LGMS Bhd

Regional Growth Through Profit-Backed Acquisition

Newsbreak

- **New acquisition.** LGMS has announced the acquisition of a 27% stake in Antarex Holdings Sdn Bhd for RM22.68m. The deal will be funded entirely by internal cash reserves. Antarex is undergoing internal reorganisation to consolidate its Singapore-based entities, Antarex Cyber Pte Ltd and IPDC Solutions Pte Ltd. The acquisition includes a profit guarantee of RM24.5m cumulative PAT over FY26-28. LGMS intends to leverage Antarex's regional presence to expand sales of its cyber security solution, StarSentry.

M+ Global View

- We view this acquisition positively, in line with LGMS' regional growth strategy. The acquisition provides LGMS with an immediate foothold in Singapore and greater access to Southeast Asian markets. The inclusion of a profit guarantee will provide the group even stronger earnings visibility. Meanwhile, the acquisition will be fully funded by internal cash, backed by LGMS' strong balance sheet of RM69.2m in cash and minimal debt of RM0.7m as at end-March 2025. We also see this as timely ahead of LGMS' planned Main Market transfer by 4Q25, further strengthening institutional investor interest.

Valuation & Recommendation

- **Forecast.** We expect the profit guarantee to start contributing partially to LGMS's earnings as early as FY25, given the difference in financial year end for both entities (Antarex: June; LGMS: December). Based on the RM24.5m profit guarantee across Antarex's FY26-28 and LGMS's 27% stake, we estimate LGMS will recognise a share of associate profit amounting to RM1.0m in FY25, RM2.1m in FY26, and RM2.4m in FY27. Thus, we revise our PAT forecast by 5%, 11%, and 11% to RM14.0m, RM16.7m, and RM18.9m, respectively.

- **Maintained BUY with higher TP of RM1.18 (previous TP: RM1.09).** The TP is based on mid-FY26 EPS of 3.37 sen pegged to a 35x P/E. This reflects LGMS' strong earnings visibility, margin resilience, and accelerating regional expansion. The Antarex deal will also further strengthen its growth trajectory ahead of its planned Main Market transfer.

Company update

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BUY

Share price	**RM0.89**
Target price	**RM1.18**
Previous TP	**RM1.09**
Capital upside	32.6%
Dividend return	0.7%
Total return	33.3%

Company profile

Started since 2005, LGMS primarily specializes in providing professional independent cybersecurity services, including cyber risk prevention, cyber risk management and compliance, and cyber threat and incident response, serving clients across Malaysia and global.

Stock information

Bursa Code	0249
Bloomberg ticker	LGMS MK
Listing market	ACE
Share issued (m)	456.0
Market Cap (m)	405.8
52W High/Low	1.80/0.780
Est. Free float (%)	23.1
Beta (x)	1.3
3-mth avg vol ('000)	130.0
Shariah compliant	Yes

Major shareholders	%
Fong Choong Fook	36.4
Mitsui Co.	25.0
Goh Soon Sei	10.8

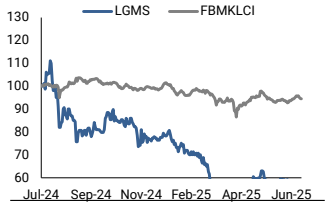
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-5.8	6.0	-44.7
Relative	-7.0	0.9	-41.8

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	12.3	14.0	16.7
EPS (sen)	2.7	3.1	3.7
P/E (x)	32.9	28.9	24.3

Relative performance chart



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Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Cash	73.6	68.1	76.5	91.0	107.2
Receivables	6.3	8.3	8.1	9.1	9.9
Inventories	-	-	-	-	-
Others	13.2	12.8	12.8	12.8	12.8
Assets	**95.7**	**106.4**	**118.0**	**131.5**	**146.7**
Debts	0.7	0.8	0.9	1.0	1.1
Payables	0.4	0.3	0.6	0.6	0.7
Others	8.0	10.9	10.9	10.9	10.9
Liabilities	**9.1**	**12.0**	**12.4**	**12.5**	**12.6**
Minority interest	-	-	-	-	-
Equity	**86.6**	**94.4**	**105.6**	**119.0**	**134.1**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	15.2	16.5	18.5	22.0	24.9
Depreciation & amortis	1.4	1.1	1.7	1.9	1.9
Changes in working ca	0.1	(2.1)	0.5	(0.9)	(0.8)
Share of JV profits	-	-	(0.9)	(2.1)	(2.4)
Taxation	(4.0)	(4.2)	(4.4)	(5.3)	(6.0)
Others	(1.8)	1.7	-	-	-
Operating cash flow	**10.9**	**12.9**	**15.2**	**15.6**	**17.6**
Net capex	0.0	(14.7)	(5.0)	-	-
Others	3.2	1.7	-	-	-
Investing cash flow	**3.2**	**(13.0)**	**(5.0)**	**-**	**-**
Changes in borrowings	(1.1)	0.1	0.1	0.1	0.1
Issuance of shares	-	-	-	-	-
Dividends paid	(2.3)	(6.8)	(2.8)	(3.3)	(3.8)
Others	(6.4)	1.3	-	-	-
Financing cash flow	**(9.7)**	**(5.5)**	**(2.7)**	**(3.3)**	**(3.7)**
Net cash flow	**4.4**	**(5.6)**	**8.4**	**14.5**	**16.3**
Forex	0.1	0.0	-	-	-
Others	0.0	0.0	-	-	-
Beginning cash	69.1	73.6	68.1	76.5	91.0
Ending cash	73.6	68.1	76.5	91.0	107.2

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	**34**	**44**	**48**	**53**	**58**
EBIT	14	16	17	19	22
Net finance income/ (co	1	1	1	0	0
Profit before tax	**15**	**17**	**18**	**22**	**25**
Tax	(4)	(4)	(4)	(5)	(6)
Net profit	**11**	**12**	**14**	**17**	**19**
Minority interest	-	-	-	-	-
Core earnings	**11**	**12**	**14**	**17**	**19**
Exceptional items	-	-	-	-	-
Reported earnings	11	12	14	17	19

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	2.5	2.7	3.1	3.7	4.1
P/E (x)	36.2	32.9	28.9	24.3	21.5
DPS (sen)	0.5	1.5	0.6	0.7	0.8
Dividend yield	0.6%	1.7%	0.7%	0.8%	0.9%
BVPS (RM)	0.19	0.21	0.23	0.26	0.29
P/B (x)	4.7	4.3	3.8	3.4	3.0
EBIT margin	42.3%	36.7%	35.5%	36.4%	37.8%
PBT margin	44.5%	37.9%	38.5%	41.3%	42.7%
Net margin	32.8%	28.3%	29.3%	31.4%	32.5%
ROE	13.2%	13.6%	14.0%	14.9%	15.0%
ROA	12.0%	12.2%	12.5%	13.4%	13.6%
Net gearing	CASH	CASH	CASH	CASH	CASH

Source: M+ Research

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(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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