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Sumisaujana Group Bhd

Positioned for Growth, Tempered by Risks

Initiate Coverage

By Ahmad Ramzani Ramli/ ahmadramzani@mersec.com.

Thursday, September 11, 2025

Price: RM0.13

Fair Value: RM0.14

Valuation/Recommendation

We initiate coverage on SumiSaujana Group Bhd (SUMI) with a *Hold* recommendation and a target price of RM0.14. This is based on 17.5x FY26F EPS, representing a 50% discount to global peers. This reflects SUMI's smaller market capitalization, reliance on a limited number of major oil & gas clients, and exposure to currency fluctuations. Despite these challenges, SUMI stands out with its specialized business model supporting the oil & gas (O&G) sector, consistently delivering gross and net profit margins above industry peers. We view SUMI favorably for its long-term growth prospects driven by market expansion and capacity-building strategies. However, structural constraints temper our overall outlook, keeping our stance conservative.

Investment Highlights

Revenue Scalability with Oil Production Growth. SUMI's manufacturing revenue is closely correlated with the oil production of its key customers. Revenue nearly doubled between FY21 and FY23, before contracting by 20.2% in FY24. With OPEC+ expected to increase supply and global oil demand projected to grow by 1.3% in 2025, SUMI is well-positioned to benefit from the anticipated rebound in customer production levels.

Sustainable Oil Prices Supporting Demand. From 2021 to 2024, production volumes of SUMI's major customers closely tracked global crude oil prices, peaking at 1,165.5 million metric tonnes in 2023 before softening in 2024. With Brent crude at USD 69 per barrel in August 2025 and expected to remain stable, clients' production are projected to rise, increasing demand for SUMI's drilling fluids and specialty chemicals.

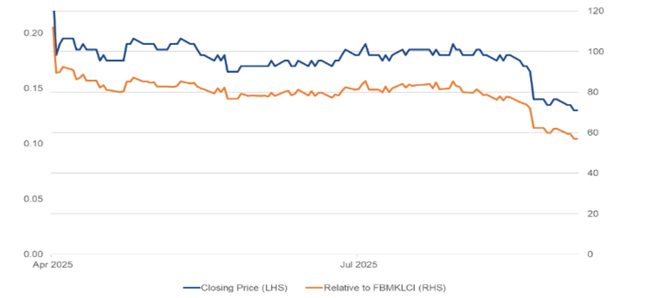
Strong Profitability Above Peers. SUMI's FY24 profit after tax (PAT) margin of 10.4% exceeds the five-year peer average of 6.5%. This ostems from operational efficiency, pricing leverage, and a focus on high-value specialty products. The company's global expansion and sustainable product initiatives are expected to maintain its leadership in profitability.

Diversification into Global Markets and Palm-Based Innovation SUMI is expanding its global footprint, targeting the Middle East and North America, funded by proceeds from its recent IPO. The company is also leveraging its MPOB license to produce renewable palm-based polyols and bio-chemicals. This move diversifies its product portfolio, strengthens ESG credentials.

Financial Outlook. A **13.5% revenue CAGR** from FY21 to FY24, driven primarily by robust O&G specialty chemical sales. FY24, revenue declined **20%**, impacted by delivery delays and reduced drilling activity among key clients. Looking forward, with normalizing delivery schedules and a recovery in customer drilling activities, SUMI's revenue is projected to rebound by **8–14%** over FY25E–FY27E.

Recommendation. We **initiate with a HOLD rating** and a **target price (TP) of RM0.14**, based on 17.5x FY26E EPS. The valuation reflects a 50% discount to global peers, justified by structural and risk factors. These are balanced by SUMI's niche business model, strong margins, and projected earnings growth of **8–73% for FY26E–FY27E** as currency volatility stabilizes. **Key risks; (i) Dependence on key customers, (ii) Foreign currency exposure, (iii) Raw material input cost fluctuation.**

Share Price Performance



Business Overview

Founded in 2010, SUMI Group Bhd and its subsidiary SUMI TCM Chemicals Sdn Bhd (SSTCM) manufacture specialty chemicals for the oil & gas industry's upstream, midstream and downstream sectors. Their products, ranging from drilling fluid and production chemicals to refinery additives to enhance efficiency, protect equipment, and optimise refining processes.

Return Information	
KLCI (pts)	1590.75
YTD KLCI chg	(2.9)
YTD Stock Price chg	(45.8)

Price Performance	1M	3M	12M
Absolute (%)	(20.8)	0.0	n.a
Relative to KLCI (%)	(27.7)	(6.0)	n.a

Stock Information	
Market Cap (RM m)	187.7
Issued Shares (m)	1,443.6
52-week High (RM)	0.25
52-week Low (RM)	0.125
Estimated Free Float (%)	454.7
Beta vs FBM KLCI	2.6
3-month Average Vol.(m)	7.28
Shariah Compliant	Yes
Bloomberg Ticker	SUMI

Top 3 Shareholders	%
Atreon Holdings Bhd	64.9
Bin Norbi Norazlam	1.5
Toh Chee Seng	1.5

FY DEC (RM m)	FY24A	FY25E	FY26E
Revenue	158.6	171.8	190.9
EBITDA	26.3	21.9	24.1
EBIT	20.9	15.1	15.2
PBT	20.5	14.9	16.1
Core Net Profit	17.1	11.7	11.6
Core EPS (sen)	1.19	0.74	0.80
Core EPS Growth (%)	-44%	-37%	8%
Net Div. Yield (%)	-	1.72	1.86
BVPS (sen)	1.18	6.86	7.42
PER	11.0	17.5	16.2
PBV (x)	11.0	1.9	1.8
Net Gearing (x)	N. Cash	N. Cash	N. Cash

Investment merits

Revenue Scalability with Demand for Oil. SUMI manufactures and supplies drilling fluids and oilfield chemical solutions to leading players in the global oil and gas industry. The company's manufacturing revenue has demonstrated a strong positive correlation with the total oil production of its four key customers — Customer A, Customer B, Baker Hughes, and Petronas — over FY21 to FY24.Between FY21 and FY23, total oil production from these customers increased from 1,071 million tons to 1,165.5 million tons, representing a compound annual growth rate (CAGR) of approximately 4.3%. During the same period, SUMI's manufacturing revenue surged from 95.7 million to 198.8 million, reflecting robust growth of approximately 107.7%, nearly doubling over two years. However, when oil production declined by 4.8% year-on-year to 1,110 million tons in FY24, SUMI's revenue contracted by 20.2%, falling to 158.6 million. This highlights the direct and strong linkage between customer production volumes and SUMI's revenue performance.

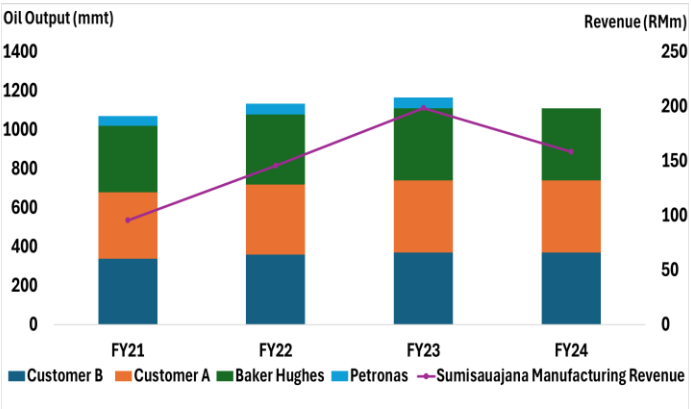
Looking ahead, recent industry data points to a strong rebound in global oil output, as of August 2025, OPEC+ has reintroduced approximately 2.5 million barrels per day (bpd) of crude oil production (about 340,000 metric tons per day), carrying forward the gradual reversal of voluntary cuts and has committed to an additional 547,000 bpd (about 74,500 metric tons per day) increase beginning in September, bringing the group's output to multi-year highs, equivalent to roughly 2–2.4% of global oil demand. Meanwhile, the EIA (and consensus forecasts, including from OPEC's own outlooks) expect global oil demand to grow by around 1.3% year-on-year in 2025. Regionally, Southeast Asian producers like Petronas are anticipated to expand output by 1–3% over the next 12 months, supported by recent field developments and investments.

These upward production trends support the likelihood of a recovery in customer output in FY25 coupled with the tapering of Trump's tariffs tantrums, which in turn suggests a positive outlook in SUMI's manufacturing revenue along the established revenue-oil production linkage. SUMI looks as a revenue-leveraged play on rising oil volumes, with material upside potential if its key customers capitalize on the expanding global and regional supply environment.

Sustainable Oil Prices Driving SUMI's Growth. From CY2021-24, reveals a positive relationship between the average global crude oil price and the oil output of SUMI's four key customers, Customer B, Customer A, Baker Hughes and Petronas. Correspondingly as crude oil prices increase, these 4 industry leaders tend to expand their production volumes. For example, in 2021, the average oil price stood at USD 68.2 per barrel and the total 4 customer output was 1,071 million tons. In 2022, as prices surged to USD 93.7 per barrel, output climbed to 1,134 million tons. Even in 2023, when prices moderated to USD 77.8 per barrel, production reached a multi-year high of 1,165.5 million tons. Although 2024 saw a slight decline in both prices (USD 75.5) and output (1,110 million tons), volumes remained significantly above 2021 levels.

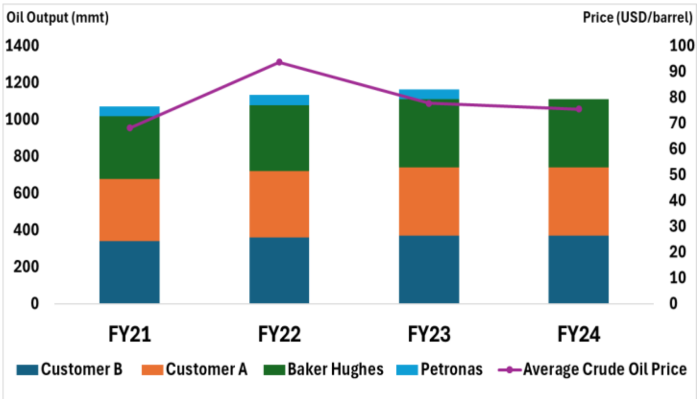
Turning to the most recent market data, the average crude oil spot price in July 2025 stood at USD 69.19 per barrel, showing a modest monthly increase from USD 69.15. Additionally, forecasts from the U.S. Energy Information Administration (EIA) estimate that Brent crude will average around USD 69 per barrel this year, higher than previous projections, driven by growing geopolitical risk premiums. Given this upward momentum in crude oil pricing, SUMI is well-positioned to benefit. As oil prices recover or rise, its key clients are likely to boost production to capitalize on higher returns. This, in turn, will drive increased demand for drilling muds and other specialty chemical products essential to efficient hydrocarbon extraction. SUMI's deep relationships with major producers like Baker Hughes and Petronas further bolster confidence in its ability to capture incremental demand.

Chart 1: SUMI manufacturing revenue tracks key customer oil output



Source: Customer A, Customer B, Baker Hughes, Petronas, Company

Chart 2: Oil price trend fuels SUMI's customer output



Source: Customer A, Customer B, Baker Hughes, Petronas, Trading Economics

Outperforming Peers with Double-Digit Profitability. Historically SUMI stands out among its global peers in terms of profitability ratios. FY20-FY24 gross profit margin (GP) averages 33% vs its peers (26%). Average profit after tax (PAT) margin of c.20% (FY20-24) or 11% (for FY24) which is more than its peer group 5-Year average of 6.5%. This superior profitability reflects the company's efficient cost structure, strong pricing power and strategic focus on high-value specialty products. By maintaining tight cost controls and leveraging its expertise in palm-based chemicals, SUMI has consistently delivered stronger margins than both local and international competitors.

As its international expansion progresses and its portfolio of sustainable palm oil-based specialty chemicals gains traction, SUMI's margin leadership is expected to strengthen further. The company's proactive entry into overseas markets diversifies revenue streams, while its commitment to sustainable sourcing aligns with growing global demand for environmentally friendly products. These structural advantages support an investment case anchored in above-industry-average profitability and resilience, even amid challenging market cycles.

Table 2: Peers 5 Year Average of Margin

Peers	Revenue (RM'm)	PAT/LAT (RM'm)	PAT/LAT Margin	GP Margin	EV/EBITDA
Clariant Ag	23,013	1,666.	7.5	29.1	12.5
Innospec Inc.	7,135	363.	5.8	29.5	13.7
BASF SE	354,925	5,294	2.8	25.1	8.3
Baker Hughes	97,880	-4,938	9.8	19.5	11.2
Average			**6.5**	**25.8**	**11.4**

Source: Bloomberg

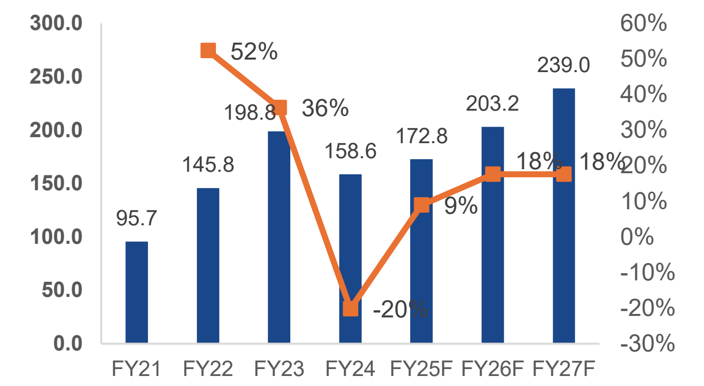
New Markets and New Innovation to Drive Growth. Domestic and foreign market expansion. SUMI plans to expand both its domestic and international market presence. Domestically, Sumi intend to leverage its expertise in O&G specialty chemical by expanding its product range to include oleochemical for industrial 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.

Diversifying Growth via Global Markets and Sustainable Palm-Based Innovation. Sumisaujana Group Bhd is pursuing a dual-pronged strategy to drive long-term growth: expanding into overseas markets and diversifying into sustainable palm-based specialty chemicals. The company plans further inroads into the Middle East and North America markets using proceeds from its recent IPO, aiming to tap into new demand pools for its specialty chemicals in oil & gas and industrial sectors. Notably, SUMI has embarked into an agreement with two US manufacturing companies to patently manufacture Sumi's drilling fluid chemicals in the US market. This strategic move enables the company to bypass existing tariffs on direct Malaysian exports, accelerating its market penetration while gaining access to higher-margin, foreign-currency revenue streams.

In a parallel move SUMI is capitalising on the global sustainability trend by leveraging its licensing agreement with the Malaysian Palm Oil Board (MPOB) to produce palm-based polyols and bio-chemicals. These bio-based alternatives serve as renewable, low-toxicity substitutes for petroleum-derived inputs used in adhesives, coatings, and industrial applications. This pivot not only diversifies the company's product offerings but also enhances its ESG profile, positioning it to attract environmentally conscious customers and investors alike. Together, the international expansion, tariff-bypassing strategy, and sustainable product push form a compelling growth narrative anchored in market diversification and green innovation.

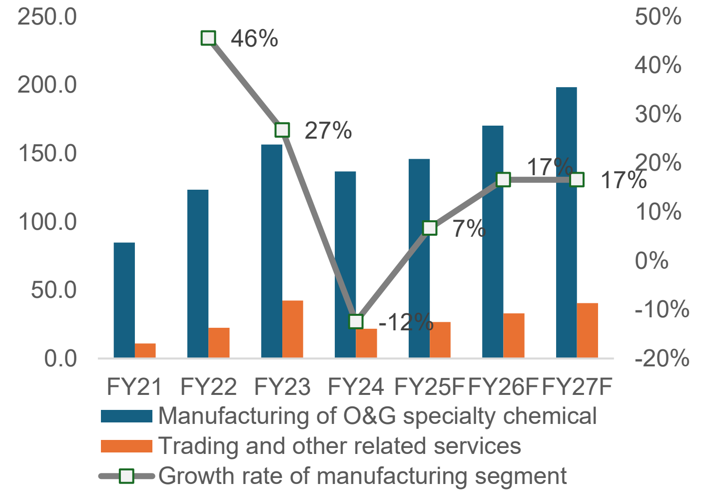
Financial Highlights

Chart 3: Sumi's revenue trend (in RM m)



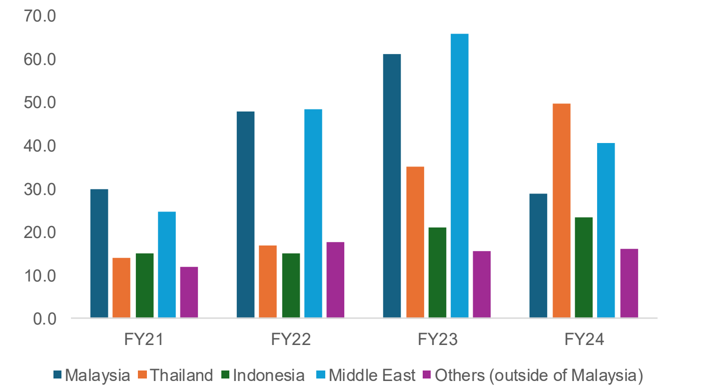
Source: Company, Mercury Securities

Chart 4: Revenue breakdown (in RM m)



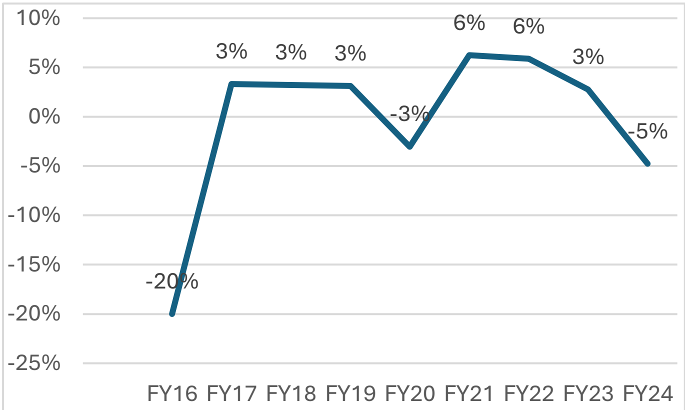
Source: Company, Mercury Securities

Chart 5: Revenue by geographies (in RM m)



Source: Company, Mercury Securities

Chart 6: Growth % of SUMI's Key Customers' Oil Output



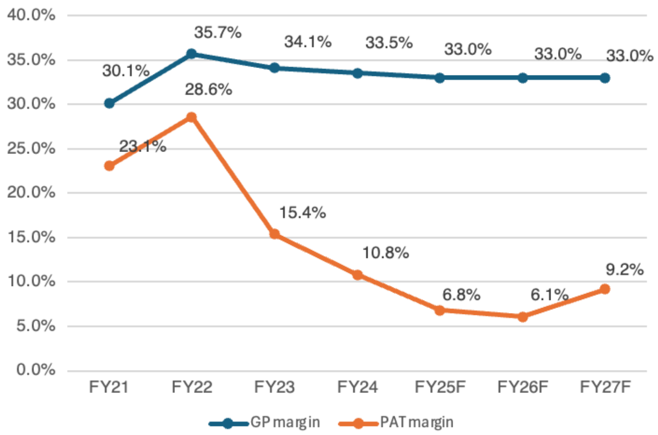
Source: Company, Mercury Securities

Stable revenue growth despite short-term delivery challenges. 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%. Growth was supported by rising orders from its key customers, amid an industry-wide preference for reliable specialty chemical suppliers and preference from domestic output from markets in the Sea East Asia (SEA) region. FY21-24 saw the Asia-Pacific markets (including Malaysia, Thailand & Indonesia) the main contributor of its revenue at 69% followed by the Middle East markets (at 27%). Various other contributors at 4% (of which USA at 3%). The top three contributing nations were; Malaysia (29%), Thailand (18%) and Indonesia (13%). For 1HFY25, the top contributing nation were; Thailand (37%), Malaysia (18%), Indonesia (15%) and USA (8%).

However, FY24 saw a 20% YoY revenue contraction, primarily due to delays in delivering products to key customers. These delays coincided with weaker activity levels among its major clients where the growth of SUMI's key customer oil output has been volatile, with contractions in 2015 (-20%), 2019 (-3%), 2020 (-3%), and 2024 (-5%), reflecting fluctuations in drilling activity. In FY24, reduced customer output growth further dampened demand for O&G specialty chemicals. Given that approximately 82% of Sumi's FY24 revenue was derived from foreign markets, these operational and customer-side factors weighed on overall performance.

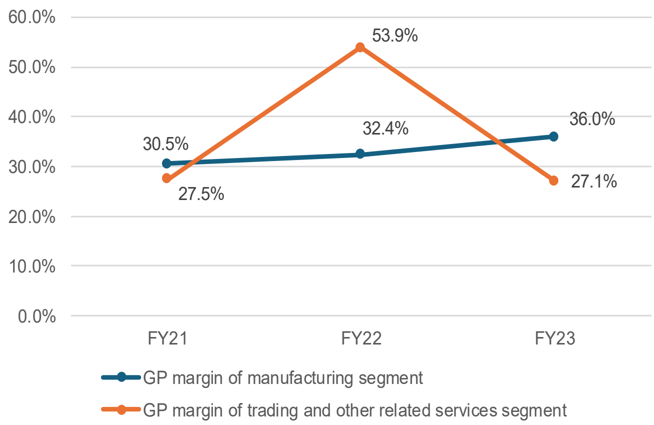
Looking ahead, we expect revenue growth to rebound to between 8%-14% for FY25E-27E, supported by the normalisation of delivery schedules and costs, recovery in customer drilling activity (especially coming from the Middle East and SEA, and sustained growth momentum from the specific major customers.

Chart 7: Sumi's margin trend



Source: Company, Mercury Securities

Chart 8: GP margin trend by business segment



Source: Bloomberg, Mercury Securities

Volatile margins but to normalise in FY25-27. 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 i) its trading & other related services segment as SUMI started to rent out specialised equipment to Petronas Group that commanded exceptionally high margin and ii) contribution of higher margin products. 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 (due to unforeseen forex losses).

1HFY25 saw GP margins normalise at 33% but net profit margin shrank to 5% due to listing expenses and forex losses (as the Ringgit strengthen against the USD/Euro). Stripping of the expenses net profit margins came at 9%.

Looking ahead, we expect Sumi's GP margins to normalise within the 33% range in FY25-27, driven by stable GP margin growth trends in its manufacturing segment and high entry barrier of Sumi's operating industry. 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. We however expect SUMI's net margin at 7-9% for FY25E-FY27E muted by absence of one-off listing expense and easing of volatility of the Ringgit against the USD and Euro (as the Ringgit slowly strengthen against thee currencievs . Notably, Sumi's net margin still outperforms its peers, exceeding the industry average of 6.5%.

SUMI has been resilient with a net cash position for FY23-FY24. Capex has been averaging around c. RM4m for FY21-FY24 with free cash flow averaging RM23m under the same period. Thanks to its IPO proceeds capex is expected to reach RM70m for FY26E-FY27E as part of its operational facilities expansion plan which includes expanding its manufacturing capacity to 35,000 tonnes (from 15,500 tonnes). We expect SUMI to be in a net cash position for FY25E-FY27E and do not expect major capex on the immediate term.

Industry Overview

Global oil markets have entered 2024-2025 in a phase of robust demand and cautious supply management. World oil consumption has reached record highs above 102 million barrels per day (mb/d), surpassing pre-pandemic levels. At the same time, oil-producing countries—especially OPEC and its partners—have been carefully coordinating output to balance the market. Looking ahead, forecasts show demand continuing to grow into 2025, albeit at a moderate pace, while production is set to expand as non-OPEC producers ramp up output.

Crucially, this period coincides with a shift in global monetary policy. After aggressive interest rate hikes in 2022–2023 to combat inflation, many central banks are now easing interest rates, creating a more accommodative financial environment. This report examines the latest data on oil output and demand by key regions (OPEC, United States, China, and others), and analyzes how the trend toward lower interest rates is interacting with oil markets. We assess short-term trends, long-term projections, and the broader macroeconomic linkages – including inflation expectations, GDP growth, and fiscal policy – that are influencing oil production and consumption in this evolving environment.

Recent industry data points to a meaningful recovery in global oil production. As of August 2025, OPEC+ reinstated approximately 2.5 million barrels per day (bpd) of crude oil production, equivalent to about 340,000 metric tons per day, continuing the gradual rollback of earlier voluntary cuts. Furthermore, an additional 547,000 bpd (approximately 74,500 metric tons per day) increase is scheduled to commence in September, pushing group output to multi-year highs — representing roughly 2% to 2.4% of global oil demand.

The EIA, along with consensus forecasts (including OPEC's own outlooks), anticipates global oil demand to grow by around 1.3% year-on-year in 2025. In Southeast Asia, producers such as Petronas are expected to expand production by 1% to 3% over the next 12 months, supported by recent field developments and capacity investments.

The recent shift toward global interest rate easing is an important backdrop for oil market dynamics. Monetary policy changes can significantly influence oil demand, production investment, and prices through various channels. Below we assess how the current easing trend – characterized by central banks starting to cut rates after a period of post-pandemic tightening – is affecting oil-consuming and oil-producing regions, and how it interacts with factors like inflation, GDP growth, and fiscal policy.

Interest Rates and Oil Demand. Lower interest rates generally stimulate economic activity, which in turn boosts energy demand. When borrowing costs fall, businesses expand and consumers spend more, leading to greater usage of fuels for transportation, freight, industry, and power. In the current context, many economists expect that as the U.S. Federal Reserve and other major central banks ease policy in 2024–2025, global GDP growth will stabilize or improve. Indeed, analysts project 2025 will see stronger oil demand growth precisely because monetary policy is easing worldwide as reported in deloitte.com. For example, demand for road fuels, which had been nearly flat in the early 2020s, is forecast to uptick in 2025 following the interest rate cuts and improved economic sentiment.

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.

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Global Industry Players Review.

From 2015 to 2024, the global oilfield services (OFS) industry experienced profound cyclical shifts, shaped by oil price collapses, economic uncertainty, and technological advancements. Major players such as Customer A, Customer B, Baker Hughes, and Petronas navigated these cycles with varying levels of resilience and adaptation. The Compound Annual Growth Rate (CAGR), a key indicator of performance over time, reflects the contrasting fortunes of these companies. During the 2015 to 2019 period, the industry recorded a moderate average oil output growth of 4.0% annually, fueled by recovery from the 2014 oil price crash. However, the onset of the COVID-19 pandemic in 2020 led to a sharp downturn, and the CAGR between 2020 and 2023 plummeted to -20.2%. When viewed over the longer 2015 to 2024 horizon, the average annual decline stands at -3.7%, highlighting the sector's long-term contraction despite periodic rebounds.

Customer B, with its strong North American focus, was particularly susceptible to market fluctuations. The company benefited from a rebound in U.S. shale activity between 2016 and 2019, supported by its ability to rapidly scale operations. However, this growth was unsustainable in the face of repeated downturns. Rig counts in North America fell by more than 50% in both 2016 and 2020, severely impacting Customer B's performance. In 2020, output fell by 19.9%, followed by even steeper declines in the subsequent years, reaching 98.9% in 2023 and a full 100.0% in 2024..Although the company attempted to cushion these impacts through productivity enhancements—particularly through shale wells that exceeded 1,000 barrels of oil equivalent per day by 2022—its overall CAGR performance remains heavily negative in the post-2020 period.

In contrast, Customer A international orientation helped moderate the effects of market volatility. Operating across more stable offshore and national oil company (NOC) projects in the Middle East, Russia, and Asia-Pacific, Customer A experienced a more gradual recovery. By 2023, the company had returned to operating approximately 948 rigs globally, reflecting a steady recovery from the COVID-induced trough. Its performance mirrored the more positive CAGR seen in the pre-pandemic years and avoided the extreme contractions experienced by its North American peers. The relative consistency of Customer A's operations, underpinned by long-term contracts and its strong offshore service capabilities, positioned it as one of the more resilient OFS providers during this turbulent decade.

Baker Hughes, with a diversified portfolio spanning both onshore and offshore markets, found itself straddling the middle ground between Customer B's volatility and Customer A's stability. It was significantly impacted by downturns in 2016 and 2020, with a notable deterioration in performance during 2022 and 2023, where CAGR figures dropped to -31.7% and -98.9% respectively, according to the Excel data. Although the company has invested in digital technologies and low-carbon solutions, these efforts have not yet translated into consistent revenue stabilization. Baker Hughes' medium-term outlook remains uncertain, as it attempts to pivot from traditional drilling services to more technologically advanced offerings in the energy transition landscape.

Petronas, Malaysia's state-owned oil company, demonstrated exceptional resilience throughout the 2015 to 2024 period. It responded to global downturns by adjusting rig activity—from around 30 rigs in 2015 to as low as 10–15 during the worst periods—but managed to maintain steady oil production levels of approximately 2.3 to 2.4 million barrels of oil equivalent per day. Unlike its private-sector peers, Petronas benefited from national support and the ability to prioritize long-term projects and enhanced oil recovery strategies over short-term market fluctuations. While its rig count varied significantly, its production remained consistent, suggesting a flat to mildly positive CAGR throughout the period. This stability stands in sharp contrast to the dramatic swings seen in the U.S.-focused companies and underscores the advantage of operating within a national framework with fewer exposure risks to global commodity price shocks.

In conclusion, the period from 2015 to 2024 highlights the deeply cyclical nature of the oilfield services industry, with companies experiencing very different outcomes depending on their geographic exposure, strategic orientation, and operational flexibility. While Customer B and Baker Hughes suffered the brunt of price crashes and market volatility, Customer A's international footprint and Petronas's national backing provided greater protection. The overall CAGR data tells a story of initial growth, severe disruption during the COVID era, and a long, uneven recovery that left some companies struggling to regain their former scale. As the industry moves forward, technological innovation, energy diversification, and resilience to external shocks will be key to determining future performance.

Major Customers

Leveraging its key customers' broad market reach. Sumi has more than 5 years of business relationship with its key clienteles, 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 clienteles' wide market presence to expand its market reach outside of Malaysia.

Table 1 : Sumi's Key Customers

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

Valuation

We derive a fair value (FV) of **RM0.14** for **Sumi Saujana**, based on a **target P/E multiple of 17.5x** applied to its **FY26F earnings**, which is aligned with the company's projected EPS of **0.80 sen**. This valuation reflects a **50% discount** to the **10-year historical P/E average** of Sumi's closest global peers — **Clariant AG, Innospec Inc., BASF SE**, and **Baker Hughes Chemicals** — all of which are established manufacturers of drilling fluids and other O&G specialty chemicals. We believe this substantial discount is justified due to a combination of **structural limitations** and **risk factors** unique to Sumi: i) **Limited Market Capitalization & Liquidity.** Sumi's relatively small market cap limits its visibility among institutional investors and results in **lower trading liquidity**. Such characteristics typically warrant a **valuation discount**, as investors demand a premium for liquidity and scale, ii) **Customer Concentration Risk**. A significant portion of Sumi's revenue is derived from a **small number of major O&G clients**, creating **earnings volatility risk** should any key customers reduce order volumes or transition to alternative suppliers, iii) **Execution Risks in International Expansion**. While the company's international expansion offers **growth opportunities**, it also introduces **execution challenges**, including navigating unfamiliar regulatory regimes, managing geopolitical uncertainties, and establishing competitive market positioning in foreign territories and iv) **Foreign Exchange Exposure**. Sumi's earnings remain susceptible to **currency fluctuations**, particularly the volatility of the **Ringgit (MYR)** against the **USD** and **EUR**, adding an additional layer of downside risk to its earnings profile.

Taking these factors together, the applied **50% valuation discount** relative to its larger, diversified global peers is appropriate. Although the stock trades near our fair value estimate, valuations remain demanding given the inherent risks and constraints.

Recommendation:

We assign a **HOLD** rating to **Sumi Saujana**, with a fair value of **RM0.14**, as risk-reward dynamics appear balanced at current levels.

Peer Comparison (as at 25th August 2025)

Company	Blmbg Ticker	Share Price LC	Mkt Cap (RMm)	EPS Growth (%)		PE (x)		PB		ROE (%)		Net Dividend Yield (%)		EV/EBITDA	
				2025	2026	2026	2027	2026	2027	2026	2027	2026	2027	2026	2027
Clariant AG	CLN SW Equity	8.2	14,220	-49.1	21.2	11.0	9.0	1.1	1.1	10.41	13.34	5.36	5.64	5.9	5.5
Innospec Inc	IOSP US Equity	87.6	9,205	-9.6	16.0	16.4	14.1	1.7	1.6	N/A	N/A	1.96	2.17	8.0	N/A
BASF SE	BAS GR Equity	45.2	198,675	-21.5	18.0	16.4	13.9	1.2	1.1	6.00	7.47	5.06	5.29	7.5	6.8
Baker Hughes	BKR US Equity	45.4	189,420	2.8	9.9	18.8	17.1	2.4	2.3	13.03	13.41	2.02	2.11	9.4	8.5

Source: Company, Mercury Securities

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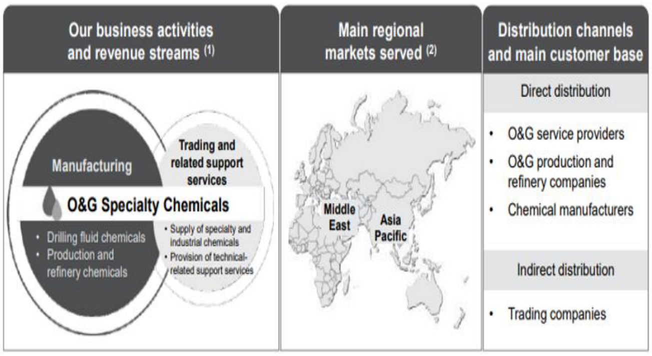
Company Background

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.

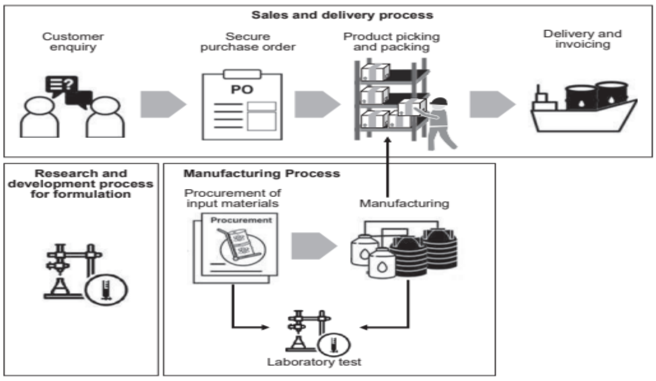
Trading and other related services. Under this segment, Sumi supply specialty and industrial chemicals that are not manufactured by them, either in smaller quantities or in bulk. Additionally, Sumi also engages in providing technical support services including rental of facilities and equipment mobilization,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

Chart 9: Company business model



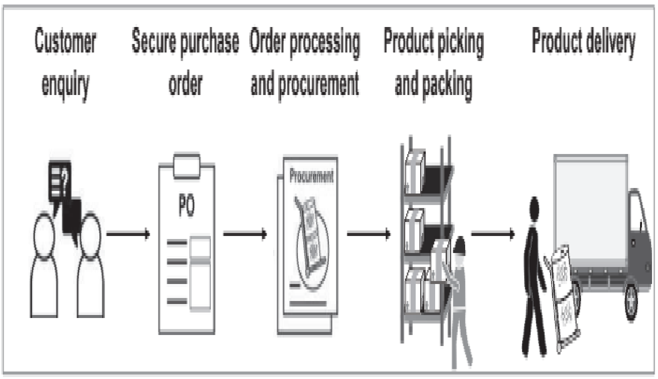
Source: Company, Mercury Securities

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



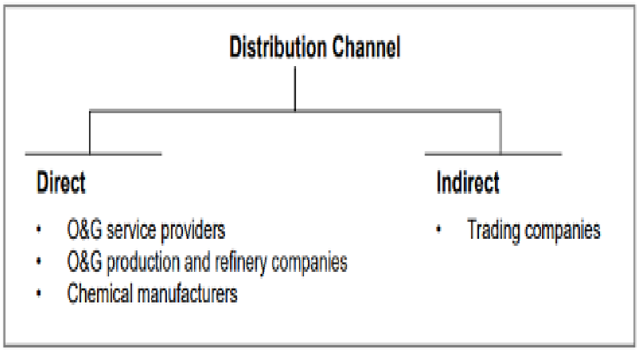
Source: Bloomberg, Mercury Securities

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



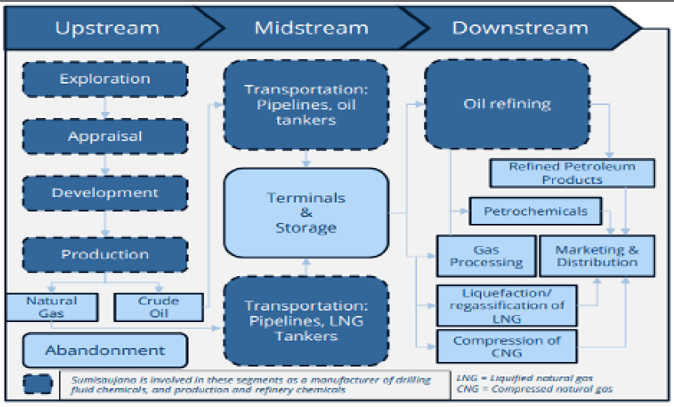
Source: Company, Mercury Securities

Chart 12: Types of Sumi's distribution channel



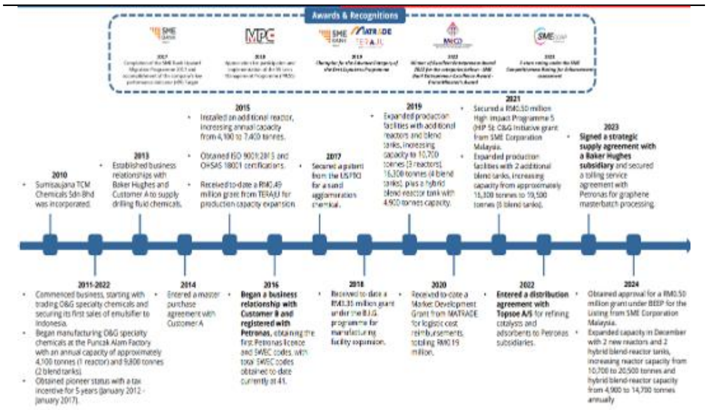
Source: Bloomberg, Mercury Securities

Chart 11: Industries served by SUMI



Source: Company, Mercury Securities

Chart 12: Business Milestone



Source: Bloomberg, Mercury Securities

Chart 13: Key Management Team

Name and Designation	Age	Profile
Toh Chee Meng Promoter and Executive Deputy Chairman	55	• 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	• 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	• 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	• 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	• 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	• 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	• Responsible for leading Sumi's business development and marketing functions. • Bachelor of Chemical Engineering (Honours) from Universiti Putra Malaysia in 2002.

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 FY24. Despite Sumi has signed master purchase agreement with Customer A, Baker Hughes 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.

<table>
<tr><th colspan="2">Swot Analysis</th></tr>
<tr><th>S
STRENGTHS</th><th>W
WEAKNESS</th></tr>
<tr><td>
• Established track record in supplying O&G specialty chemicals. With 14 years of experience, SSTCM supplies O&G specialty chemicals to long-term customers, accounting for nearly 88% of FPE 2024 revenue under multiple master purchase agreements.
• In-house capability to formulate and manufacture specialised O&G chemicals. SSTCM has invested RM23.2m since 2011 in specialised facilities and technical expertise, enabling tailored chemical solutions across 16 countries.
• Marketing and selling products under our own proprietary brands. SSTCM's own-brand products contributed 22.5% of total revenue in FPE 2024 (RM29.4m), providing business diversification for market expansion and brand recognition locally and globally.
</td><td>
• Reliance on certain key customers. SSTCM derived 78.2% of its FPE 2024 revenue from just four major customers, indicating a lack of diversification in its customer portfolio and exposing the company to significant risk if any of them reduce or terminate their orders.
• Lack of patent protection for most in-house formulations. SSTCM derived over 75% of FPE 2024 revenue from in-house formulations, most of which are not patented, exposing the company to the risk of third parties replicating similar products and competing for the same customers.
</td></tr>
<tr><th>T
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OPPORTUNITIES</th></tr>
<tr><td>
• Foreign currency exposure risk. 79.7% of revenue and 45.6% of purchases in FPE 2024 were in foreign currencies (mainly USD and EUR), exposing SSTCM to exchange rate risks from adverse exchange rate movements.
• Fluctuation in raw material costs risk. Rising fatty acid costs, which account for 41.8% of FPE 2024 input purchases, along with sea freight increases and exchange rate fluctuations may elevate production costs and reduce customer demand.
• Supply chain disruption risk. With 72.6% of inputs imported in FPE 2024, prolonged supply chain disruptions may affect raw material availability and operations.
</td><td>
• Diversification into sustainable specialty chemicals. palm-based intermediates and bio-based polyols, expanding into sectors like automotive, apparel and polyurethane.
• North American market expansion. SSTCM is finalising its entry into North America via a joint venture or facility setup to launch six products, broadening market access, reducing trade-related risks and tapping into growing demand for sustainable specialty chemicals in the global market.
</td></tr>
</table>

Sustainability Review

Key Performance achieved in FY24

Environmental (E)

1. Climate Change and Emissions Management
   - Total GHG emissions: 2,550 tCO_2e (601 tCO_2e Scope 1, 1,401 tCO_2e Scope 2, 548 tCO_2e Scope 3).
   - Focus on business travel and employee commuting for Scope 3 emissions.

2. Resource Management and Waste Reduction
   - Pollution prevention practices including equipment life extension through preventive maintenance and purchase/reworking of used equipment to conserve natural resources.
   - "Old Soles, New Life Shoes" recycling program initiative.

3. Biodegradable Products and Chemicals
   - Development of biodegradable products synthesized from vegetable and plant-derived raw materials, including bio-based hydraulic, gear, and grease base oils, and SumiTX Plus natural ester transformer oil.
   - Polyols and plasticizer products derived from plant and vegetable raw materials following the MPOB licensing agreement in April 2025.

4. Community Environmental Initiatives
   - Mangrove tree planting in Kuala Selangor.
   - Beach cleaning activities at Tanjong Batu Beach (Bintulu) and Kampung Kuala Sibuti (Miri).

Social (S)

1. Local Communities Engagement
   - 100% local employment practices.
   - Over 50% local sourcing to support community economies.

2. Workforce Development and Training
   - Over 450 hours of total training provided to employees.
   - Focus on continuous skill development and capacity building

3. Healthy, Safety, Security and Employee Well-being
   - ISO45001:2018 certified for workplace safety management
   - Risk assessment framework (HIRARC) to identify and control hazards
   - Compliance with labour laws including fair wages and working hours

Governance (G)

1. Ethics and Compliance
   - Anti-bribery & Corruption Policy implemented.
   - Anti-slavery & Human Trafficking Policy implemented.
   - Whistle-blowing Policy for reporting misconduct.
   - Compliance with industry-specific regulations and chemical manufacturing standards.

2. Transparency and Reporting
   - Transparent ESG performance reporting to management and stakeholders.
   - Accurate and ethical product marketing and advertising practices.
   - Regular stakeholder engagement on ESG concerns and expectations.

3. Responsible Business Practices
   - Responsible sourcing and procurement practices.
   - R&D investment in environmentally friendly chemical products.
   - Occupational health and safety compliance guidelines.

SSTCM demonstrates its commitment to sound corporate governance through adherence to the Malaysian Code on Corporate Governance (MCCG) and ongoing stakeholder engagement under its Sustainability Management Procedures. The Group regularly assesses material ESG matters in consultation with key stakeholders, including customers, suppliers, regulators, investors, employees, and the wider community to ensure alignment with best practices and to drive meaningful sustainability outcomes.

As at the latest practicable date (LPD), the Group has adopted key MCCG recommendations, with strong board independence and gender diversity:

Key MCCG Governance Indicators	Practices Fully Applied
Independent Directors	4 out of 7 (57% of the Board)
Women Directors	3 out of 7 (43% of the Board)
Compliance with 30% women target	Achieve and exceeded

Source: Company, Mercury Securities

The composition of the Board reflects the Group's emphasis on diversity and independence in decision-making. The Group continues to enhance its governance practices through structured stakeholder engagement, ESG integration and alignment with MCCG principles.

Overall ESG Performance. SSTCM adopts a comprehensive ESG framework built on Environmental Impact, Social Responsibility, and Governance Transparency, aligned with the "People, Planet, Profit" principle. Its commitment is reinforced by adherence to the UN Global Compact and early participation in Malaysia's voluntary carbon market via the Bursa Carbon Exchange. The Group reports total GHG emissions of 2,550 tCO_2e, promotes recycling and circularity, and leads in developing biodegradable, plant-based chemical products. Social initiatives include 100% local employment, over 50% local sourcing, 450+ hours of employee training, and ISO45001:2018 certification. Governance is supported by strong policy frameworks on anti-bribery, anti-slavery, and whistle-blowing. Overall, SSTCM's ESG strategy is well-integrated, with clear progress in sustainable innovation and long-term value creation.

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Income Statement

FY Dec (RM m)	2023A	2024A	2025E	2026E	2027E
Revenue	198.8	158.6	164.5	186.4	215.3
EBITDA	47.2	26.3	19.3	24.4	29.8
Depreciation &Amortz	(4.7)	(5.4)	(6.8)	(8.9)	(10.6)
Operating Profit	42.5	20.9	12.5	15.5	19.3
Interest Inc/(Exp)	(1.1)	(0.4)	(0.2)	0.9	1.6
Assoc Earnings					
Profit Before Tax	41.4	20.5	12.3	16.4	20.8
Taxation	(10.8)	(3.4)	(3.0)	(3.9)	(5.0)
Net Profit	30.6	17.1	9.4	12.5	15.8
Core PATAMI	198.8	158.6	164.5	186.4	215.3

Balance Sheet

	2023A	2024A	2025E	2026E	2027E
Fixed Assets	21.4	34.3	63.6	91.1	85.1
Intangible Assets	0.0	0.0	0.0	0.0	0.0
ROU Assets	3.9	2.1	2.1	2.1	2.1
Other Fixed Assets	0.0	0.0	0.0	0.0	0.0
Inventories	36.9	25.5	25.3	28.7	33.1
Receivables	79.2	36.2	32.9	37.3	43.1
Other Current Assets	25.1	37.5	96.4	72.9	83.7
Cash	25.1	31.3	90.2	66.7	77.5
Total Assets	**162.6**	**133.5**	**218.3**	**229.9**	**244.9**
Payables	50.3	18.9	22.8	25.6	29.6
ST Borrowings	20.6	12.7	12.7	12.7	12.7
Other ST Liability	39.0	65.5	88.1	92.0	94.9
LT Borrowings	0.6	9.7	9.7	9.7	9.7
Other LT Liability	5.1	5.9	5.9	5.9	5.9
Net Assets	**70.8**	**17.1**	**98.1**	**106.8**	**117.9**
Shareholders' Equity	70.8	17.1	98.1	106.8	117.9
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**70.8**	**17.1**	**98.1**	**106.8**	**117.9**

Cashflow Statement

FY Mar (RM m)	2023A	2024A	2025E	2026E	2027E
Operating CF	25.3	32.2	23.5	16.5	20.2
Investing CF	(5.8)	(6.7)	(34.5)	(35.7)	(3.5)
Financing CF	(19.1)	(21.0)	70.6	(4.7)	(5.8)
Change In Cash	0.5	4.5	59.6	(23.9)	10.9
Free CF	20.5	25.9	(11.0)	(19.2)	16.7

Source: Mercury Securities

Financial Data & Ratios

FY Dec	2023A	2024A	2025E	2026E	2027E
Growth					
Turnover	36%	-20%	4%	13%	16%
EBITDA	N/A	-44%	-27%	27%	22%
Operating Profit	N/A	-51%	-40%	24%	24%
PBT	N/A	-50%	-40%	33%	27%
Core Net Profit	-27%	-44%	-45%	33%	27%
Profitability					
Gross Profit Margin	34%	34%	33%	33%	33%
EBITDA Margin	24%	17%	12%	13%	14%
Operating Margin	21%	13%	8%	8%	9%
PBT Margin	21%	13%	7%	9%	10%
Core Net Margin	15%	11%	6%	7%	7%
Effective Tax Rate	26%	17%	24%	24%	24%
ROA	43%	100%	10%	12%	13%
ROE	19%	13%	4%	5%	6%
Leverage					
Debt/Asset (x)	13%	17%	10%	9%	8%
Debt/Equity (x)	30%	131%	22%	19%	16%
Net (Cash)/Debt	(3.9)	(8.9)	(9.9)	(68.0)	(48.2)
Net Debt/Equity (x)	(0.1)	(0.5)	(0.1)	(0.6)	(0.4)
Valuations					
Core EPS (sen)	2.1	1.2	0.6	0.9	1.1
NDPS (sen)	0.0	0.0	0.2	0.3	0.3
BV/sh (RM)	0.05	0.01	0.07	0.07	0.08
PER (x)	6.6	11.8	21.6	16.2	12.8
Div. Yield (%)	0	0	1.4	1.9	2.4
PBV (x)	2.9	11.8	2.1	1.9	1.7

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MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my