4	10.9	-23.1%	
Taxation	0.6	0.8	-16.5%	0.7	-9.6%	2.1	2.6	-21.4%	
MI	0.0	0.0	NA	0.0	NA	0.0	0.0	NA	
Net Profit	2.4	2.0	17.6%	2.2	9.8%	6.3	8.3	-23.2%	
Core EPS (sen)	0.5	0.4	17.6%	0.5	9.8%	1.4	1.8	-23.2%	
DPS (sen)	0.0	0.5	NA	0.5	NA	0.5	1.0	NA	
EBITDA Margin	24.3%	23.1%		24.7%		23.6%	32.1%		
EBIT Margin	27.6%	25.9%		27.2%		26.6%	34.7%		
PBT Margin	28.2%	27.7%		27.9%		27.6%	35.8%		
NP Margin	22.5%	20.2%		21.1%		21.0%	27.2%		
Tax Rate	21.0%	27.1%		24.3%		24.6%	24.1%		

Source: Kenanga Research

Revenue Breakdown (By Segment)									
FYE 31 Dec	3Q25	2Q25	QoQ Chg	3Q24	YoY Chg	9M25	9M24	YoY Chg	
Cyber risk prevention	6.7	5.8	15.1%	6.2	8.3%	19.0	21.0	-9.4%	
Cyber risk mgmt & compliance	2.7	3.3	-16.4%	3.4	-20.4%	8.5	7.0	20.9%	
Cyber threat & incident response	1.2	0.9	25.8%	0.6	82.8%	2.8	2.4	15.3%	
Total Revenue	10.6	10.0	5.8%	10.3	3.3%	30.3	30.4	-0.4%	

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
D&O GREEN TECHNOLOGIES BHD	OP	1.10	1.61	46.4%	1,363.4	Y	12/2025	2.5	5.4	-22.3%	116.6%	44.4	20.5	1.5	3.3%	1.0	0.9%
INARI AMERTRON BHD	OP	2.41	2.56	6.2%	9,155.1	Y	06/2026	7.6	8.2	12.4%	8.0%	31.9	29.5	3.3	10.4%	7.0	2.9%
KELINGTON GROUP BHD	OP	5.18	6.15	18.7%	4,026.1	Y	12/2025	21.1	20.5	29.6%	17.1%	24.6	25.3	5.7	27.5%	11.0	2.1%
LGMS BHD	MP	0.66	0.730	10.6%	301.0	Y	12/2025	2.2	2.7	-18.7%	23.0%	30.1	24.5	3.0	10.3%	2.0	3.0%
MALAYSIAN PACIFIC INDUSTRIES	MP	30.60	27.60	-9.8%	6,101.6	Y	06/2026	88.1	100.3	14.0%	13.8%	34.7	30.5	2.8	8.2%	35.0	1.1%
NATIONGATE HOLDINGS BHD	OP	1.05	1.62	54.3%	2,391.5	Y	12/2025	7.2	7.7	-6.1%	6.7%	14.5	13.6	2.3	16.9%	2.0	1.9%
OPPSTAR BHD	MP	0.435	0.500	14.9%	279.0	Y	03/2026	0.9	1.4	-51.6%	50.0%	46.4	31.0	2.0	4.4%	1.0	2.3%
PIE INDUSTRIAL BHD	MP	2.60	2.80	7.7%	998.5	Y	12/2025	7.9	14.8	-42.7%	86.5%	32.8	17.6	1.5	4.7%	0.0	0.0%
SKP RESOURCES BHD	OP	0.68	1.24	82.4%	1,062.4	Y	03/2026	8.6	9.2	13.9%	6.3%	7.9	7.4	0.9	12.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.23	1.90	-41.2%	5,210.2	Y	12/2025	3.6	6.5	-3.6%	78.1%	89.1	50.0	2.4	2.6%	8.0	2.5%
UWC BHD	OP	3.65	3.82	4.7%	4,025.5	Y	07/2026	10.0	13.9	172.6%	38.8%	36.4	26.3	6.8	20.7%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.75	4.25	13.3%	2,667.4	Y	12/2025	8.7	12.1	-4.9%	38.9%	43.0	31.0	3.4	8.0%	2.0	0.5%
SECTOR AGGREGATE					37,581.9					13.3%	22.3%	30.6	25.0	3.0	10.8%		1.4%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★	☆	
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emission Management	★	★	☆		
SPECIFIC	Technology & Innovation	★	★	★	★	
	Waste & Water Management	★	★	★		
	Product Quality & IP	★	★	★	★	
	Green Building	★	★	★		
	Biodiversity & Conservation	★	★	★		
	Supply Chain Management	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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