

Adnex Group Berhad

MNC-Backed Order Book to Anchor ACE Market Debut

Valuation / Recommendation

We derive a **Fair Value (FV) of RM0.250** for Adnex Group Berhad, based on a **target P/E multiple of 8.6x** applied to its **FY26E EPS of 2.89 sen**. The target multiple implies a 30% discount to the 10-year historical average PE of selected peers, accounting for (i) its smaller market capitalization based on IPO price, (ii) high revenue concentration in the corporate office segment as compared to peers diversification into both residential and corporate markets and (iii) lack of overseas revenue contribution. The target multiple is benchmarked against selected listed peers involved in the interior fit-out industry and consumer durable sector, ensuring comparable. We like Adnex for its (i) position as a full-scope turnkey fit-out services provider, (ii) robust revenue visibility via unbilled order book, (iii) flight to quality in the Malaysian office market and (iv) strategic diversification into defensive growth sectors. Recommend **SUBSCRIBE**.

Investment Highlights

Full-Scope Turnkey Fit-Out Services Provider. Adnex transcends traditional contracting by acting as a strategic project orchestrator, providing a single point of accountability for high-tier MNCs. By integrating upstream design, consultancy management, and procurement, the Group eliminates "communication leakage" and technical friction. This end-to-end stewardship de-risks large-scale CAPEX for clients and ensures a 100% on-time delivery record, cementing Adnex's status as a premier "flight-to-quality" partner in Malaysia's sophisticated commercial landscape.

Robust Revenue Visibility via Unbilled Order Book. As at the LPD, the Group's unbilled orderbook stood at RM66m, providing steady earnings visibility for FY26. Additionally, the Group holds a CIDB G7 certification which allows them to compete for large-scale turnkey headquarters and industrial projects that are typically inaccessible to smaller boutique firms.

Flight to Quality in the Malaysian Office Market. As Malaysian office occupancy shifts toward Grade A and Green-certified PBOs (80.8% occupancy), Adnex is positioned to capture surging premium fit-out demand. Additionally, Budget 2026 tax incentives for commercial-to-residential conversions create a new structural growth vertical for the Group.

Strategic Diversification into Defensive Growth Sectors. Adnex is de-risking its earnings by pivoting into recession-resistant sectors like healthcare and private education. By securing pre-qualification for major institutional providers, the Group is capturing stable CAPEX that hedges against the cyclical volatility of corporate offices and F&B.

Key risks include: (i) exposure to regional regulatory and operational risks, (ii) foreign exchange fluctuations, (iii) slowdown in corporate capex and commercial property markets (iv) project execution and recognition delays and (v) concentration risk of multinational clientele.

IPO Note – Non-Rated
Research Team Coverage / research@mersec.com.my
Thursday, March 5, 2026

ACE Market
Consumer Durables Sector
SUBSCRIBE

IPO Price: RM0.200
Fair Value: RM0.250

Business Overview

Adnex Group Berhad is a Malaysian interior fit-out services provider specializing in interior fit-out services and turnkey solutions, offering end-to-end project implementation from design planning to execution. The Group focuses on building the interior of corporate offices. Its clientele includes financial institutions, healthcare providers and automotive companies. To be listed on the ACE market.

Listing Details

Listing date	17 March 2026
New Shares (m)	90.5
Offer for sale (m)	39.5
Fund to be raised (RM m)	52.5

Post Listing

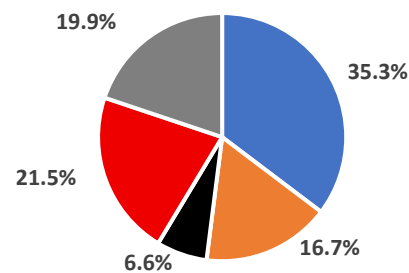
Ordinary shares (m)	500.0
Market cap (RM m)	100.0
Estimated free float (%)	23%
P/E(x) (Based on prospectus)	8.65x

Top 3 Shareholders

Kan8 Holding	60.0
Kan Wai Chun	10.5
Kan Wai Peng	3.5

Utilisation of Proceeds

	RM m
Business Expansion	6.4
Performance bonds for interior fit-out projects	3.0
Repayment of Bank Borrowings	1.2
Working Capital	3.9
Estimated Listing Expenses	3.6



FYE Dec (RM m)	FY24A	FY25A	FY26E	FY27E
Revenue	50.2	94.3	131.0	137.5
EBITDA	9.3	13.7	21.0	21.0
EBIT	9.0	13.2	20.4	20.2
PBT	8.8	12.7	19.9	20.6
Core Net Profit	6.4	9.2	14.5	15.7
Core EPS (sen)	1.56	2.25	2.91	8.0
Core EPS Growth (%)	27.1%	44.3%	29.1%	8.0%
Net DPS (sen)	1.4	-	0.9	0.9
Net Div. Yield (%)	7.2%	0.0%	4.4%	4.7%
BVPS (sen)	2.00	5.52	7.71	7.71
PER (Using IPO price)	12.8	8.9	6.9	6.4
PBV (x) (Using IPO price)	10.0	3.6	2.6	2.6
Net Gearing	0.4	(1.0)	0.1	N.Cash

Company Overview

Adnex Group Berhad operates in **Malaysia’s commercial interior fit-out industry**, specializing in the provision of interior fit-out works and turnkey fit-out services for commercial and industrial properties. The Group primarily undertakes projects for corporate offices, F&B outlets and sales galleries, serving customers including property owners, tenants, interior fit-out consultants and project management consultants across industries such as financial services, manufacturing and professional services. During the Financial Years and Period Under Review, Adnex provided interior fit-out services for corporations operating in various industries which include, amongst others, financial services, manufacturing, professional services, F&B services and pharmaceutical industries.

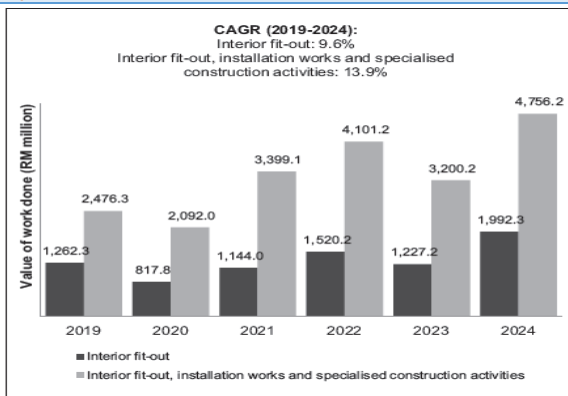
Industry Overview

Growth in Malaysia’s Interior Fit-Out Industry. Malaysia’s interior fit-out industry is measured based on the value of work done for interior fit-out services, as reported by contractors to the *Department of Statistics Malaysia (“DOSM”)*. The industry experienced a temporary contraction during the COVID-19 pandemic, declining from RM1.3bn in 2019 to RM817.8m in 2020 due to project delays, supply chain disruptions and labour shortages following movement restrictions. The industry subsequently recovered alongside the reopening of economic activities, with the value of work done rising to RM1.1bn in 2021 and RM1.5bn in 2022. Although activity moderated in 2023 amid softer property transactions and higher cost-of-living pressures, the industry rebounded in 2024 to RM2.0bn, representing a CAGR of 9.6% between 2019 and 2024.

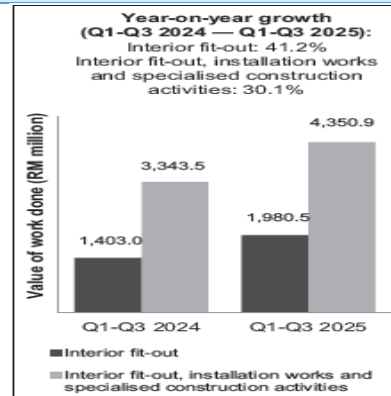
Looking ahead, according to industry research by *Providence*, the interior fit-out market in Malaysia is projected to expand further to RM2.3bn in 2025 and RM2.7bn by 2027, implying a CAGR of 8.3% between 2025 and 2027 (*Figure 1 and 2*), supported by increasing office refurbishments, commercial property developments and renovation activities. The continued growth of the interior fit-out industry is expected to support demand for interior contractors providing office renovation and turnkey fit-out services. As a contractor primarily involved in corporate office interior fit-out works, Adnex may benefit from the expanding industry demand and increasing refurbishment activities within Malaysia’s commercial property sector.

Figure 1: Interior Fit-out Industry Size in Malaysia Growth (CY2019- CY2024)

Figure 2: Interior Fit-out Industry Size in Malaysia Growth QoQ



Source: DOSM, PROVIDENCE analysis



Source: DOSM, PROVIDENCE analysis

Demand for Corporate Office Fit-out and Refurbishment. Adnex derives the majority of its revenue from projects involving corporate offices, covering both turnkey fit-out services and interior fit-out works. As companies expand their operations, relocate offices or upgrade existing workplaces, interior fit-out contractors are typically engaged to customise office layouts and install partitions, flooring, M&E systems, furniture and fixtures to meet operational and branding requirements. This creates recurring demand for interior fit-out services as office tenants periodically refurbish their workspaces to enhance functionality, employee experience and corporate image. Industry research by *Market Research Intellect* indicates that the Malaysia office fit-out and refurbishment services market was valued at USD12.3bn in 2025 and is projected to reach USD22.2bn by 2033, representing a CAGR of 10.3%.

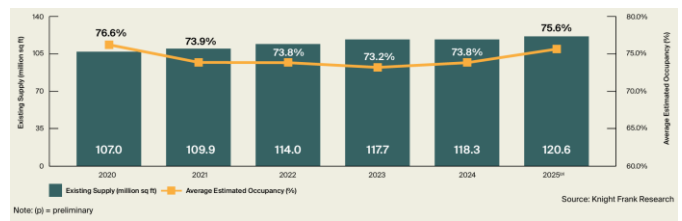
In addition, according to *Knight Frank’s Real Estate Highlights 2H2025*, leasing activities in Kuala Lumpur’s office market continue to be supported by tenant relocations, workspace upgrades and corporate expansions, particularly within the financial services and professional services sectors. Such leasing and relocation activities typically lead to interior renovation and fit-out works, supporting demand for interior fit-out contractors. Adnex’s operations are primarily concentrated in Malaysia, particularly within the Klang Valley, where the majority of corporate office developments and refurbishment activities take place. As shown in *Figure 4*, cumulative office supply in the Klang Valley increased from 118.3 million sq ft in CY2020 to 120.6 million sq ft in CY2025, while occupancy rates remained relatively resilient at 75.6%, indicating sustained demand for office space which may translate into continued fit-out and refurbishment opportunities for contractors such as Adnex.

Figure 3: Supply and Occupancy of Purpose-Built Office in Malaysia

State	Total Space (s.m.)		Completion (s.m.)		Occupancy (s.m.)		Occupancy Rate (%)		Annual Take-Up Difference (s.m.)		Incoming Supply (s.m.)		Starts (s.m.)		Planned Supply (s.m.)		New Planned Supply (s.m.)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
W.P. Kuala Lumpur	10,263,948	10,252,030	28,856	106,859	7,389,247	7,442,769	72.0	72.6	6,544	53,542	551,401	775,380	0	301,779	791,621	547,109	0	23,744
W.P. Putrajaya	2,540,853	2,542,645	0	0	2,338,162	2,378,314	92.1	93.5	1,400	38,152	59,940	59,940	0	0	39,875	39,875	0	0
W.P. Labuan	67,051	66,706	0	0	61,963	60,340	92.4	90.5	-402	-1,623	0	0	0	0	0	0	0	0
Selangor	4,684,373	4,733,414	32,109	123,160	3,424,029	3,467,892	73.1	73.3	40,684	43,863	123,160	0	40,180	0	0	34,036	0	34,036
Johor	1,456,997	1,406,628	47,379	38,500	1,091,543	934,561	69.7	66.4	1,061	-66,962	134,262	121,306	0	0	33,817	41,914	0	8,097
Pulau Pinang	1,102,189	961,426	20,215	32,460	920,220	796,440	83.5	81.4	-2,446	-121,780	58,031	28,596	1,545	6,000	0	54,466	0	22,250

Source: National Property Information Centre (NAPIC) of Malaysia

Figure 4: Cumulative Office Supply and Average Estimated Occupancy in Klang Valley (CY20-CY25)



Source: Knight Frank's Real Estate Highlights 2H2025

Growth in Investments Supporting Demand for Interior Fit-Out Services. Growth in domestic and foreign investments in Malaysia is expected to support demand for interior fit-out services, as companies establishing new offices and operating facilities typically require interior works to customise workplace layouts and operational spaces. According to official statistics by *Malaysian Investment Development Authority (MIDA)*, Malaysia recorded RM378.5bn of approved investments in 2024 across 6,700 projects, with foreign investments accounting for RM170.4bn (45.0%) and domestic investments contributing RM208.1bn (55.0%). The services sector accounted for the largest share at RM252.7bn (66.8%), followed by the manufacturing sector at RM120.5bn (31.8%) and the primary sector at RM5.3bn (1.4%).

Between January and September 2025, approved foreign investments amounted to RM285.0bn across 4,874 projects, with the services sector contributing RM187.9bn (65.9%). As companies establish offices and operational facilities to support these investments, demand for interior design, renovation and office fit-out services is expected to increase. This may support growth opportunities for interior fit-out contractors such as Adnex, particularly within the Klang Valley where a significant portion of corporate office developments and business activities are concentrated.

Figure 5: Malaysia Investment Performance by Manufacturing, Services and Primary

Five Major States	RM (Bil)	Manufacturing RM (Bil)	Services RM (Bil)	Primary RM (Bil)
Selangor	101.1 (2023: RM55.3 Bil)	18.8	82.3	38.7 mil
W.P. Kuala Lumpur	91.5 (2023: RM58.3 Bil)	0.3	91.2	-
Johor	48.5 (2023: RM43.1 Bil)	14.2	34.0	0.2
Kedah	45.8 (2023: RM28.7 Bil)	44.1	1.7	*
Pulau Pinang	32.0 (2023: RM71.9 Bil)	17.3	14.7	*

Note*: Total investment less than RM250 thousand.

Source: Malaysian Investment Development Authority (MIDA)

Figure 6: Malaysia's Top Services Sub-sectors (CY2024)



Source: Malaysian Investment Development Authority (MIDA)

Industry Headwinds. The interior fit-out industry may face challenges arising from rising material costs, which may increase project expenses and place pressure on contractor margins. According to the *Real Estate and Housing Developers' Association (REHDA)*, the average prices of key materials has increased by approximately 10% per year as of 2023, reflecting the impact of inflation, supply chain disruptions. In addition, according to the *Department of Statistics Malaysia (DOSM)*, steel prices averaged approximately RM3,540 per metric tonne in October 2025, highlighting continued volatility in construction input costs. As interior fit-out works require materials such as steel, aluminium, wood products and finishing materials, fluctuations in material prices may increase project costs and potentially affect profitability for contractors such as Adnex, particularly for projects undertaken under fixed-price contracts.

In addition, the construction sector continues to face labour shortages which may affect project execution timelines and operating costs. According to studies on *Malaysia's construction workforce*, approximately 69% of workers in the construction sector comprise foreign labour, highlighting the industry's heavy reliance on migrant workers. This dependence exposes contractors to risks related to labour supply constraints, regulatory policies and rising wage costs. As interior fit-out works involve specialised installation activities such as carpentry, partitioning and mechanical and electrical works, shortages of skilled labour may lead to higher labour costs and potential delays in project completion, which may affect the operational efficiency and cost management of contractors such as Adnex.

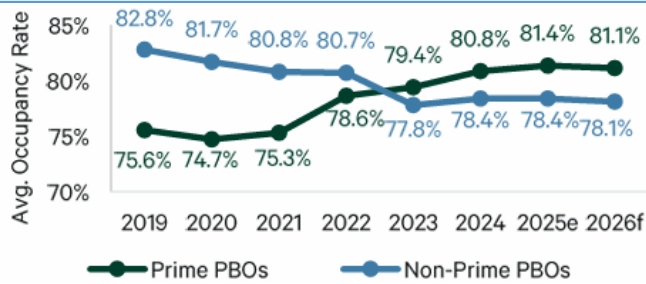
Investment Case

Full-Scope Turnkey Fit-Out Services Provider. Adnex distinguishes itself through as a full-scope turnkey delivery model, transcending traditional contracting to act as a strategic project orchestrator. By integrating upstream design coordination, professional consultancy management, and cost-efficient procurement into a single point of accountability, the Group mitigates the "communication leakage" and technical friction common in fragmented project structures. This end-to-end stewardship allows Adnex to translate abstract corporate concepts into technically viable, compliant workspaces while maintaining a 100% on-time delivery record. For high-tier MNC clients, this

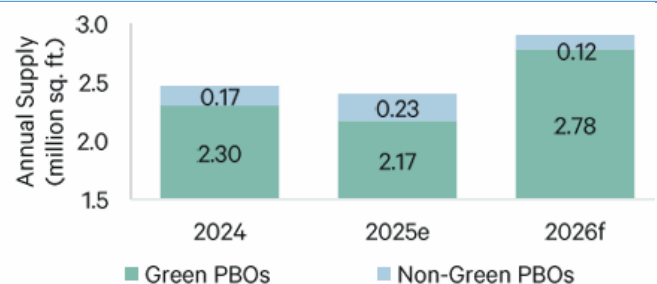
integrated model provides critical de-risking of large-scale capital expenditure. By managing the complex interplay between M&E consultants, architects, and building authorities from the conceptual stage, Adnex secures a competitive advantage that smaller firms cannot replicate. This high-touch approach not only protects project margins through early cost-optimization but also cements the Group's status as a flight-to-quality partner in Malaysia's increasingly sophisticated commercial real estate landscape.

Robust Revenue Visibility via Unbilled Order Book. Adnex approaches its listing with a robust unbilled order book of RM66m (as of the LPD), establishing a resilient earnings floor for FY26. This backlog represents approximately 1.3x of its FY24 revenue, providing high earnings visibility. A key structural advantage is the Group's CIDB G7 certification, which removes the "ceiling" on contract values and allows Adnex to compete for large-scale turnkey headquarters and industrial projects that are typically inaccessible to smaller boutique firms. Furthermore, with a historically strong tender success rate of 50%, underscoring Adnex's deep technical expertise and strong relationship with high-tier MNCs. With a current tendering pipeline of RM130m, this 50% success rate implies a potential revenue pipeline of RM65m in the near term. Coupled with the RM3.0m IPO allocation for performance bonds, Adnex is equipped with the financial strength to convert these bids into signed contracts without straining its working capital.

Flight to Quality in the Malaysian Office Market. Stepping into 2026, the shift towards Grade A and premium purpose-built offices (PBOs) from the aged PBOs continue to strengthen, as more companies are enforcing less remote work post-pandemic. As exhibited in Figure 7, the occupancy rate for prime PBOs in Klang Valley have been on an upward trajectory from 74.7% in 2020 to 80.8% in 2024. In contrast, the occupancy rate for non-prime PBOs have consistently declined from 81.7% in 2020 to 78.4% in 2024. Concurrently, green-certified developments have increasingly become prominent, exceeding 90% of annual supply of new PBOs. To add on, the Government have also introduced a 10% special tax deduction for commercial-to-residential conversion in Budget 2026. On this basis, we anticipate Adnex to benefit from the rising demand for premium and green PBOs, on the back of their capability to carry out sustainable interior fit-out services, with a track record of fulfilling the requirements of the LEED certification.

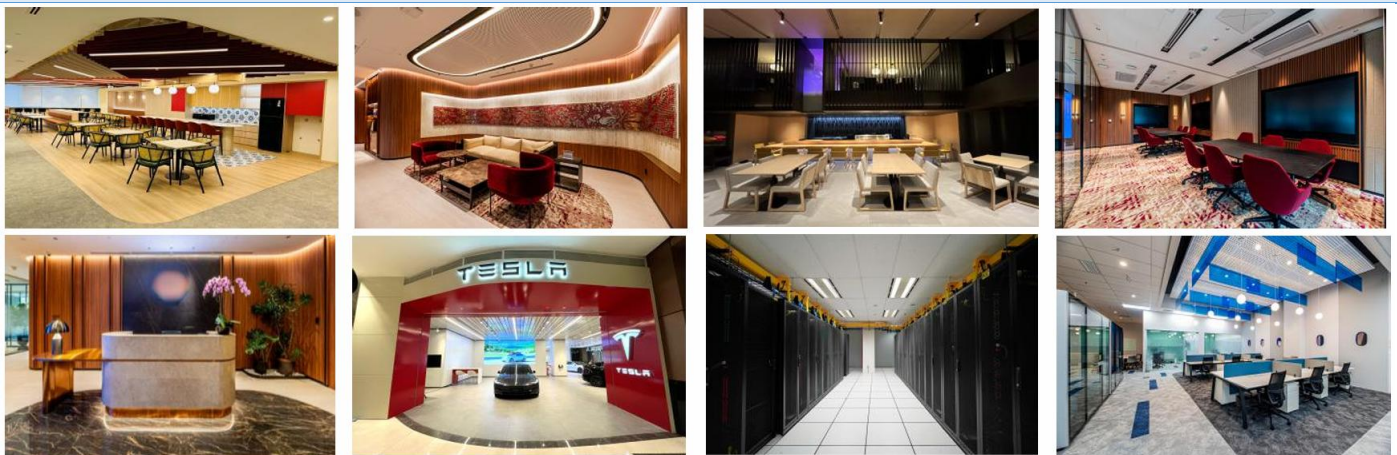
Figure 7: Occupancy Rate for Prime and Non-Prime PBOs


Source: CBRE | WTW Research & Consulting

Figure 8: Annual Supply by Certification Status


Source: CBRE | WTW Research & Consulting

Strategic Diversification into Defensive Growth Sectors. While the Group has historically been reliant on the corporate office cycle, it is successfully diversifying into recession-resistant sectors such as healthcare and private education. Adnex has already completed interior fit-out projects for healthcare premises and has been pre-qualified as a supplier for a major private education provider as of 2025. This pivot allows Adnex to capture CAPEX spending from institutions that are less sensitive to economic downturns, effectively balancing the cyclical risks of its traditional F&B and sales gallery segments.

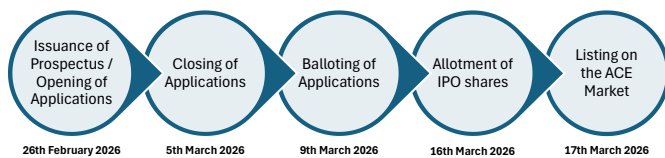
Figure 9: Projects Done by The Group


Source: Company, Mercury Securities

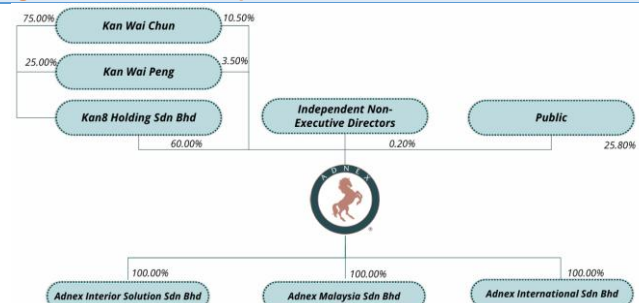
IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
Retail Offering				
Pink Form Allocation	-	15.00	15.00	3.0
Malaysian Public (Non-Bumiputera)	-	12.50	12.50	2.5
Malaysian Public (Bumiputera)	-	12.50	12.50	2.5
Private Placement				
Selected Bumiputera investors approved by MITI	39.50	23.00	62.50	12.5
Selected investors	-	27.50	27.50	5.5
Total	39.50	90.50	130.00	26.0

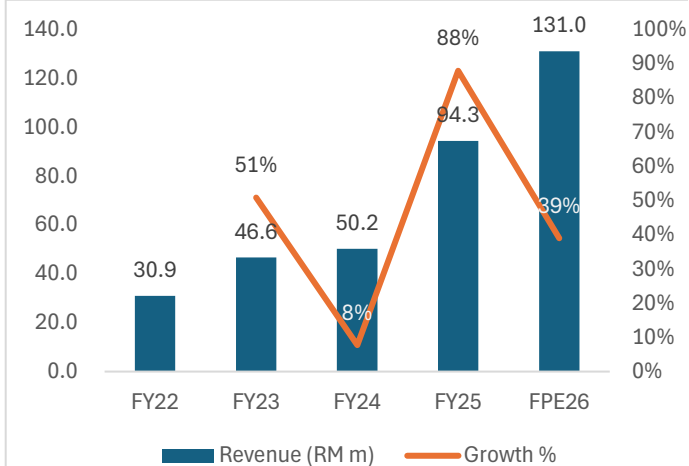
Source: Company, Mercury Securities

Figure 10: IPO Tentative Timeline


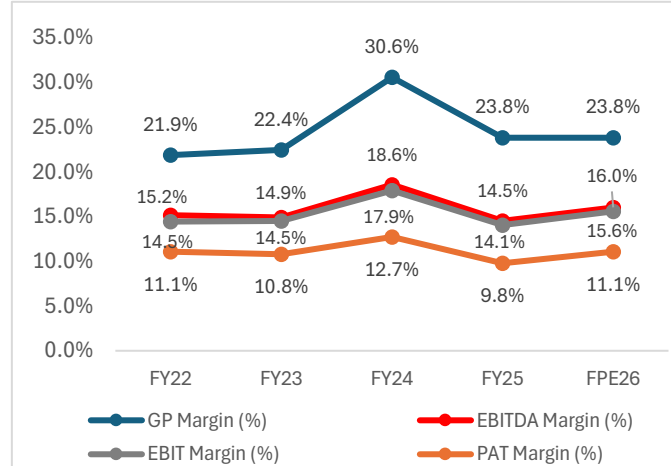
Source: Company, Mercury Securities

Figure 11: Post-IPO Corporate Structure


Source: Company

Financial Highlights
Figure 12: Revenue Trend (RM m) and YoY Growth (%)


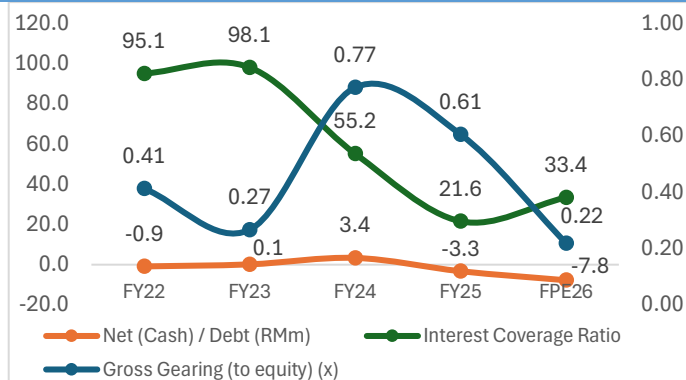
Source: Company, Mercury Securities

Figure 13: Profitability Margins


Source: Company, Mercury Securities

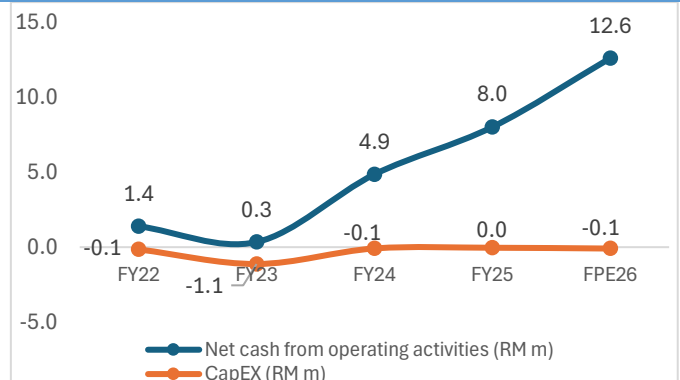
Robust Revenue Growth Driven by New Projects. Between FY22 to FY25, Adnex's topline expanded with a 45% CAGR from RM30.9m to RM94.3m, underpinned by the growing revenue contribution from turnkey fit-out services for corporate offices. (FY22: c.10% vs FY25: c.49%). YoY, the Group's revenue elevated by 88% on the back of new launches of interior fit-out works and turnkey fit-out services projects. On account of the higher revenue base, Adnex's GP and EBITDA rose 47% and 34% respectively. However, GP and EBITDA margins moderated to 24% and 15% in FY25 (FY24: 31% and 19% respectively). Subsequently, PBT and PAT margins softened to 14% and 10% respectively (FY24: 18% and 13% respectively).

Figure 14: Balance Sheet Strength and Leverage Profile



Source: Company, Mercury Securities

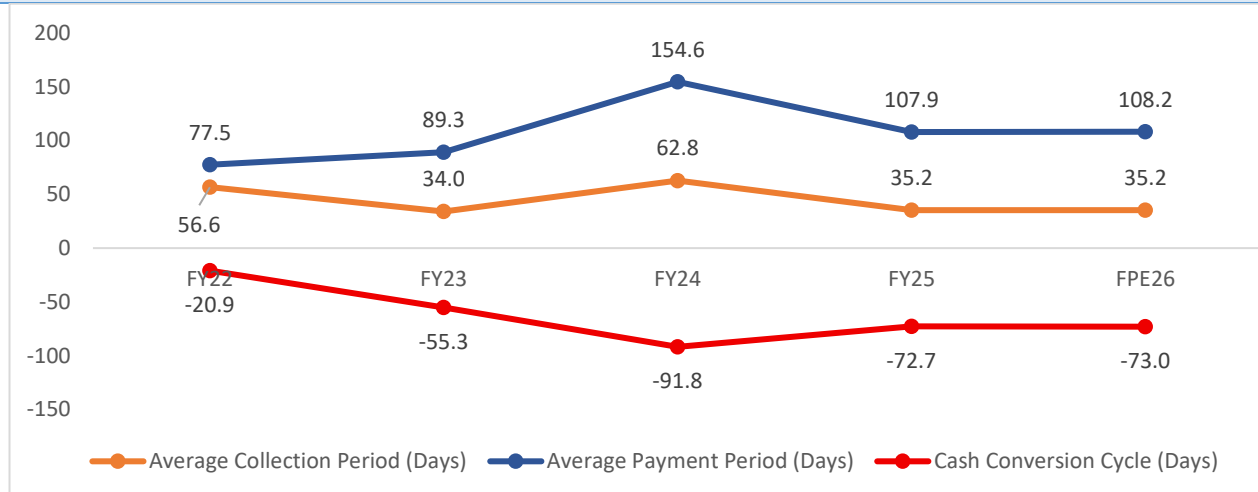
Figure 15: Capex vs. Net Operating Cash Flow



Source: Company, Mercury Securities

Balance Sheet and Cash Flow Strength. Gross gearing fluctuated between FY22 and FY25, reflecting uneven leverage by the Group. However, its gross gearing improved to 0.6x in FY25 vs 0.8x in FY24. The Group turned into net debt position at RM3.3m vs a net cash position of RM3.4m in FY24. Over the financial periods under review, the interest coverage ratio has also declined from 95.1x in FY22 to 21.6x in FY25, reflecting weakened debt servicing capacity. Operationally, the Group's net operating cash flow has been gradually increasing between FY22 and FY25, underscoring the improvement in the Group's cash generation. Meanwhile, CAPEX remain stable between RM0.2m–RM0.4m across FY22 to FY25.

Figure 16: Working Capital Cycle (Days)



Source: Company, Mercury Securities

Asset-light Model and Strong Liquidity. Adnex operates with an asset-light working capital structure, where its average payables period (c.80–160 days) exceeds its average receivables collection period (c.30–65 days), resulting in a structurally negative cash conversion cycle, supported by zero inventory holding days. This dynamic reflects the Group's ability to collect cash from high-tier MNC customers ahead of settlement to its broad subcontractor base—effectively benefiting from supplier credit of more than two months, which also signals counterparties' confidence in Adnex's project execution. In turn, this supplier-funded operating cycle helps finance day-to-day project delivery and supports scalable growth with reduced reliance on external working capital facilities. Liquidity remains healthy, with the current ratio consistently above 1.5x over FY22–FY25, providing a comfortable buffer to meet short-term obligations.

Moving Forward. We anticipate for Adnex to achieve a sustainable growth trajectory over the next 2 years years, driven by its (i) domestic and international expansion, (ii) position as a specialized turnkey fit-out service provider, and (iii) strengthened bidding power from the RM3.0m earmarked for performance bonds. As of February 2026, the Group's combined pipeline remains exceptionally strong. With RM66m in unbilled orders and a massive RM130m tendering orderbook, Adnex possesses a visible earnings floor. Notably, the Group maintains a historical tender success rate of 50%, suggesting a high conversion efficiency that could potentially add RM65m from the current unbilled orderbook alone. We estimate its topline to register a 21% CAGR from FY25 to FY27E while the bottomline is expected to expand with a CAGR of 29%. This reflects our margin expansion assumption for FY26E, driven by lower material costs and prevailing currency environment which is expected to benefit Adnex. Accordingly, we expect moderating ETR at 24% in FY27E (from c.27% due to non-tax-deductible listing expenses, capped at RM1.5m) to improve PAT margin by 2 pts. As there is no formal dividend policy, input in a conservative dividend payout of 30% based on past payouts (c.65–92% payout in between FY23 and FY24), implying an attractive dividend yield of > 4% for FY26E.

FYE Dec (RM m)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	30.9	46.6	50.2	94.3	131.0	137.5
EBITDA	4.7	7.0	9.3	13.7	21.0	21.0
EBIT	4.5	6.8	9.0	13.2	20.4	20.2
PBT	4.5	6.7	8.8	12.7	19.9	20.6
Core Net Profit	3.4	5.0	6.4	9.2	14.5	15.7
Core EPS (sen)	0.84	1.23	1.56	2.25	2.91	3.14
Core EPS Growth (%)	-	47.0%	27.1%	44.3%	29.1%	8.0%
Net DPS (sen)	-	0.8	1.4	-	-	-
Net Div. Yield (%)	-	4.0%	7.2%	0.0%	4.4%	4.7%
BVPS (sen)	1.45	1.88	2.00	5.52	7.71	7.71
PER (Using IPO price)	23.9	16.3	12.8	8.9	6.9	6.4
PBV (x) (Using IPO price)	13.8	10.6	10.0	3.6	2.6	2.6
Net Gearing	(0.1)	0.0	0.4	(1.0)	0.1	Net Cash

Source: Company, Mercury Securities

Valuation

We estimate a Fair Value (FV) of **RM0.250** for Adnex Group Berhad by applying a **target P/E of 8.6x** to its **FY26E EPS of 2.89 sen**. This target multiple represents a **30% discount** to the selected peers' 10-year historical average, reflecting: (i) Adnex's smaller post-IPO market capitalisation, (ii) higher revenue concentration in the corporate office segment relative to peers with broader exposure across both residential and corporate markets, and (iii) the absence of overseas earnings contribution. Our valuation benchmark is anchored to selected listed comparables in the interior fit-out space and the broader consumer discretionary/durables universe, ensuring alignment in business profile and operating characteristics.

Profitability Margin and Return Ratios Comparison

Company	Bloomberg Ticker	Share price (RM)	Mkt Cap (RM'm)	Margin (%)				%		
				GP	EBITDA	PBT	PAT	ROE	ROA	ROIC
Yoong Onn Corp Bhd	YOCB MK	1.58	250.67	50.5	15.0	7.6	7.3	5.7	4.7	4.2
Poh Huat Resources	PHR MK	0.87	230.53	14.4	3.2	4.1	3.2	2.6	2.3	2.6
Homeritz Corp Bhd	HMCB MK	0.4	183.54	n/a	12.6	16.2	12.2	7.6	7.0	n/a
Sorento Capital Bhd	SORENTO MK	0.67	576.2	43.1	23.9	20.1	14.6	25.1	15.5	17.8
Panasonic Manufacturing	PMM MK	7.2	437.37	13.1	3.1	6.3	5.6	5.8	5.0	5.8
Signature International	SIGN MK	1.35	871.42	35.4	18.3	15.4	8.7	19.1	6.7	14.1
Simple Avg.				31.3	12.7	11.6	8.6	11.0	6.9	8.9
Adnex Group Bhd		0.20	100.00*	22.4	13.7	12.7	9.2	51.5	17.6	95.3

*Based on Post Listing (Prospectus)

Source: Bloomberg, Mercury Securities

10-Year Historical P/E Average of Selected Peers (x)

Company	FYE	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yoong Onn Corp Bhd	June	8.3	9.5	9.6	7.4	7.7	7.1	6.5	5.3	5.5	11.2
Poh Huat Resources	Oct	8.1	7.1	7.7	6.8	6.6	8.0	12.0	4.3	13.8	12.5
Homeritz Corp Bhd	Aug	11.7	9.5	9.1	10.0	8.6	8.3	10.4	5.2	8.6	7.9
Sorento Capital Bhd	June	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Panasonic Manufacturing	Mar	14.1	12.3	16.7	16.0	21.7	13.9	16.1	33.5	17.3	11.8
Signature International Bhd	Dec	9.3	4.9	10.3	19.0	44.0	n/a	34.1	24.1	10.6	11.2
Simple Avg.		10.3	8.7	10.7	11.9	17.7	9.3	15.8	14.5	11.1	10.9

Source: Bloomberg, Mercury Securities

SWOT Analysis

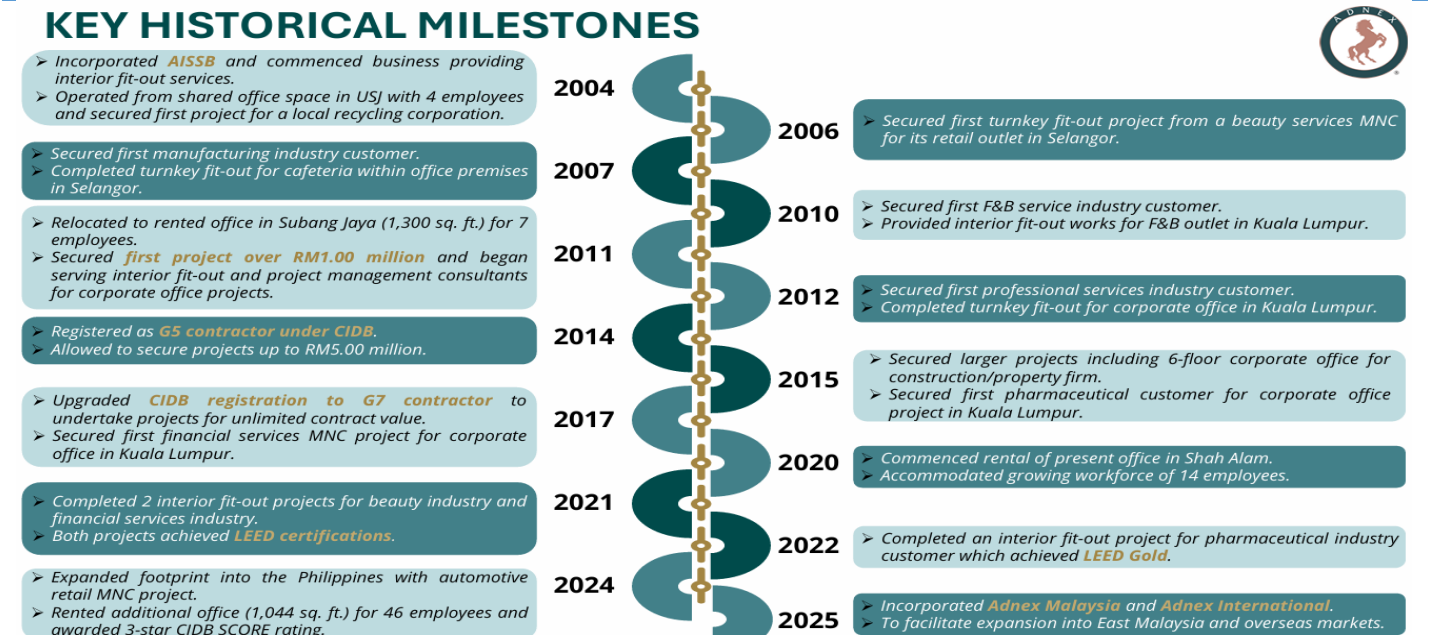
S STRENGTHS	W WEAKNESS
<p>High-Tier MNC Stickiness: 90% of recurring revenue comes from US and European MNCs (e.g., L'Oréal, Tesla). These clients prioritize global safety and ESG compliance over lowest-bid pricing, protecting Adnex's margins.</p> <p>Unlimited Bidding Capacity: Unlike smaller competitors, Adnex holds a G7 license, allowing it to bid for multi-million-ringgit turnkey projects without value limits—a prerequisite for major industrial and HQ contracts.</p> <p>Niche "Live-Site" Safety Record: A 100% on-time, dispute-free record in "live" environments (operating offices) serves as a powerful "performance moat" that newer or smaller entrants struggle to replicate.</p>	<p>Revenue Lumpiness: Earnings are highly dependent on the timing of "Certificate of Practical Completion" (CPC). Any delay in site handover directly stalls quarterly revenue recognition.</p> <p>Subcontractor Dependency: As an asset-light firm, Adnex relies heavily on external subcontractors (c.78% of total costs). This lack of direct labor control can lead to vulnerability if key subcontractors face liquidity issues or labor shortages.</p> <p>Working Capital Intensity: Large-scale turnkey projects require significant upfront outlays for performance bonds and deposits. Without the IPO proceeds, the company's ability to scale multiple large projects simultaneously was financially constrained.</p>
T THREATS	O OPPORTUNITIES
<p>ESG-Driven Retrofitting: The 2026 market shift toward LEED and WELL certifications in Malaysia (a RM2.7bn industry by 2027) favors Adnex's specialized experience in sustainable fit-outs.</p> <p>Sector Pivot (Healthcare/Education): Adnex is diversifying into "recession-resistant" sectors. Being pre-qualified for a major education provider in 2025 reduces dependency on volatile commercial office cycles.</p> <p>Regional Multiplier: Establishing physical hubs in the Philippines and Indonesia allows Adnex to follow its existing MNC clients as they expand across Southeast Asia.</p>	<p>Regional Regulatory "Learning Curve": Entering Jakarta and Manila requires navigating complex local labor laws and permit systems which could lead to initial operational friction or cost overruns.</p> <p>Intense Labor Competition: As Malaysia's construction sector booms in 2026, competition for high-quality M&E and carpentry subcontractors could drive up project costs suddenly.</p> <p>Economic Volatility & Forex: Fluctuations in the Ringgit impact the cost of imported high-end finishing materials, which are often priced in USD by suppliers.</p>

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Company Background




Adnex Group Berhad (“Adnex” or “the Company” or “the Group”) is an investment holding company that, through its subsidiaries, operates as a specialized interior fit-out services provider for commercial and industrial properties, including corporate offices, F&B outlets, and sales galleries. With a portfolio serving both local corporations and multinational corporations (MNCs) across sectors such as financial services, pharmaceuticals, and manufacturing, the Group offers two primary service models: **interior fit-out works**, where they execute pre-approved designs with rigorous on-site supervision, and **turnkey fit-out services**, where they manage the entire lifecycle from conceptual design and professional engagement to project handover. Currently anchored by a robust RM66m unbilled order book, the Group is strategically pivoting toward regional expansion in East Malaysia, Singapore, and the Philippines, while simultaneously investing in digital infrastructure to capture a larger share of Malaysia’s projected RM2.7bn interior fit-out market by 2027.

Figure 16: Key Milestones



Source: Company

Figure 17: Business Model

Principal Activities	Type of Property	Customer base	Geographical market ^(d)
Provision of interior fit-out services  Interior fit-out works  Turnkey fit-out services	Commercial <ul style="list-style-type: none"> • Corporate offices^(a) • F&B outlets • Sales galleries • Others^(b) Industrial <ul style="list-style-type: none"> • Corporate offices^(c) 	<ul style="list-style-type: none"> • Property owners and tenants • Interior fit-out consultants and project management consultants 	Principal <ul style="list-style-type: none"> • Malaysia  Others <ul style="list-style-type: none"> • The Philippines^(e) • Others^(f)

Notes:-

(a) Include retail banking halls and other areas within the vicinity of the corporate offices such as technical support room and laboratory.

(b) Include co-working spaces, beauty salons, healthcare premises and hotel.

(c) Include other areas within the vicinity of the corporate offices such as laboratory as well as maintenance and repair area.

(d) During the FYE 2022, FYE 2023, FYE 2024 and FPE 2025, approximately 99.82%, 99.76%, 99.32% and 100.00% of our Group’s revenue for the respective FYE/FPE were generated from projects undertaken in Malaysia. Meanwhile, we have also provided interior fit-out services for overseas markets, namely the Philippines, Australia, Indonesia, New Zealand and Singapore, contributing 0.18%, 0.24%, 0.68% and less than 0.01% of our Group’s revenue in the FYE 2022, FYE 2023, FYE 2024 and FPE 2025, respectively.

(e) For information purposes, our Group has provided interior fit-out works for a customer in the Philippines, where we had sourced licensed subcontractors in the Philippines to carry out the interior fit-out works and we were mainly involved in the overall management of the interior fit-out works project.

(f) Include Australia, Indonesia, New Zealand and Singapore where we were mainly involved in the preparation of drawings based on designs provided by customers.

Source: Company

Figure 18: Key Management Team

Name and Designation	Age	Profile
Kan Wai Chun , Executive Director, Managing Director	47	Appointed as the Non-Independent Executive Director and Managing Director on May 13, 2025, Mr. Kan Wai Chun is the primary founder and strategic lead of the Group. He brings approximately 25 years of relevant industry experience in interior fit-out services, having co-founded the principal subsidiary, Adnex Interior Solution Sdn Bhd, in 2004. In his current role, he is responsible for setting the Group's overall strategic direction, driving business expansion into new sectors like healthcare and education, and overseeing the Group's regional growth initiatives in the Philippines and Indonesia.
Wong Hung Yeng , Chief Operations Officer	39	Appointed on August 1, 2024, Ms. Wong Hung Yeng holds a Bachelor of Science (Honours) in Quantity Surveying and has over 15 years of experience in project and commercial management. She is responsible for the Group's overall operational execution, ensuring that all turnkey and interior fit-out projects are delivered with precision and on schedule. Her role is central to coordinating on-site activities and managing the subcontractor network to maintain the Group's high standards of quality and efficiency.
Soam Min Lin , Chief Financial Officer	34	Appointed on July 1, 2024, Ms. Soam Min Lin oversees the Group's financial health, corporate governance, and reporting requirements. She is a member of the Malaysian Institute of Accountants (MIA) and brings over 18 years of professional experience in finance and accounting. Her role involves managing the Group's capital structure, overseeing the utilization of IPO proceeds, and providing strategic financial analysis to support the Group's domestic and international expansion plans.
Chan Mei Wan , Head of Commercial	45	Appointed on September 1, 2024, Ms. Chan Mei Wan serves as the Head of Commercial, where she is responsible for the Group's tendering processes, cost management, and commercial negotiations. With a strong background in quantity surveying and commercial strategy, she leads the team in preparing project budgets and ensuring cost efficiency throughout the project lifecycle. Her role is vital in securing new contracts and managing the commercial risks associated with serving a high-profile multinational (MNC) client base.

Source: Company, Mercury Securities

Major Customers

Customer	Service Provided	Length of Relationship as at FPE25 (Years)	Revenue (RM '000)	% of Group's Total Revenue
OCBC E2 Power Sdn Bhd (formerly known as E2 Power Sdn Bhd)	Interior fit-out works for a corporate office located at Jalan Ampang and Jalan Melaka, Kuala Lumpur	1	17,537	26.13
Richfield Builder (M) SdnBhd	Interior fit-out works for corporate office located in Bukit Damansara, Kuala Lumpur	<1	13,339	19.87
Customer E	Interior fit-out works and turnkey fit-out services for corporate offices located in Selangor and Johor	8	7,335	10.93
Customer C Group*	Interior fit-out works and turnkey fit-out services for corporate office located in Taman Tun Dr Ismail, Kuala Lumpur	7	5,894	8.78
Customer A	Interior fit-out works and turnkey fit-out services for corporate offices located in Putrajaya, Kuala Lumpur and Selangor	14	3,367	5.02
		Subtotal	47,472	70.73
		Group's Total Revenue	67,121	100.00

*Customer C Group comprises 2 private limited companies and 1 limited liability partnership.

Source: Company, Mercury Securities

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Future Plans and Business Strategies

Expansion of Local Operations and Workforce. Adnex intends to aggressively broaden its market presence in Malaysia by diversifying its customer base into high-growth sectors such as healthcare, private education, and industrial premises. To facilitate this expansion, the Group will upgrade its central operations in Shah Alam by renting a new 3,000 to 4,000 sq. ft. office unit and recruiting 11 additional personnel across the project, commercial, finance, and business development departments. Simultaneously, the Group plans to establish new branch offices in Penang, Johor, and Sabah via co-working spaces to better serve regional demand and strengthen localized project management. This domestic scaling strategy, backed by an allocation of RM4.8m from the IPO proceeds, is expected to increase total workstation capacity from 34 to 54 and is slated for completion between the second quarter of 2026 and the first quarter of 2027.

Digital Infrastructure and Operational Efficiency Upgrades. The Group plans to invest RM0.8m to modernize its digital infrastructure, a move designed to enhance internal collaboration and support its expanding workforce. Key investments include the integration of advanced audio-visual equipment, such as digital screens and room scheduling systems, to facilitate more effective real-time collaboration on design concepts and project management. Furthermore, Adnex will scale its software capabilities by increasing designer licenses and hardware units to meet the requirements of larger-scale projects, while transitioning to expanded cloud storage solutions for the secure management of extensive technical documentation and contracts. These technological upgrades aim to streamline project delivery and maintain the Group's competitive edge as it scales its operations.

International Market Expansion in Southeast Asia. Building on its successful track record of overseas project completions, Adnex aims to establish a permanent physical presence in the Philippines and Indonesia to support existing customers expanding regionally. The Group has identified Manila and Jakarta as strategic base locations and intends to incorporate local subsidiaries and rent co-working spaces in both cities by early 2027. To ensure effective market navigation, Adnex will recruit dedicated business development and project personnel for each region to manage localized project engagement and service delivery. This international expansion, funded by an allocation of approximately RM1.6m for rental and payroll expenses, is a key step in positioning Adnex as a prominent regional player in the Southeast Asian interior fit-out industry.

Key Risks

Slowdown in Corporate CAPEX and Commercial Property Markets. Unlike residential developers who depend on individual home buyers, Adnex is sensitive to the commercial and industrial property cycles. A downturn in office demand, driven by economic shifts or a rise in hybrid work could lead corporations to delay or downsize their office relocations and fit-out plans. This would directly impact Adnex's ability to secure new high-value contracts in the corporate office and sales gallery segments.

Exposure to Regional Regulatory and Operational Risks. Adnex's planned expansion into the Philippines and Indonesia introduces significant regional operational risks. These include navigating unfamiliar foreign labor laws and local authority permit requirements for fit-out works. Failure to effectively manage these local nuances could lead to cost overruns in their international ventures.

Foreign Exchange Fluctuations. As Adnex expands its footprint into Indonesia and the Philippines, the Group will face currency translation risk as revenue and expenses from these subsidiaries will be denominated in IDR and PHP. Furthermore, while Adnex primarily operates in Malaysia, any spike in the USD could lead to imported inflation for specialized fit-out materials or high-end furniture sourced globally by their subcontractors, potentially squeezing project margins if these costs cannot be passed on to clients.

Project Execution and Recognition Delays. Adnex's revenue is recognized based on project milestones. Since a large portion of their work involves "live" environments and coordinating with third-party consultants (M&E, architects), any delays in site access or approvals can stall earnings recognition. Furthermore, because Adnex relies heavily on subcontractors for manual labor and MEP works, any shortage of skilled labor or subcontractor performance issues could lead to project liquidated ascertained damages (LAD).

Concentration Risk of Multinational Clientele. While serving MNCs provides higher quality and reliability, it also creates a dependency on global corporate policies. If Adnex's major MNC clients decide to consolidate their regional footprint or reduce their Malaysian presence due to global economic tightening, Adnex could face a sudden contraction in its recurring project pipeline, as 90% of its business typically stems from this segment.

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Sustainability Review

Environmental (E)

1. Energy Management

- The Group has implemented motion sensor lighting in its workplace to enhance energy efficiency and reduce electricity consumption.
- The Group encourages employees to switch off lights and electronic devices when not in use, particularly during lunch breaks and after working hours to minimise energy usage.

2. Environmental Certification and Assessment

- The Group has obtained ISO 14001:2015 certification for its environmental management system, demonstrating its commitment to managing environmental impacts through efficient resource utilisation and waste reduction.
- The Group conducts environmental impact assessments to ensure that its operational activities are carried out in an environmentally responsible manner.

3. Waste Management

- The Group has implemented waste segregation practices at its operational sites, including the use of roll-on roll-off bins and recycling bins for materials such as plastic, metal, paper and carton boxes.
- The Group has engaged licensed waste management companies to collect and treat operational waste in compliance with applicable environmental regulations.

4. Green Building Practices

- The Group has been involved in projects that obtained LEED certification, reflecting its participation in environmentally sustainable building developments.
- The Group has completed four LEED-certified projects during the financial years under review and up to the latest practicable date.

5. Paperless Initiatives

- The Group has adopted digital solutions across its business processes, including document storage, communication and marketing, to reduce paper consumption.
- The Group promotes a paperless working environment to minimize waste and support environmental sustainability.

Social (S)

1. Occupational Safety and Health (OSH)

- The Group has obtained ISO 45001:2018 Occupational Health and Safety (OHS) Management System certification, demonstrating its commitment to maintaining a safe and healthy working environment.
- The Group has established a Safety and Health Committee (SHC) to oversee the implementation and monitoring of occupational health and safety practices in accordance with OSHA requirements.
- The Group has implemented an OHS compliance monitoring checklist to ensure adherence to relevant safety and health regulations.
- The Group conducts regular safety inspections at project sites and workplaces to identify and mitigate potential hazards.
- The Group provides safety training to employees, including induction programmes, first aid briefings and weekly toolbox meetings before work commences at project sites.
- The Group provides personal protective equipment to its workforce to enhance workplace safety.
- The Group conducts hazard identification, risk assessment and risk control evaluations at project sites to proactively manage workplace safety risks.

2. Equal Opportunities and Employment Diversity

- The Group has adopted an equal opportunity hiring policy to promote diversity and ensure fair employment practices across the organisation.
- The Group fosters a respectful and inclusive workplace regardless of gender, age, ethnicity, religion or marital status.
- As at the latest practicable date, the Group has a total workforce of 62 employees, of which more than 30% are female, reflecting its commitment to workforce diversity.

3. Employee Well-being and Social Engagement

- The Group promotes work-life balance by fostering a supportive work environment and encouraging employee well-being initiatives.
- The Group organizes festive celebrations and employee engagement activities, including Christmas, Chinese New Year, Hari Raya and Deepavali events.
- The Group participates in corporate social responsibility initiatives, including providing donations to non-profit organisations.

4. Sustainable Supply Chain Management

- The Group supports local suppliers to strengthen community relationships and promote sustainable economic development.
- The Group conducts supplier due diligence to ensure materials are sourced from qualified vendors that comply with customer requirements and quality standards.

Governance (G)

1. Corporate Governance Framework

- The Group has progressively adopted the principles and practices under the Malaysian Code on Corporate Governance (MCCG) to strengthen governance practices and safeguard stakeholders' interests.
- The Group has 4 out of 6 Board members serving as Independent Directors, representing a majority of the Board.
- The Group has 2 women directors, representing approximately 33% of the Board composition.
- The Group has established an Audit and Risk Management Committee (ARMC) comprising solely independent directors to enhance oversight and accountability.
- The Group has appointed an Independent Non-Executive Chairman who is not a member of any Board committees to ensure effective board independence.

2. Code of Ethics and Business Conduct

- The Group has implemented a Code of Ethics and Conduct outlining internal control policies and procedures, including managing conflicts of interest, anti-money laundering practices, prevention of bribery and corruption, and insider trading.

3. Anti-Bribery and Anti-Corruption

- The Group has adopted an Anti-Bribery and Corruption Policy to ensure compliance with applicable anti-corruption laws and regulations, including the Malaysian Anti-Corruption Commission Act 2009

4. Whistleblowing Policy

- The Group has implemented a Whistleblowing Policy that provides secure channels for stakeholders, including employees, customers and suppliers, to report suspected misconduct, fraud or unethical practices.

5. Data Protection and Privacy

- The Group has implemented a Personal Data Protection Policy to guide the processing of personal data in compliance with the Personal Data Protection Act 2010

6. Enterprise Risk Management

- The Group has established an Enterprise Risk Management (ERM) framework aligned with ISO 31000:2018, outlining risk governance structures, risk assessment processes and risk monitoring practices across the organisation.

7. Board Diversity

- The Group has adopted a Gender Diversity Policy to promote diversity at the Board and senior management levels.

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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

MCCG Governance Application	Not fully adopted
Independent Directors	4 out of 6 (67% of the Board)
Women Directors	2 out of 6 (33% of the Board)
Compliance with 30% women target	Achieved

Source: Company, Mercury Securities

Overall ESG Outlook. Adnex has established ESG-related practices focusing on environmental management, employee well-being and sound corporate governance. On the environmental front, the Group promotes energy efficiency through motion sensor lighting, paperless initiatives and responsible waste management practices, while also participating in projects with green building certifications such as LEED. From a social perspective, the Group emphasizes workplace safety through its ISO 45001:2018 Occupational Health and Safety Management System and promotes diversity and employee engagement initiatives. In terms of governance, Adnex has adopted key policies including a Code of Ethics and Conduct, Anti-Bribery and Corruption Policy, Whistleblowing Policy and Enterprise Risk Management framework, alongside a Board with majority independent directors and female representation. These initiatives reflect the Group's commitment to maintaining responsible business practices while supporting its long-term operational sustainability.

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