

04 March 2026

# LGMS

## Harvesting Period Around the Corner

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LGMS's share price has fallen 53% from its 52-week high of RM1.04, with a YTD return of -7%, primarily due to investor concerns over its rising headcount costs outpacing revenue due to subdued business growth and low cybersecurity awareness, leading to margin compression. We believe that 2025 has been a "seed planting" stage for LGMS, marked by some notable developments, such as the acquisition of Antarex, the launch of StarSentry managed services, and an expanded headcount to accommodate greater volume. We expect that 2026 could be the year for growth, reaping the fruits of these efforts, depending on execution. While we acknowledge LGMS's niche product and capabilities in the market, low cybersecurity awareness and the early stage of industry development continue to be challenges for the sector. Post briefing, we raised our FY26 net profit forecasts by 11% after adjusting our assumptions and including the profit guarantee from Antarex. We revise our TP down to RM0.58 (from RM0.65), based on a lower FY26F PER of 20x (previously 24x) to reflect the fledgling domestic cybersecurity market, which hinders adoption. Despite the lower TP, it still presents a 20% upside to the current share price, and therefore, we upgrade the stock to **OUTPERFORM**.

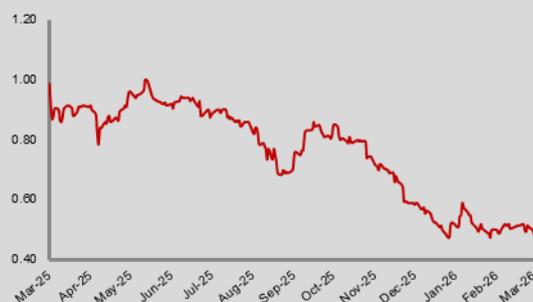
- Earnings recap.** LGMS's FY25 net profit stood at RM10.2m (-10% YoY), meeting expectations and accounting for 102% and 114% of our and consensus estimates, respectively. Despite flattish revenue YoY, the decline in net profit was driven by a 20% YoY increase in staff costs due to talent acquisition and retention efforts. Headcount rose from 149 to 158 by the end of 2025. This remains a concern for investors, as revenue did not grow in line with the increase in headcount, which negatively impacted margins and contributed to the reduction in net profit. During the briefing, management emphasized that hiring activity should slow down this year after a period of aggressive recruitment. The company plans to focus on driving business growth with its existing resources, which could help prevent margins from compressing further due to increased headcount.
- Star sentry to take off in 2026.** The roll-out of StarSentry, a plug-and-play cybersecurity solution that automatically assesses vulnerabilities across all connected hosts targeting enterprises, are facing hiccups in scaling, with FY25 contributing barely any revenue. However, we are reassured by management's update during the briefing that the shift in strategy from one-off hardware sales to managed services for StarSentry since mid-2025 has already shown promising results, with several key clients successfully onboarded, potentially contributing as early as 2QFY26. We forecast StarSentry to contribute 6% and 11% to revenue in FY26 and FY27, respectively, and we expect meaningful deployment to begin starting 2QFY26. Notably, this segment has a higher margin compared to their core business of deploying consultants, which should aid in margin improvement as it scales. Given that orders have already been secured and discussions with new customers are ongoing, earnings contribution hinges on execution risks related to the timing of deployment, which affects revenue recognition.

**Active pipeline in new product launch and cross-selling.** Management shared that there is an active pipeline for new product launches and cross-selling, with a key offering, Cyber Risk Management, set to be launched in 2HCY26. This product continuously monitors a client's security posture by tracking their domain name across the dark web and public internet for known threats, identifying stolen credentials, and providing visibility into potential hacker awareness, helping them to stay ahead of security risks.

# OUTPERFORM ↑

Price : **RM0.485**  
Target Price : **RM0.580** ↓

### Share Price Performance



KLCI	1,711.95
YTD KLCI chg	1.9%
YTD stock price chg	-7.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	LGMS MK EQUITY
Market Cap (RM m)	221.2
Shares Outstanding	456.0
52-week range (H)	1.04
52-week range (L)	0.46
3-mth avg. daily vol.	1,013,788
Free Float	52%
Beta	1.3

### Major Shareholders

Fong Choong Fook	36.6%
Goh Soon Sei	10.8%
Norges Bank	3.0%

### Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	2025A	2026F	2026F
EBIT	44	49	57
PBT	13	14	18
<b>Net Profit</b>	13	15	18
<b>Adj Net Profit</b>	10	13	16
Consensus	-	12	15
Earnings Revision (%)	-	+11%	NEW
Core EPS (sen)	2.24	2.92	3.56
EPS Growth (%)	-17.2	30.3	21.8
NDPS (sen)	1.2	1.2	1.2
BV/Share (RM)	0.2	0.2	0.3
Core PER (x)	21.6	16.6	13.6
P/BV (x)	2.2	2.0	1.8
Gearing (x)	-	-	-
Net Dvd Yield (%)	2.5	2.5	2.5



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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 28 Aug. (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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	MP	0.430	0.470	9.3%	533.0	Y	12/2026	2.1	2.3	132.7%	39.9%	20.3	18.9	0.8	3.8%	1.0	2.3%
INARI AMERTRON BHD	OP	1.38	2.05	48.6%	5,251.1	Y	06/2026	5.7	7.5	-14.6%	30.6%	24.0	18.4	1.9	7.2%	5.0	3.6%
KELINGTON GROUP BHD	OP	5.17	6.15	19.0%	4,065.2	Y	12/2026	20.5	21.9	23.4%	6.8%	25.2	23.6	5.8	26.1%	13.0	2.5%
LGMS BHD	OP	0.485	0.580	19.6%	221.2	Y	12/2026	2.9	3.6	30.4%	21.8%	16.6	13.7	1.7	10.5%	2.0	4.1%
MALAYSIAN PACIFIC INDUSTRIES	MP	30.42	35.30	16.0%	6,065.7	Y	06/2026	104.4	120.3	35.2%	15.2%	29.1	25.3	2.7	9.7%	35.0	1.2%
NATIONGATE HOLDINGS BHD	MP	0.750	0.850	13.3%	1,697.0	Y	12/2026	4.7	5.7	7.8%	21.1%	15.9	13.2	1.6	10.2%	2.0	2.7%
OPPSTAR BHD	MP	0.245	0.280	14.3%	157.1	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	24.9	1.3	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.43	1.40	-2.1%	549.2	Y	12/2026	8.1	8.8	37.6%	8.0%	17.7	16.3	0.8	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.460	0.530	15.2%	718.7	Y	03/2026	5.7	4.4	-24.4%	-22.5%	8.1	10.5	0.6	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	2.99	2.22	-25.8%	4,823.1	Y	12/2026	7.6	9.2	94.1%	21.8%	39.5	32.4	2.3	5.8%	6.0	2.0%
UWC BHD	OP	4.20	4.38	4.3%	4,633.2	Y	07/2026	10.0	13.9	172.6%	38.8%	41.9	30.2	7.7	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.30	4.25	28.8%	2,347.3	Y	12/2026	12.1	13.1	39.0%	8.1%	27.2	25.2	2.7	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.18	1.90	61.0%	709.5	Y	05/2026	5.6	7.6	60.7%	34.8%	20.9	15.5	3.6	18.3%	1.0	0.8%
<b>SECTOR AGGREGATE</b>					<b>31,771.2</b>					<b>22.7%</b>	<b>19.2%</b>	<b>26.0</b>	<b>21.8</b>	<b>2.6</b>	<b>10.0%</b>		<b>1.5%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	☆		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Technology & Innovation	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Ethical Practices	★	★	★	☆	
<b>OVERALL</b>		★	★	★		

☆ 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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