Supercomnet Technologies

A Disappointing Start to FY26

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OUTPERFORM ↔

Price: **RM0.55**
Target Price: **RM0.85** ↓

SCOMNET's 1QFY26 missed expectations. 1QFY26 was impacted by delayed shipments delivery and lower capacity utilisation arising from the Chinese New Year and Hari Raya festive holidays. We cut our FY26/FY27 net profit forecasts by 12%/13% taking into account slower-than-expected deliveries in the medical segment. Correspondingly, out TP is cut to RM0.85 (previously RM1.00) based on 20x FY27F EPS, at 30% discount to proxy peers' average of 32x. Reiterate OUTPERFORM call.

SCOMNET's 1QFY26 net profit fell 22% YoY to RM6m which missed our and consensus forecasts at 13% and 10% of our and consensus full-year net profit forecasts, respectively. The weak results were due to lower-than-expected contribution from medical segment.

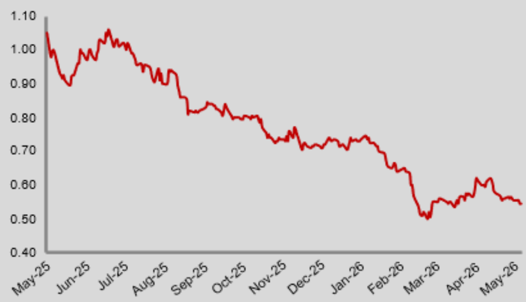
QoQ, 1QFY26 revenue fell 3% due to lower contribution from medical segment (-3%) which accounts for 91% of group topline due to delayed shipments delivery from a key customer. EBITDA rose 16% due to absence of forex loss and one-off bonus payment earmarked in 4QFY25. This brought 1QFY26 net profit to RM6m (+20%). No dividend was declared as expected.

YoY, 1QFY26 revenue fell 13% due to lower sales volume from medical segment (-2%) which accounted for 91% of group. However, 1QFY26 net profit fell 22% due to deferred timing in product deliveries as mentioned above, adverse forex due to strengthening of MYR against the USD, and lower capacity utilisation arising from the Chinese New Year and Hari Raya festive holidays.

Outlook. The medical segment remains its key anchor driver accounting for over 80% of revenue, with new product launches (e.g. EEG wires) and expansion into new markets expected to boost performance in 2HFY26. In terms of Magnetar EEG Electrode Cable for Customer A, 3,000 sets have been supplied to customer A for an exhibition which are sellable. It expects small-batch production in 2QFY26, with mass production targeted for end 3QCY26. Similarly, smart cable for critical care monitoring production has grown consistently over the past few months.

Its new business opportunities have broadened following Customer E's sale of its critical care division to new Customer B. Specifically, the main products include transcatheter heart valves of which Scomnet is currently carrying out research and developing production capabilities. Given Customer E's longstanding relationship with Scomnet, it is looking to retain Scomnet as its supplier. Customer A is also setting up a new plant in Mexico to serve the South American market. It currently controls around 5% of the global endoscope market. Major examples include the soft-launch of AI smart cables for existing Customer E and new Customer G, the electroencephalogram (EEG) cable for Customer A as well as the syringe infusion system for Customer I. In terms of Magnetar EEG Electrode Cable for Customer A, 3,000 sets have been supplied to customer A for an exhibition which are sellable.

Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	-23.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCT MK
Market Cap (RM m)	462.4
Shares Outstanding	848.4
52-week range (H)	1.07
52-week range (L)	0.49
3-mth avg. daily vol.	1,104,702
Free Float	32%
Beta	1.0

Major Shareholders

Shiue Jong-Zone	13.7%
Chih-Yu Hsueh	12.8%
Shiue Jyh-Jeh	12.0%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	140.1	161.1	176.4
EBITDA	38.9	47.7	55.2
PBT	33.5	41.0	48.2
Net Profit	26.0	31.5	37.1
Core Net Profit	26.0	31.5	37.1
Consensus (NP)	-	30	34
Earnings Revision	-	-12%	-13%
EPS (sen)	3.0	3.7	4.3
EPS Growth (%)	(16.8)	21.1	17.5
NDPS (sen)	2.3	2.3	2.3
PER (x)	18.2	15.0	12.8
PBV (x)	1.1	1.1	1.0
Net Gearing (%)	Cash	Cash	Cash
Net Div. Yield (%)	4.2	4.2	4.2

Valuation and forecasts. We cut our FY26/FY27 net profit forecasts by 12%/13% taking into account slower-than-expected deliveries in the medical segment. Correspondingly, out TP is cut to RM0.85 (previously RM1.00) based on 20x FY27F EPS, at 30% discount to proxy peers' average of 32x (Scomnet historically trades at 25-40% discount to both Ambu A/S and Edwards Lifesciences Corp). We like SCOMNET for: (i) the bright prospects of disposable endoscopes and ECG cables, (ii) its solid business model from product conceptualisation, design and manufacturing of OEM and ODM tubing cable assemblies and devices, hence keeping most of the margins to the group, and (ii) the superior margins of its business model. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see next page).

Key risks to our recommendation include: (i) product approval from the relevant regulatory authorities and (ii) lower-than-expected order in the public segment.

Results Highlights

FYE Dec (RM m)	4Q FY25	1Q FY25	1Q FY26	Q-o-Q Chg (%)	Y-o-Y Chg (%)
Turnover	30.6	34.0	29.6	(3.4)	(13.1)
EBITDA	7.5	10.3	8.6	15.5	(16.3)
Dep & Amortisation	(1.5)	(1.5)	(1.4)	(7.1)	(4.7)
Net Interest expense	0.1	0.2	0.0	(62.3)	(78.7)
PBT	6.1	9.1	7.3	19.5	(19.8)
Tax	(1.4)	(1.8)	(1.6)	18.3	(10.7)
PATAMI	4.7	7.3	5.7	19.8	(22.1)
EPS (sen)	0.6	0.8	0.7	20.0	(21.4)
EBITDA margin	24.4	30.3	29.2		
PBT margin	19.9	26.6	24.6		
Effective tax rate	22.4	19.9	22.2		

Source: Company, Kenanga Research, Bursa Malaysia

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market 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.
Stocks Under Coverage																	
DUOPHARMA BIOTECH BERHAD	OP	1.27	1.72	35.4%	1,222	Y	12/2026	11.5	12.1	14.0%	5.4%	11.0	10.5	1.5	14.0%	4.6	3.6%
IHH HEALTHCARE BHD	MP	8.92	8.50	-4.7%	78,818	Y	12/2026	23.8	25.9	15.1%	8.5%	37.4	34.5	2.5	6.8%	10.0	1.1%
KOTRA INDUSTRIES BHD	MP	3.82	3.88	1.6%	567	Y	06/2026	28.7	25.8	-4.7%	-10.1%	13.3	14.8	2.0	15.3%	25.5	6.7%
KPJ HEALTHCARE BHD	MP	3.31	3.05	-7.9%	14,651	Y	12/2026	8.0	8.7	13.8%	8.1%	41.4	38.2	5.3	13.8%	4.2	1.3%
NOVA WELLNESS GROUP BHD	MP	0.340	0.380	11.8%	108	Y	06/2026	2.9	3.0	19.5%	4.3%	11.7	11.3	0.9	8.2%	1.6	4.7%
PHARMANIAGA BHD	UP	0.245	0.200	-18.4%	1,606	Y	12/2026	1.0	1.1	34.0%	8.0%	24.7	22.9	3.2	13.9%	0.4	1/6%
SCOMNET BHD	OP	0.545	0.850	56.0%	462	Y	12/2026	3.7	4.3	21.2%	17.8%	14.9	12.6	1.1	7.3%	2.3	4.2%
SUNWAY HEALTHCARE HOLDINGS BHD	MP	1.82	1.75	-3.8%	20,930	Y	12/2026	2.5	3.5	11.7%	43.3%	74.3	51.8	6.4	9.7%	0.6	0.3%

Source: Company, Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	☆		
	Automation & Innovation	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Supply Chain Management	★	★	★	☆	
	Legal & Regulatory Compliance	★	★	★		
	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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