AUTHOR: No author available SECTION: BUSINESS TIMES PAGE: 4 PRINTED SIZE: 336.00cm²
REGION: KL MARKET: Malaysia PHOTO: Full Color ASR: MYR 11,169.00 ITEM ID: MY0067525790

20 JAN, 2026

SMRT plunges to 3-year-low on earnings downgrade

New Straits Times, Malaysia

Hong Leong Investment Bank downgraded SMRT Holdings Bhd on expected revenue loss from Tenaga Nasional Bhd. NSTP FILE PIC

REVENUE LOSS FROM TNB

SMRT plunges to 3-year-low on earnings downgrade

KUALA LUMPUR: SMRT Holdings Bhd's share price plunged yesterday, hitting a three-year low after Hong Leong Investment Bank (HLIB) downgraded the stock on expected revenue loss from Tenaga Nasional Bhd (TNB).

The stock lost as much as 65.2 per cent in the morning trading session to hit an intraday low of 15.5 sen versus its closing price of 44.5 sen on Friday.

Its share price climbed to 19.5 sen at 11.30am with more than 200 million shares traded.

Intraday short selling in the stock was suspended after its share price dropped more than 15 sen. Trading will resume this morning.

Year-to-date, the stock has dropped 62.86 per cent, and is down 83.33 per cent over the past year, with a market capitalisation of RM202.63 million.

In a research note yesterday, HLIB downgraded its rating on the stock to "Sell" from "Buy" as it expects a significant earnings decline for the company in financial year 2027.

HLIB said the loss of TNB's one-off deployment revenue came as a "negative surprise", indicating a "sharp earnings reset" moving forward.

It noted that about 38 per cent of SMRT's earnings were driven by one-off deployment revenue in the first quarter of 2026, with managed services contributing the remaining 62 per cent.

"We estimate that more than 90 per cent of the one-off component is attributable to TNB.

"Management guided that site deployments are expected to contract materially from fiscal year 2027 onwards, falling to fewer than 100 sites, down from a historical run rate of 3,000 sites.

"While managed services provide some residual earnings support - with 70 per cent of managed sites linked to TNB and contracts expected to run for the next three years - renewal visibility beyond this period remains low, in our opinion," said HLIB.

The firm added that its previous "Buy" call on the stock was anchored on earnings upside from TNB, driven by a large pool of unconnected sites and TNB's Smart Grid rollout.

"With new site deployment now expected to slow materially, our earlier thesis is no longer intact."

In a conference call, HLIB said SMRT's management indicated that its deployment pace for TNB is likely to slow materially in the coming years due to the opening up of TNB's Supervisory Control and Data Acquisition vendor base.

While growth from the financial services industry and early-stage penetration into Indonesia's power sector could provide alternative earnings drivers to the group, HLIB said it sees limited scope for these to fully offset the near-term earnings gap from TNB.

"The strategic technology collaboration with Kuasa Aktif Sdn Bhd offers longer-term optionality via IP-protected solutions but has yet to yield a commercial product for TNB," HLIB added.

The firm cut its earnings forecasts for the company by 18 per cent, 41 per cent and 44 per cent for fiscal year 2026, fiscal year 2027 and fiscal year 2028, respectively.

HLIB also reduced its target price for the stock to 32 sen from RM1.24 previously. **Asila Jalil**