



SumiSaujana Group Bhd

The Chemistry of Drilling

ACE Market
Energy Sector
Subscribe

IPO Price: RM0.24
Fair Value: RM0.28

Valuation / Recommendation

We recommend SUBSCRIBING to SumiSaujana Group Bhd (Sumi), with an **FV of RM0.28 based on 15.7x FY26F EPS**, indicating an upside of 15% to the IPO price. Our target PE valuation reflects a 10% premium to its domestic comparable peers' average, given its unique business model operating in O&G industry with outperforming double-digit margin and its strong earnings growth (11-28% for FY25-27F). We like Sumi for its strong growth potential driven by its robust market expansion plan and operational capacity expansion.

Investment Highlights

Domestic and foreign market expansion. Sumi achieved 3-year revenue CAGR of 13.5%, climbing from RM95.7m in FY21 to RM158.6m in FY24. This growth was driven by a 27-40% surge in its manufacturing segment as Sumi capitalized on the shift to domestic O&G specialty chemical suppliers amid Covid-19 logistics challenges. Leveraging its top 4 key customers with broad market reaches, Sumi plan to expand its market reach to South America and Middle East. Domestically, Sumi aims to expand its product range into oleochemicals for industrial application to grow its customer base and revenue. For the international front, Sumi is looking into the establishment of production facility outside of Malaysia to help to mitigate its freight cost pressure that has negatively affected its revenue growth in FY24.

Operational capacity expansion. In FY24, Sumi expanded its production capacity with acquisition of 2 new reactors and 2 hybrid blend-reactors tanks, boosting its annual production capacity from 15,600 tonnes to 35,200 tonnes. To support its expansion and enhance operational efficiency, Sumi has allocated RM59.1m (79.4% of its IPO proceeds) to acquire the existing Puncak Alam Factory, a new warehouse, and a new corporate office. This help Sumi to streamline operations by relocating its corporate office to the new corporate office, and consolidating all warehousing activities under one roof. Besides, Sumi also plan to expand its R&D department to cater for stronger demand of its new/enhanced formulations from upcoming market expansion plan.

Superior double-digit margin. Sumi's GP margin peaked at 35.7% in FY22, before normalizing to 33.5% in FY24 due to increased sales of lower-margin products while PAT margin tracked the similar trend, reaching 10.8% in FY24. Moving forward, we expect PAT margins to stabilize at 10.2-10.9% in FY25-27F, supported by steady GP margin growth, high industry entry barriers and effective cost control measures. Sumi's double-digit PAT margin are outperforming industry average of 6.8%. Besides, Sumi also set to be benefit from the weakening ringgit trend due to its net exposure towards foreign currency.

Risk factors for Sumi include (1) Dependence on key client; (2) Foreign currency exposure; and (3) Raw material input cost fluctuation.

| FY Sep | FY23 | FY24 | FY25F | FY26F | FY27F |
|--------------------|-------|--------|-------|-------|-------|
| Revenue (RM m) | 198.8 | 158.6 | 203.1 | 233.8 | 259.8 |
| EBITDA (RM m) | 47.6 | 27.3 | 35.4 | 45.6 | 50.0 |
| PAT (RM m) | 30.6 | 17.1 | 20.7 | 25.4 | 27.4 |
| PAT Margin (%) | 15.4% | 10.8% | 10.2% | 10.9% | 10.6% |
| EPS (sen) | 2.7 | 1.5 | 1.4 | 1.8 | 1.9 |
| EPS Growth (%) | 82.3 | (44.0) | (5.3) | 22.9 | 8.1 |
| BV Per Share (sen) | 6.2 | 1.5 | 9.3 | 10.9 | 12.6 |
| PE (x) | 8.9 | 15.9 | 16.8 | 13.6 | 12.6 |
| Net Gearing (x) | Cash | Cash | Cash | Cash | Cash |
| ROE (%) | 43.2 | 100.2 | 19.5 | 20.5 | 19.2 |

Business Overview

Sumi principally engages in the manufacturing of oil & gas (O&G) specialty chemicals, trading of O&G specialty and industrial chemicals and provision of technical related support services.

Listing Details

| | |
|---------------------|--------------|
| Listing date | 9 April 2025 |
| New shares (m) | 310.0 |
| Offer for sale (m) | 90.0 |
| Funds raised (RM m) | 74.4 |

Post Listing

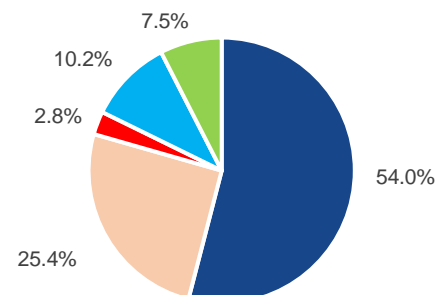
| | |
|---------------------|---------|
| Ordinary shares (m) | 1,443.6 |
| Market cap (RM m) | 346.5 |
| Free float (%) | 31.4 |
| P/E (FY26F) | 13.6 |

Top 3 Shareholders

| | |
|--------------------|-------|
| Atreon | 65.0% |
| Norazlam Bin Norbi | 1.5% |
| Toh Chee Seng | 1.5% |

Utilisation of Proceeds

| | RM m |
|---|------|
| Acquisition of New Puncak Alam Warehouse and New Puncak Alam Corporate Office | 40.2 |
| Acquisition of the existing Puncak Alam Factory | 18.9 |
| Capital expenditure | 2.1 |
| Expansion of R&D division | 7.6 |
| Estimated listing expenses | 5.6 |

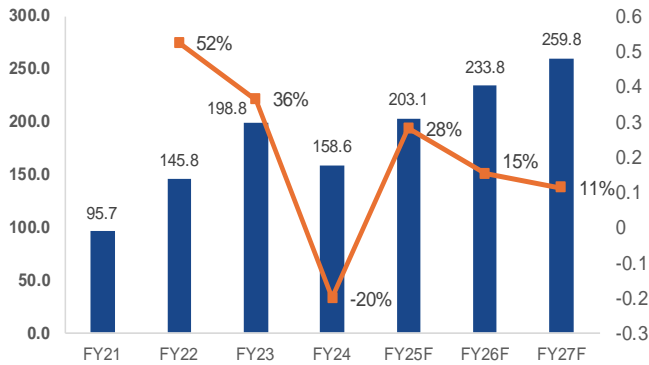


Source: Company, Mercury Securities



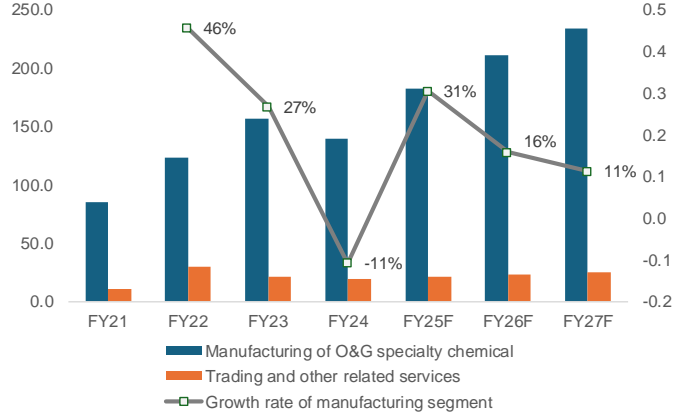
Financial Highlights

Chart 1: Sumi's revenue trend (in RM m)



Source: Company, Mercury Securities

Chart 2: Revenue breakdown (in RM m)



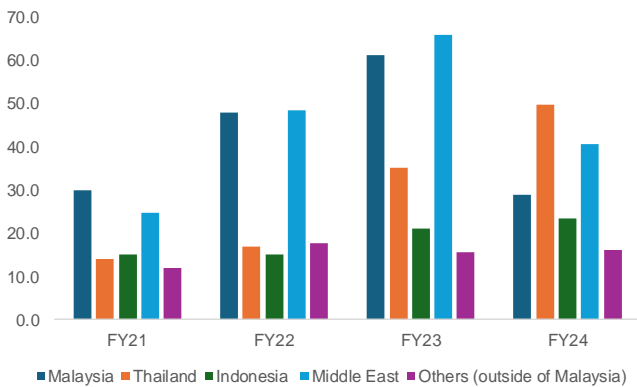
Source: Company, Mercury Securities

Stable revenue growth. Sumi delivered a robust 3-year revenue CAGR of 13.5%, with topline expanding from RM95.7m in FY21 to RM158.6m in FY24. This strong growth trajectory was primarily driven by its O&G specialty chemical manufacturing segment, which recorded an impressive annual growth rate of 27%-40%. The expansion was fuelled by a structural shift in procurement trends, as O&G upstream players pivoted from foreign to domestic suppliers amid Covid-19-induced logistics disruptions. As a key domestic O&G specialty chemical provider with a just-in-time inventory model, Sumi emerged as a prime beneficiary of this industry shift.

However, Sumi recorded a 20% YoY revenue contraction in FY24, primarily driven by weaker revenue contributions from its Malaysia and Saudi Arabia markets, coupled with higher freight costs pressure. The decline in Malaysia stemmed from reduced demand for O&G specialty chemical due to fewer well drilled, while Saudi Arabia, the government's 2-million-barrel-per-day crude oil production cut led to lower drilling activity, also impacting the chemical demand. Additionally, the freight rate spiked in 2024 caused by Red Sea crisis which heightened supply chain disruptions with container shortages and freight route disruptions. Given approximately 82% of Sumi's FY24 revenue was derived from foreign markets, these factors caused drag on to its FY24's performance (see Chart 3 and 4).

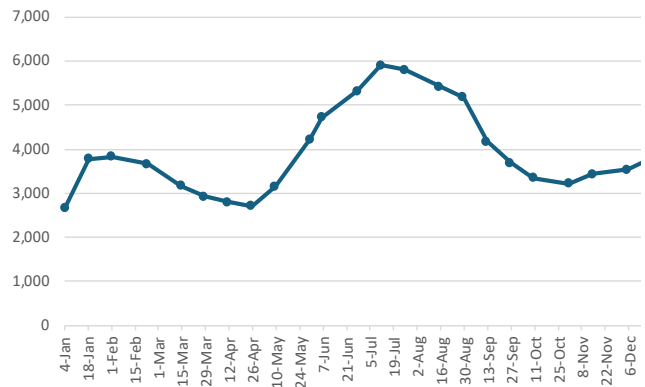
We expect the revenue growth of Sumi to rebound and achieve between 11%-28% in FY25-27F, underpinned by the strong growth in its manufacturing segment from Thailand and Indonesia market and normalisation of freight rate.

Chart 3: Revenue by geographies (in RM m)



Source: Company, Mercury Securities

Chart 4: Freight rate between Jan-Dec 2024 (in USD/FFU)

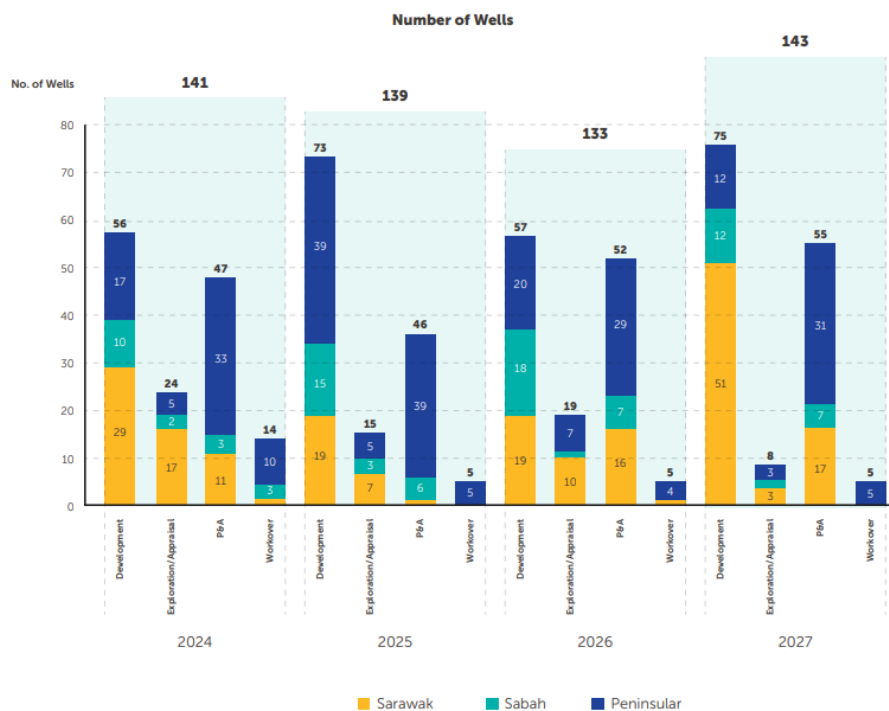


Source: Bloomberg, Mercury Securities



Malaysia’s upstream O&G outlook remain resilient. According to the Petronas Activity Outlook 2025-27 report, Petronas anticipates approximately 400 wells to be drilled over the next three years, reinforcing a sustained pipeline of oil drilling activities in the upstream segment. This positive outlook is expected to drive higher demand for O&G specialty chemicals, particularly drilling-related formulations. As a Petronas-licensed supplier under the relevant SWEC codes, Sumi is poised to capitalize on this rising demand trend. Given Sumi’s core expertise in manufacturing O&G drilling chemicals, we anticipate a recovery in its Malaysia’s revenue contribution in FY25-27, following the substantial decline recorded in FY24.

Chart 5: Malaysia’s O&G drill and well service outlook



Source: Petronas Activity Outlook 2025-27, Mercury Securities

Leveraging its key customers’ broad market reach. Sumi has more than 5 years of business relationship with its key clientele, comprises of Customer A, Baker Huges, Customer B, Petronas Group and TCM Chemicals Inc. These clients have various market presences in Asia Pacific, Middle East and South America regions. Looking ahead, we expect Sumi to continue leveraging its key clientele’s wide market presence to expand its market reach outside of Malaysia.

Table 1: Sumi’s key customers list

| Customers List | Market reach | Types of products sold | Years of relationship (years) |
|---------------------------|---|--|-------------------------------|
| Customer A | Malaysia, Australia, China, Thailand, UK, New Zealand, Oman, Brunei, Indonesia and Saudi Arabia | Drilling fluid chemicals | 11 |
| Baker Hughes group | Malaysia, Kuwait, Thailand, USA, UK and Papua New Guinea | Drilling fluid chemicals | 11 |
| Petronas group | Malaysia | Production and refinery chemicals, technical support services and equipment rental | 6 |
| Customer B | Malaysia, Thailand, Indonesia and UAE | Drilling fluid chemicals | 8 |
| TCM Chemicals Inc | USA | Production and refinery chemicals | 12 |

Source: Company



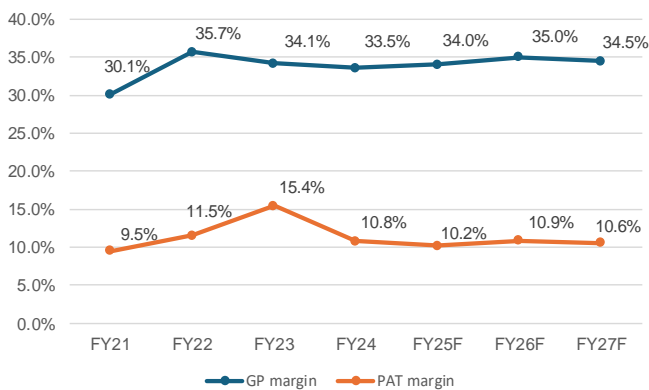
Domestic and foreign market expansion. Sumi plan to expand both its domestic and international market presence. Domestically, Sumi intend to leverage its expertise in O&G specialty chemical by expanding its product range to include oleochemical for industrial application such as biodegradable lubricants and transformer oil. This product offering expansion support Sumi’s customer base and revenue growth while aligning with its long-term strategy to provide more eco-friendly chemicals solutions. On the international front, Sumi is actively exploring the establishment of new production facilities outside Malaysia, with a focus on North America and the Middle East. This initiative is aimed at mitigating rising freight cost pressures while enhancing its market reach in these key regions. With the set-up of production facility outside Malaysia, we believe successful execution of this plan would serve as a key long-term earnings catalyst for Sumi, as it helps to strengthen its global market presence while mitigating the impact of freight cost pressure.

Operational capacity expansion. In FY24, Sumi had expanded its production capacity, adding 2 new reactors and 2 new hybrid blend-reactors tanks, effectively boosting the annual production capacity by 19,600 tonnes from 15,600 tonnes to 35,200 tonnes. This expansion plan is to cater for the stronger business growth expectation of its O&G specialty chemical manufacturing business backed by its plan to expand product offering for industrial application.

Currently, Sumi operates out of its Puncak Alam Factory, a rented facility that houses its headquarters, manufacturing plant, laboratory, and warehouse. To support its expansion and enhance operational efficiency, Sumi has allocated RM59.1m (79.4% of its IPO proceeds) to acquire the existing Puncak Alam Factory, a new warehouse, and a new corporate office. Post-acquisition, Sumi intends to streamline its operations by relocating its corporate office from the existing factory to the new corporate office, and consolidating all warehousing activities under one roof. This help to free up space at the Puncak Alam Factory for Sumi’s future capacity expansions plan.

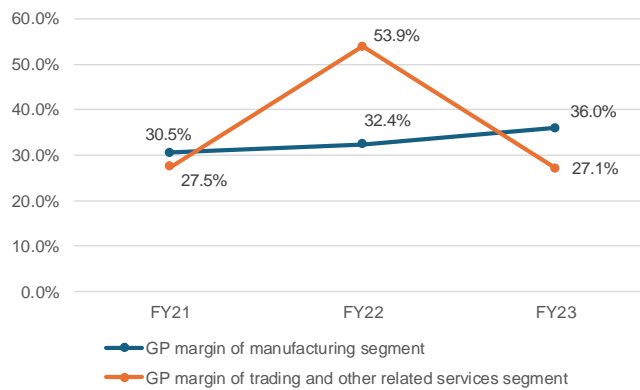
R&D division expansion. As part of Sumi’s relocation of corporate office plan, Sumi intend to utilise RM7.6m of the IPO proceed to establish a new R&D laboratory at the New Puncak Alam Corporate Office. This investment facilitates the expansion of its R&D department, including R&D department headcounts expansion by hiring 7 more chemical engineers (currently has 27 in total), interior design fit-out works and purchase of new laboratory equipment. This expansion is important for Sumi to drive development of new and enhanced formulations, supporting its growing demand amid the upcoming planned domestic and international market expansion. Given O&G specialty chemical manufacturing accounted for 72% of Sumi’s manufacturing revenue in FY23, we believe this expansion is essential in driving future revenue growth.

Chart 6: Sumi’s margin trend



Source: Company, Mercury Securities

Chart 7: GP margin trend by business segment



Source: Bloomberg, Mercury Securities

Growing margin but to normalise in FY25-27F. Sumi’s GP margin jumped from 30.1% in FY21 to a peak of 35.7% in FY22 before moderating to 33.5% in FY24. The sharp GP margin expansion in FY22 was largely driven by the jump in the GP margin of its trading and other related services segment as Sumi started to rent out specialised equipment to Petronas Group that commanded exceptionally high margin. However, the GP margin declined back to 33.5% in FY24 as the segment’s contribution normalized due to an increased supply of lower-margin products, such as catalysts. At the net level, the PAT margin mirrored the GP margin in FY21-22 with a surge in FY23 due to lower operating expenses and effective tax rate despite of strong revenue growth before declining back to 10.8% in FY24.

Looking ahead, we expect Sumi’s PAT margins to normalise within the 10.2%-10.9% range in FY25-27F, driven by stable GP margin growth trends in its manufacturing segment (see Chart 7) and high entry barrier of Sumi’s operating industry. Nevertheless, we believe Sumi can sustain its strong double-digit margins, underpinned by its effective cost management strategy through adoption of just-in-time inventory and easier cost pass-through to customer warranted by the higher entry barrier. Notably, Sumi’s double-digit net margin outperforms its peers, exceeding the industry average of 6.8% (see Table 2).



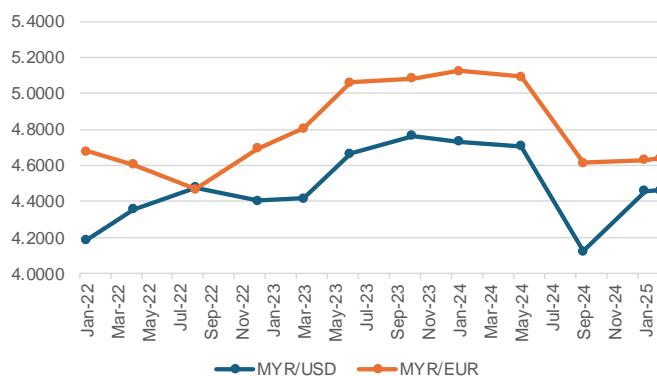
Table 2: PAT margin of Sumi's peers

| Peers | Revenue (RM'm) | PAT/LAT (RM'm) | PAT/LAT Margin (%) |
|--|----------------|----------------|--------------------|
| Olean Port Klang S/B | 528.4 | (1.3) | (0.3) |
| Hextar Kimia S/B | 85.8 | 14.8 | 17.2 |
| Malaysian Energy Chemical & Services S/B | 62.0 | 3.5 | 5.7 |
| Ova Chem S/B | 50.9 | 4.0 | 7.8 |
| HB Laboratories S/B | 42.3 | 0.5 | 1.2 |
| Acme Chemicals (Malaysia) S/B | 24.6 | 0.1 | 0.3 |
| Innochems Technologies S/B | 14.3 | 1.8 | 12.3 |
| Amtech Chemical S/B | 7.8 | 0.8 | 9.8 |
| Average | | | 6.8 |

Source: Vital Factor's IMR, Mercury Securities

Net beneficiary of weaker ringgit. Sumi is a net beneficiary of stronger USD and EUR as only 50-60% of its cost of purchases (mainly raw material input) are denominated in foreign currencies, compared to 65-70% of its revenue. With the current weak and looming economic uncertainty, we believe this should augur well for Sumi with its net foreign currency exposure (see Chart 8).

Chart 8: USD/MYR and EUR/MYR trend



Source: Bloomberg, Mercury Securities

Strong balance sheet with net cash flow. Sumi generates strong free cash flow and maintains a solid balance sheet with a net cash position even prior to its IPO. This financial strength has allowed the company to reward its shareholders with generous dividend in the past. Post-listing, Sumi intends to adopt a formal dividend policy of at least 30% payout.

Valuation

Fair Value of RM0.28 Based on 15.7x FY26F EPS. We assign Sumi a target P/E multiple of 15.7x, based on its FY26F earnings, translating to a fair value (FV) of RM0.28. This valuation implies a 15% potential upside from the current price of RM0.24. Our target multiple represents a 10% premium to the 1-year forward P/E average of its closest domestic peer. While this premium is partially mitigated by looming global economic uncertainties, we believe it is justified due to Sumi's strong fundamentals. Sumi operates in a niche segment within the oil & gas (O&G) industry — the manufacturing of specialty chemicals — a space with no direct listed comparable in Malaysia. As such, we benchmarked it against local an upstream O&G player - Dialog being the only peer primarily focused in this segment.

We believe the premium valuation is warranted, underpinned by: i) Sumi's unique business model, delivering superior double-digit margins compared to industry peer; and ii) Robust earnings growth potential of 11–28% over FY25–27F, supported by its domestic and international market expansion plans, along with capacity growth initiatives.



Peer Comparison – Forward 12-months basis (as at 20 March 2025)

| Company | Bloomberg Ticker | Share price (LC) | Mkt Cap (RM m) | EPS Growth (%) | | P/E (x) | | P/B | | ROE (%) | | Net Dividend Yield (%) | |
|--------------------------|------------------|------------------|----------------|----------------|------|---------|------|------|------|---------|------|------------------------|------|
| | | | | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 | 2025 | 2026 |
| Dialog Group Berhad | DLG MK | 1.5 | 8,520.5 | 0.1 | 15.3 | 16.5 | 14.3 | 1.3 | 1.2 | 8.5 | 9.3 | 3.0 | 3.3 |
| Average | | | | 0.1 | 15.3 | 16.5 | 14.3 | 1.3 | 1.2 | 8.5 | 9.3 | 3.0 | 3.3 |
| Sumisaujana Group Berhad | SUMI MK | 0.2 | 346.5 | -5.3 | 22.9 | 16.8 | 13.6 | 2.6 | 2.2 | 19.5 | 20.5 | 1.8 | 2.2 |

Source: Bloomberg, Mercury Securities

Table 3: Performance metrics of Sumi versus Dialog

| | FY21 | | FY22 | | FY23 | | FY24 | |
|-------------------------|-------|--------|----------|--------|----------|----------|----------|----------|
| | Sumi | Dialog | Sumi | Dialog | Sumi | Dialog | Sumi | Dialog |
| Revenue growth rate (%) | 0.0 | -30.1% | 52.3% | 44.0% | 36.3% | 29.4% | -20.2% | 5.0% |
| GP margin (%) | 30.1% | 23.0% | 35.7% | 14.2% | 34.1% | 8.6% | 33.5% | 14.4% |
| EBITDA margin (%) | 17.3% | 35.5% | 19.6% | 22.7% | 23.9% | 15.8% | 17.2% | 21.3% |
| Gearing ratio | 0.1 | 9.1 | Net Cash | 9.1 | Net Cash | Net cash | Net Cash | Net cash |

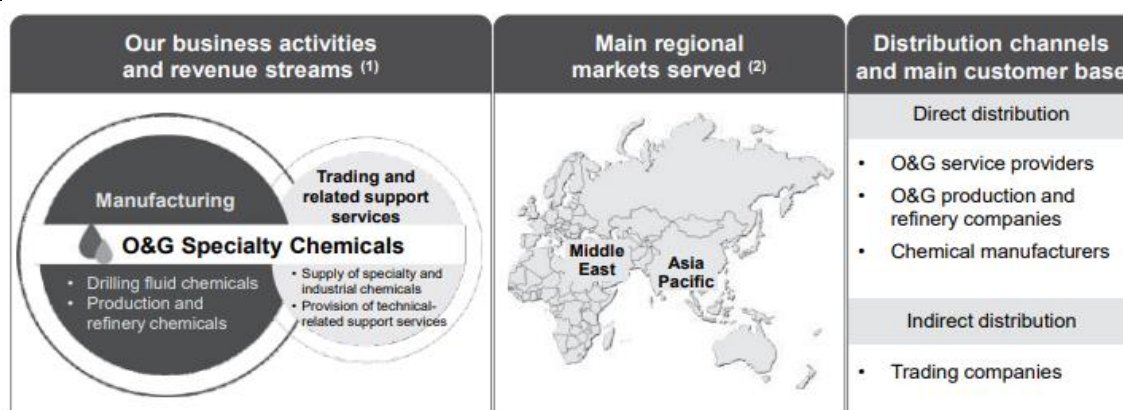
Source: Bloomberg, Mercury Securities

Company Background

Manufacturer of O&G specialty chemicals. Sumi is a manufacturer of specialty chemicals for O&G industry, serving the upstream, mid-stream and downstream segments. The company specializes in drilling fluid chemicals, production chemicals and refinery chemicals, which are utilized to enhance the operational efficiency and maintaining asset integrity across the O&G value chain. Sumi’s produced drilling fluids are primarily applied at the O&G prospecting area or location of O&G reservoir while its refinery chemicals and select production chemicals are used in the processing of crude oil and natural gas and in preserving equipment integrity within refinery plants.

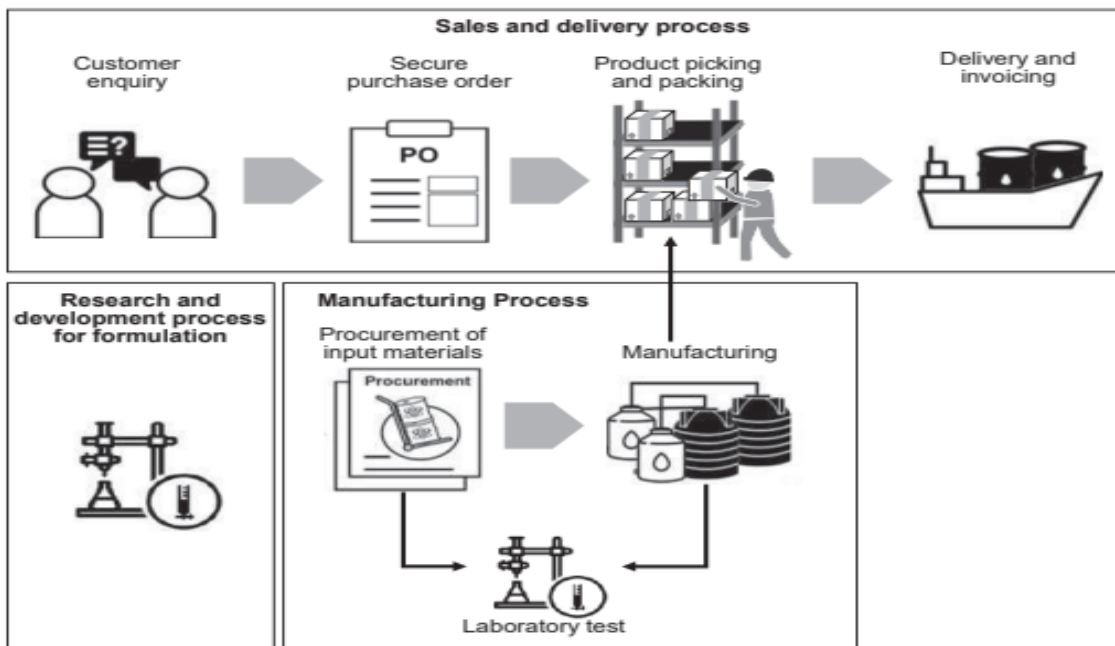
Trading and other related services. Under this segment, Sumi supply specialty and industrial chemicals that are not manufactured by them, either in smaller quantities or in bulk. Additionally, Sumi also engages in providing technical support services including rental of facilities and equipment mobilization, demobilization and delivery services

Chart 9: Company business model



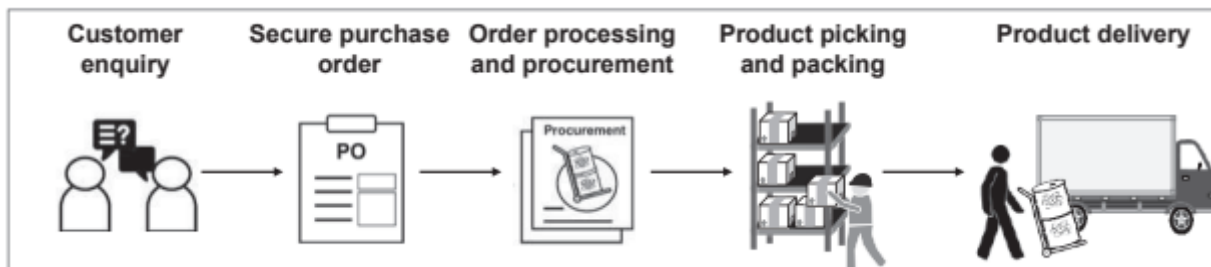
Source: Company

Chart 10: Process flow of manufacturing of O&G specialty chemicals



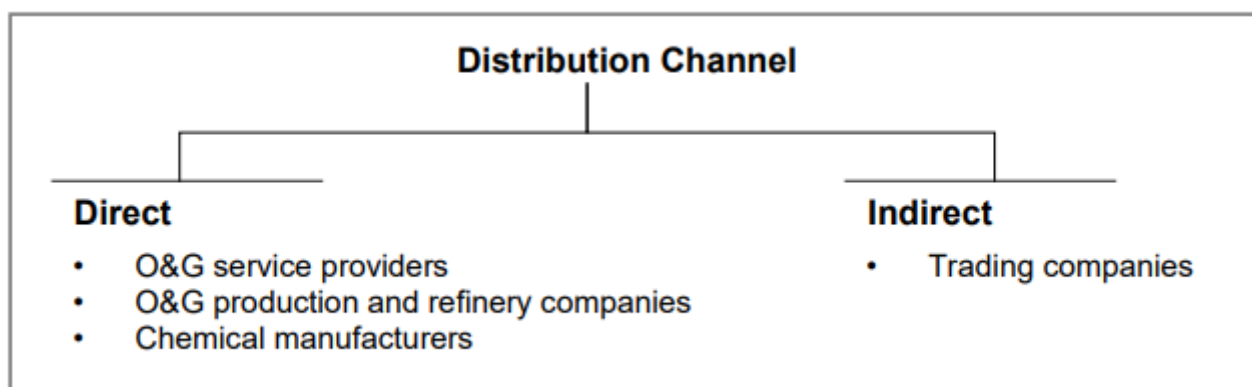
Source: Company

Chart 11: Process flow of trading of O&G specialty and industrial chemical



Source: Company

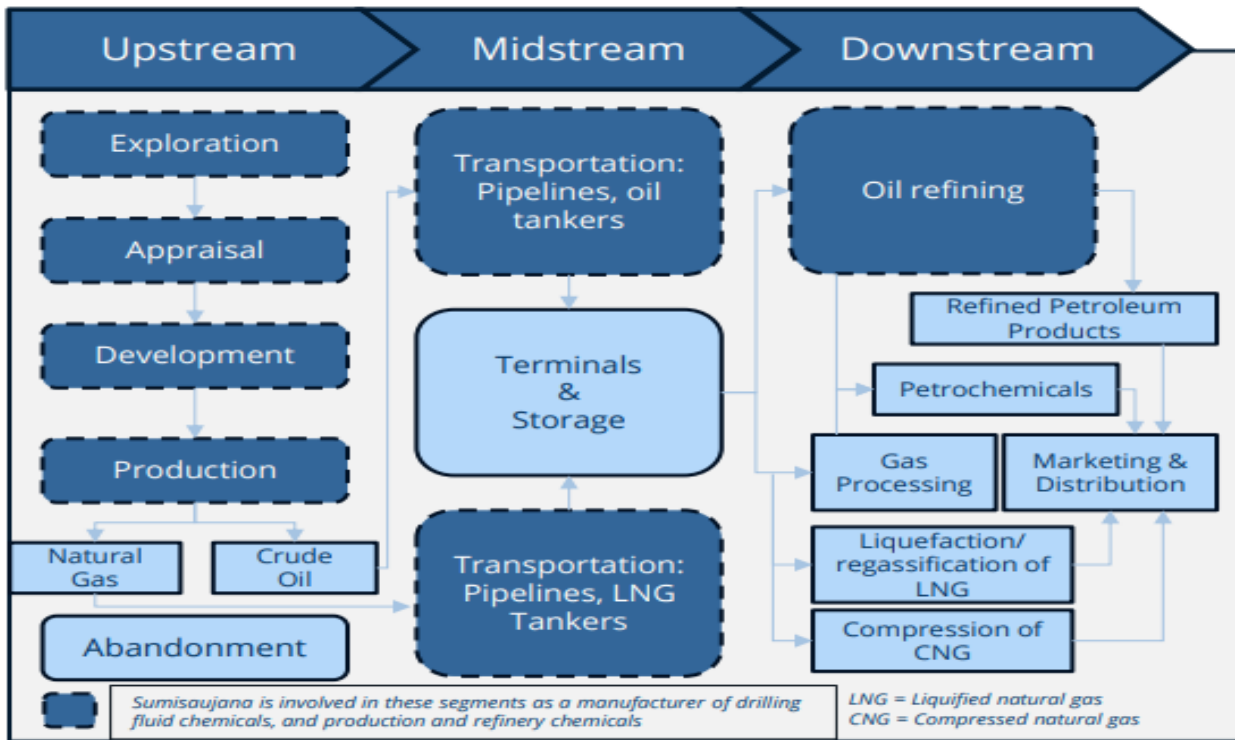
Chart 12: Types of Sumi's distribution channel



Source: Company

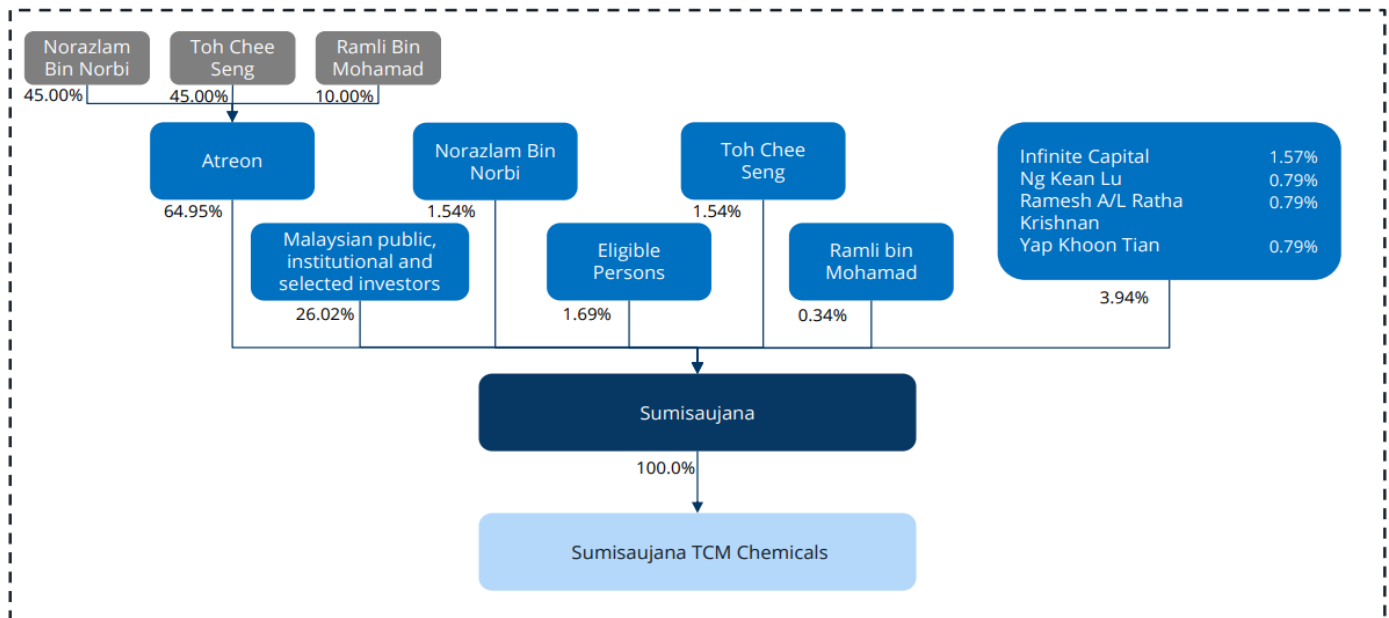


Chart 13: Industries served by Sumi



Source: Company

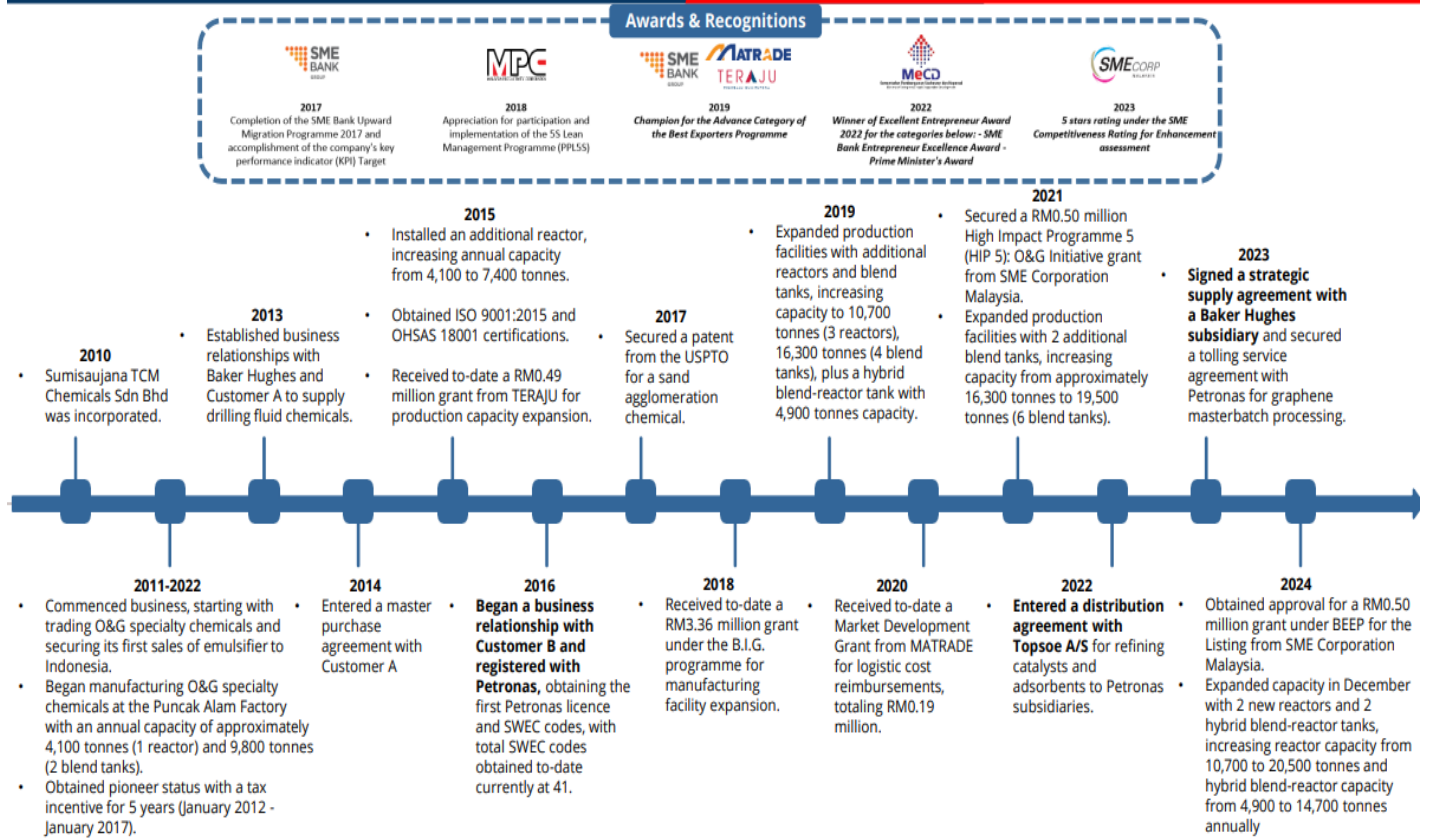
Chart 14: Corporate structure post listing



Source: Company



Chart 15: Business Milestone



Source: Company



Chart 16: Key Management Team

| Name and Designation | Age | Profile |
|--|-----|--|
| Toh Chee Meng Promoter and Executive Deputy Chairman | 55 | <ul style="list-style-type: none"> Responsible for developing new business strategies and business development via marketing and maintaining Sumi's business relationships with customers and suppliers. Bachelor of Science in Chemical Engineering from Mississippi State University, USA in 1995 and Executive Master's Business Administration programme at INSEAD Business School in 2006. |
| Norazlam Bin Norbi Promoter and Executive Director/ Chief Executive Officer | 58 | <ul style="list-style-type: none"> Responsible for overall management of Sumi, overseeing human resources, finance, operations and sales and marketing functions. Bachelor of Science (Honours) in Geology from University of Malaya in 1990 and completed the Advanced Industrial Marketing Programme at INSEAD Business School in 2006. |
| Ramli Bin Mohd Promoter and Executive Director/ Chief Operating Officer | 59 | <ul style="list-style-type: none"> Responsible for overseeing day-to-day operation, including executing business strategies, managing the operational budget, optimizing operational capabilities as well as overseeing the R&D and Technologies department. Advanced Diploma in Law from Universiti Teknologi Mara in 1991 and was admitted as an Advocate and Solicitor with the High Court of Malaya and became a member of the Bar Council Malaysia until December 2006. |
| Fock Shaw Chih Chief Financial Officer | 52 | <ul style="list-style-type: none"> Responsible for overseeing Sumi's finance, accounting and internal control functions. Became a member of ACCA in 2001 and also has been member of MIA since 2002. |
| Isham Bin Ismail Chief Human Resources Officer | 58 | <ul style="list-style-type: none"> Responsible for overseeing Sumi's human resources functions. Has over 30 years of experience in the O&G industry under various roles such as human resources and business development. Bachelor of Management (Honours) from Universiti Sains Malaysia in 1993. |
| Arlin Binti Nasaruddin Chief Supply Chain Officer | 52 | <ul style="list-style-type: none"> Responsible for Sumi's overall management of supply chain functions Master's Degree in Chemical Engineering from Imperial College of Science, Technology and Medicine, University of London, UK in 1996. |
| Norasazly Bin Mohd Taha Chief Commercial & Business Development Officer | 46 | <ul style="list-style-type: none"> Responsible for leading Sumi's business development and marketing functions. Bachelor of Chemical Engineering (Honours) from Universiti Putra Malaysia in 2002. |

Source: Company

Future Plans & Business Strategies

Operational facilities expansion in Malaysia. As part of the operational facilities expansion plan, Sumi plan to acquire its existing Puncak Alam Factory and to install solar PV system at the factory. Other than acquisition existing facilities, Sumi also plan to acquire a new warehouse and a corporate office in Puncak Alam, Selangor. This acquisition is to accommodate the intention of Sumi to (i) consolidate all their warehousing needs; (ii) relocate their warehouse in Puncak Alam Factory to free up space for production capacity expansion; and (iii) consolidate all operation at one location. Besides, Sumi also intend to establish new R&D laboratory at the new corporate office.

Domestic market expansion. Sumi leverages its experience and technical know-how in the O&G specialty chemical to diversify their product portfolio by introducing oleochemicals for industrial applications such as biodegradable lubricants and transformer oil.

Foreign market expansion. Sumi plans to establish new production facility outside of Malaysia with intention of expanding its foreign market presence in the North America and the Middle East. The expansion plan will be executed by way of investment through joint venture with the local partners, depending on the opportunities available. Additionally, Sumi also plan to expand its market presence in USA, Canada and South America via their appointed agents in the USA where license to sell and use all of Sumi formulations to manufacture products by third-party manufacturers are granted.



Key Risks

Dependence on key customers. Sumi faces high customer concentration risk with the top 4 key customers of Sumi comprising of Customer A, Baker Huges Group, Petronas and Customer B contribute more than 78% of its total revenue in FY23. Despite Sumi has signed master purchase agreement with Customer A, Baker Huges Group and Petronas, there is no obligations for these customers to make the purchases from Sumi. Any adverse changes in the relationship between Sumi and these key customers may lead to contract termination and adversely impact Sumi's financial performance.

Foreign currency exposure. Sumi is subjected to foreign exchange fluctuation risk as its input materials are sourced in currency denominated in USD and EUR. Input cost purchases exposure to USD and EUR collectively accounted for 55.2% in FY23. Any unfavorable change between ringgit and foreign currencies such as USD and EUR could negatively affect Sumi's financial performance.

Raw material input cost fluctuation. Sumi is exposed to raw material input cost fluctuation as its manufacturing arm is heavily dependent on the supply of raw materials input materials consist of fatty acids, alkaline compounds and other chemicals. The purchases of imported input materials represent more than 82% of its total input material purchases in FY23. Any significant change in the input materials price and sea freight rate could lead to hike in input cost and subsequently affect the company's profit margin.

IPO Details

| | Offer for Sale (m) | Public Issue (m) | Total (m) | (%) |
|---|-----------------------|------------------|--------------|-------------|
| <u>Retail Offering</u> | | | | |
| Eligible Persons | - | 72.5 | 17.6 | 5.0 |
| Malaysian Public | - | 24.4 | 5.9 | 1.7 |
| <u>Institutional Offering</u> | | | | |
| Selected investors | - | 122.6 | 29.2 | 8.5 |
| Bumiputera investors (approved by MITI) | 90.0 | 90.5 | 21.7 | 12.5 |
| Total | 90.0 | 310.0 | 191.0 | 27.7 |

Source: Company



Disclaimer & Disclosure of Conflict of Interest

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