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Malacca Securities
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LGMS Berhad

Slight Recovery in 3Q25

Results Note – 3QFY25

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Summary

- **Earnings below expectation.** LGMS registered a 3Q25 core PAT of RM2.4m (+17.6% QoQ, +8.9% YoY), bringing 9MFY25 core PAT to RM6.3m (-23.6% YoY). Nevertheless, the results still came in below expectations, accounting for 66.5% and 63.0% of our and consensus estimates. The key deviation is mainly due to the lower-than-expected share of results of associate.

- **YoY.** LGMS's revenue increased 3.3% YoY, thanks to higher revenue generated from both cyber risk prevention segment and cyber threat and incident response segment. Core PAT also saw an 8.9% increase in 3Q25, from RM2.2m in 3Q24 to RM2.4m in 3Q25.

- **QoQ.** Meanwhile, revenue also rose by 5.8% QoQ to RM10.6m, again driven by both cyber risk prevention segment and cyber threat and incident response segment, which saw an increase of 15.1% and 25.8% respectively. Following the revenue increase, 3Q25 core PAT also grew by 17.6% to RM2.4m.

- **Overseas contribution.** Revenue from overseas saw an increase of 3.1% YoY, from RM1.7m in 3Q24 to RM1.8m in 3Q25.

- **Weaker cyber risk management and compliance segment.** We noticed that there is softness in cyber risk management and compliance segment (-16.4% QoQ, -20.4% YoY), mainly due to lesser billable clients from both the technology as well as telecommunications and media industries.

- **Stronger segments to offset.** Nevertheless, the recovery in cyber risk prevention (+15.1% QoQ, +8.3% YoY) and surge in cyber threat and incident response (+25.8% QoQ, +82.8% YoY) segments offset the softness in cyber risk management and compliance segment, thanks to the increase in the number of billable clients and higher revenue contributions from the clients in the financial services industry.

- **Outlook.** With the growing digital adoption, 5G rollouts and expanding e-commerce industry globally, coupled with the government's initiatives like Cyber Security Act 2024, National Cyber Security Strategy 2025–2030 and MyDIGITAL Blueprint, the demand for secure networks and data protection are expected to increase. Against this backdrop, LGMS's proven track record and vendor-neutral positioning should enable it to capture more opportunities both locally and internationally. Meanwhile, StarSentry, an automated cybersecurity preventive tool, will also enable LGMS to provide greater value and flexibility to its clients.

Quarterly performance 3Q25

Quarterly performance FYE Dec (RM m)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	10.3	10.0	10.6	*5.8*	*3.3*	30.4	30.3	*(0.4)*
EBIT	2.8	2.6	2.9	*12.9*	*5.0*	10.6	8.0	*(23.8)*
PBT	2.9	2.8	3.0	*8.3*	*4.4*	10.9	8.4	*(23.1)*
Core PAT	2.2	2.0	2.4	*17.6*	*8.9*	8.3	6.3	*(23.6)*
Reported PAT	2.2	2.0	2.4	*17.6*	*8.9*	8.3	6.3	*(23.6)*
Core EPS (sen)	0.5	0.4	0.5	*17.6*	*8.9*	1.8	1.4	*(23.6)*
EBIT margin (%)	27.2	25.9	27.6			34.7	26.6	8.5
PBT margin (%)	28.1	27.7	28.4			36.0	27.8	
Core PATMI margin (%)	21.3	20.2	22.5			27.3	21.0	

Source: LGMS, M+ Research

BUY

Share price	**RM0.66**
Target price	**RM0.93**
Previous TP	**RM0.93**
Capital upside	40.9%
Dividend return	0.6%
Total return	41.5%

Company profile

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)	301.0
52W High/Low	1.40 / 0.66
Est. Free float (%)	51.8
Beta (x)	1.4
3-mth avg vol ('000)	328.3
Shariah compliant	Yes

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

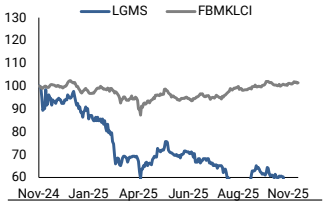
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-16.5	-10.2	-50.0
Relative	-16.8	-11.5	-50.4

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PAT (m)	12.3	8.8	12.2
EPS (sen)	2.7	1.9	2.7
P/E (x)	24.4	34.1	24.7

Relative performance chart



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Valuation & Recommendation

- **Forecast.** As earnings underperformed expectations, we revise the core PAT to RM8.8-13.8m for FY25f-27f, down from our initial forecast of RM9.5m-13.9m, factoring in lower contribution from share of results of associate.

- **Maintained BUY recommendation with a TP of RM0.93.** We maintain BUY recommendation on LGMS with an unchanged target price of RM0.93. The target price is derived based on a P/E ratio of 35.0x pegged to FY26f EPS of 2.67 sen.

- **Downside risks.** Risks to our recommendation include slower demand for cybersecurity services due to lack of high-value projects and/or lack of cybersecurity awareness. Besides, competition from both local and international cybersecurity providers may put pressure on LGMS's market share and margins. Lastly, the group's heavy reliance on quality cybersecurity professionals may also pose a risk, as any huge increase in employee benefit expenses could lower down the group's overall margins.

Financial Highlights

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Cash	73.6	68.1	73.2	83.5	95.1
Receivables	6.3	8.3	6.8	7.4	8.0
Inventories	-	-	-	-	-
Others	13.2	12.8	12.8	12.8	12.8
Assets	**95.7**	**106.4**	**113.9**	**123.7**	**134.8**
Debts	0.7	0.8	1.0	1.0	1.0
Payables	0.4	0.3	0.6	0.6	0.6
Others	8.0	10.9	10.9	10.9	10.9
Liabilities	**9.1**	**12.0**	**12.5**	**12.5**	**12.6**
Minority interest	-	-	-	-	-
Equity	**86.6**	**94.4**	**101.4**	**111.2**	**122.2**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	15.2	16.5	11.6	16.0	18.1
Depreciation & amortis	1.4	1.1	1.1	1.1	1.1
Changes in working cap	0.1	(2.1)	1.8	(0.6)	(0.6)
Share of JV profits	-	-	-	(2.2)	(2.2)
Taxation	(4.0)	(4.2)	(2.8)	(3.8)	(4.3)
Others	(1.8)	1.7	-	-	-
Operating cash flow	**10.9**	**12.9**	**11.8**	**10.5**	**12.1**
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	0.0
Issuance of shares	-	-	-	-	-
Dividends paid	(2.3)	(6.8)	(1.8)	(2.4)	(2.8)
Others	(6.4)	1.3	-	-	-
Financing cash flow	**(9.7)**	**(5.5)**	**(1.6)**	**(2.4)**	**(2.7)**
Net cash flow	**4.4**	**(5.6)**	**5.1**	**10.3**	**11.6**
Forex	0.1	0.0	-	-	-
Others	0.0	0.0	-	-	-
Beginning cash	69.1	73.6	68.1	73.2	83.5
Ending cash	73.6	68.1	73.2	83.5	95.1

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	**34**	**44**	**40**	**44**	**47**
EBIT	14	16	11	13	15
Net finance income/ (co	1	1	1	0	0
Profit before tax	**15**	**17**	**12**	**16**	**18**
Tax	(4)	(4)	(3)	(4)	(4)
Net profit	**11**	**12**	**9**	**12**	**14**
Minority interest	-	-	-	-	-
Core earnings	**11**	**12**	**9**	**12**	**14**
Exceptional items	-	-	-	-	-
Reported earnings	11	12	9	12	14

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	2.5	2.7	1.9	2.7	3.0
P/E (x)	26.8	24.4	34.1	24.7	21.9
DPS (sen)	0.5	1.5	0.4	0.5	0.6
Dividend yield	0.8%	2.3%	0.6%	0.8%	0.9%
BVPS (RM)	0.19	0.21	0.22	0.24	0.27
P/B (x)	3.5	3.2	3.0	2.7	2.5
EBIT margin	42.3%	36.7%	27.8%	30.5%	32.7%
PBT margin	44.5%	37.9%	29.0%	36.6%	38.4%
Net margin	32.8%	28.3%	22.1%	27.9%	29.2%
ROE	13.2%	13.6%	9.0%	11.5%	11.8%
ROA	12.0%	12.2%	8.0%	10.2%	10.7%
Net gearing	CASH	CASH	CASH	CASH	CASH

Source: M+ Research

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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