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SMRT faces profit crunch on slow deployment

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PETALING JAYA: Technology solutions firm SMRT Holdings Bhd's shares were suspended from intraday short selling by Bursa Malaysia in early morning trade after the company's share price slumped by more than half to 19.5 sen, breaching the price limit.

The shares, which opened at 33 sen, closed at 18.5 sen.

The regulator said intraday short selling would be suspended until 8.30am today.

The shares came under heavy selling pressure following a conference call by SMRT management with analysts last Friday that the deployment pace of its technology solutions for Tenaga Nasional Bhd (TNB) sites would be slowing down over the coming years.

Hong Leong Investment Bank Research, which has revised the stock to a "sell" call from "buy", said "the loss of TNB's one-off deployment revenue came as a negative surprise and indicates a sharp earnings reset ahead".

The target price has been revised to 32 sen from RM1.24.

Around 38% of SMRT's earnings come from one-off deployment revenue, with managed services contributing the remaining 62% in the first quarter ended Sept 30, 2025.

"We estimate that more than 90% of the one-off component is attributable to TNB," it said.

During the briefing, the company's management said site deployments would be contracting from financial year ending June 30, 2027 (FY27) onwards, to less than 100 sites from 3,000.

"With the one-off deployment revenue from TNB rolling off, we expect SMRT's earnings to decline significantly in FY27," the research house said.

It said renewal visibility for the managed services tied to the TNB sites remained low at this juncture even though at this point, it would provide some residual earnings support. TNB sites comprise 70% of managed services contracts, which would run for the next three years.

Earnings for FY26 have been cut by 18%, while FY27 and FY28 have been cut by 41% and 44% respectively, reflecting the lower site additions. Also revised were the mix of site additions with one-off revenue to 50% for FY26, 2% for FY27 and FY28 from 70% previously.

The modest net site increase of 1,000 sites post FY27 assumes minimal incremental deployment from TNB and site additions from the floor space index segment in the Philippines and Indonesia.

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> Hong Leong Investment Bank Research