SumiSaujana Group Bhd

Business Momentum Holds as Geopolitical Risks Contained

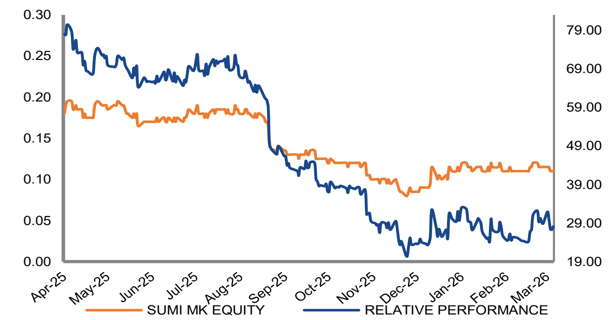
Company Update
BUY (↑)
research@mersec.com.my
Monday, March 16, 2026
Price: RM 0.110
Target Price: RM 0.132 (↑)

Despite geopolitical noise, the Group is executing a high-conviction pivot via the Pengerang contract mobilization, a North American toll-manufacturing JV, and a 2QFY26 entry into high-margin bio-based chemicals. This strategic scaling, supported by the new Puncak Alam complex and a group-wide cost-rationalization exercise, is designed to optimize operational efficiency and drive significant long-term margin expansion. We raise our FY26E earnings by 21% while lowering FY27E earnings by 35%. Subsequently, we raise TP by 20% to RM0.132, based on a revised FY26E EPS of 0.77 sen ascribed to a 17.2x (previously 17.5x) PE multiple. Upgrade to BUY.

We attended SumiSaujana's recent post-results company update and the key operational insights and outlook takeaways are summarized below:

1. **FY25 results recap.** SUMI's revenue rose c.16% YoY to c.RM184m from strong production output mitigated by the stronger Ringgit. However, gross profit margin narrowed by 4 ppts due to an unfavourable product mix and lower selling price. Consequently, PBT declined 62% to c.RM13m from c.RM21m in FY24, mainly dragged by one-off listing expenses and net forex losses of RM1.4m and RM3.6m, respectively. Management also highlighted that about 60% of the Group's earnings are USD-denominated.
2. **Utilisation and operating trends.** SUMI operated at c.40% utilisation of its total production capacity of 32,500 tonnes, across five reactors and three hybrid reactor tanks. The manufacturing segment accounted for 60%–70% of group revenue, with the balance contributed by trading and support services. We estimate output volume grew by c.17%; however, this did not translate into stronger topline growth due to the appreciation of the Ringgit and lower average selling prices, as management pursued market share expansion.
3. **Resilience amid Middle East Conflict.** Despite the ongoing Middle East conflict, management assured business runs as usual, as we estimate c.80% of Group revenue is encapsulated within the Asia Pacific and American regions. While shipping disruptions have caused localized logistical delays, Middle East order flow remains intact; management views these as timing-based bottlenecks rather than a loss of demand. Sustained supply commitments from core customers in Kuwait and Oman support a clear revenue catch-up narrative once logistical channels normalize.
4. **Progress Updates.** Management is aggressively executing its capacity expansion, with several key facilities and projects nearing full operational status:
   a) **Puncak Alam Integrated Complex:** The newly acquired warehouse facility (>100,000 sq. ft.) successfully commenced utilization in 3QFY25. Full renovation of the corporate office and warehouse are on track for completion and occupancy by early-April 2026.
   b) **Pengerang Mobilization:** Operations for the 3-year specialized supply contract with Pengerang Refining Company Sdn Bhd (PRCSB) are scheduled to commence in April–May 2026. This contract involves the supply of Di-tert-butyl Polysulfide (TBPS) and Ethyl Mercaptan (EM), along with technical in-situ sulfiding services.

Share Price Performance



Business Overview

SUMI Group Bhd 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. Listed in the ACE Market under Oil & Gas.

Return Information	
KLCI (pts)	1,698.85
YTD KLCI chg.	1.1%
YTD Stock Price chg.	(4.3%)

Price Performance	1M	3M	12M
Absolute (%)	0.0%	22.2%	n/a
Relative to KLCI (%)	2.3%	18.5%	n/a

Stock Information	
Market Cap (RM m)	158.8
Issued Shares (m)	1,443.6
52-week High (RM)	0.21
52-week Low (RM)	0.08
Est. Free Float (%)	31.2
Beta vs FBM KLCI	N.A
3-month Avg Vol. (m)	1,742,252
Shariah Compliant	Yes
Bloomberg Ticker	SUMI MK EQUITY

Top 3 Shareholders	%
Atreon Holdings Bhd	65.0
Norazlam bin Norbi	1.7
Toh Chee Seng	1.7

FY Mar (RM m)	FY25A	FY26E	FY27E
Revenue	183.6	181.9	189.2
EBITDA	17.2	24.0	25.3
PBT	11.7	14.0	14.0
Net Profit	12.8	15.6	15.3
Core Net Profit	**8.3**	**11.1**	**11.7**
Consensus Net Profit	**8.3**	**11.1**	**11.7**
Earnings Revision (%)		*12.2*	*29.0*
Core EPS (sen)		*21.8%*	*-34.5%*
Core EPS Growth (%)	*0.58*	*0.77*	*0.81*
Net DPS (sen)	-	0.23	0.24
Net Div. Yield (%)	-	2.09	2.20
BV Per Share (sen)	11.66	12.20	12.76
P/E (x)	19.0	14.3	13.6
PBV (x)	0.9	0.9	0.9
ROE (%)	5%	6%	6%

c) **China Bio-Polyol MOU:** Under the strategic partnership with CoolisT Group, the supply of specialty additives and the commercialization of renewable vegetable oil-based bio-polyols are targeted to begin in Q2 2026.

d) **Indonesia WSA Project**: SUMI is transitioning into a Technology Partner for the Wet Gas Sulphuric Acid (WSA) facility project in collaboration with PT Kilang Pertamina Internasional, Topsoe A/S, and SPCI HELM. The next phase, under a Build-Own-Operate-Transfer (BOOT) model, is expected to kick off in Q2 2026.

e) **North America Expansion:** The Group is advancing its toll-manufacturing strategy in the U.S. market, leveraging its recently granted USPTO patents for sand agglomeration chemicals to localize production and mitigate shipping overheads by 1HFY26.

Earnings estimates revised. Raise our FY26E earnings by 21%. This reflects i) the absence of one-off listing expenses, ii) lower forex volatility, as management guided for a stable USD/MYR outlook, iii) a higher effective tax rate assumption of 29% (from 24% previously), in line with management guidance, and iv) a 2 ppts increase in our output growth assumption to 3%, as we expect stronger contributions from the Asia-Pacific and American markets. These positives are partly offset by lower selling prices and the normalisation of the Ringgit, which together reduce topline by c.15%.

For FY27E, we cut earnings by 35%, mainly due to lower assumed selling prices and a normalised Ringgit, although this is partly cushioned by unchanged output growth of 4%.

We maintained our 30% dividend payout assumption for FY26E–FY27E, supported by the absence of post-listing expenses and a more stable MYR/USD environment.

Valuation. Based on our revised FY26E EPS of 0.77 sen (previously 0.63 sen) and a lower target PER of 17.2x (from 17.5x), which implies a 50% discount to the its peers 10-year global average, we derive a new TP of RM0.132 (previously RM0.110). Undemanding valuations (as FY26E P/BV < 1.0x), we upgrade the stock to **BUY**.

Outlook. Despite evolving U.S. trade policies and geopolitical volatility in the Middle East, management maintains an optimistic outlook for FY26, supported by resilient global drilling activity and the full recognition of one-off listing expenses in FY25. The Group is aggressively executing its next growth phase by scaling North American toll-manufacturing operations and pursuing strategic collaborations to deepen its Middle East footprint, while simultaneously diversifying into bio-based industrial chemicals via its MPOB-licensed and CoolisT partnerships slated for 2Q26. These initiatives are being complemented by an internal cost-rationalization exercise and the centralization of operations at the new Puncak Alam facility, which are expected to optimize the Group's cost structure and drive long-term margin expansion.

Investment case. We maintain a positive long-term outlook on SUMI, underpinned by its defensible market position and strategic diversification. The Group's core strength lies in its robust institutional ties, with its top four global O&G clients—led by Petronas—accounting for 78% of revenue (c.80% revenue comes from Asia-Pacific/Americas). Beyond its legacy portfolio, SUMI is pivoting toward high-growth industrial applications, specifically bio-based lubricants and transformer oils. This expansion is supported by a dual-track strategy: (i) geographical scaling, with new production facilities in North America and the Middle East slated for execution by 1HFY26, and (ii) innovation-led growth via its MPOB partnership, leveraging palm-based polyols to capture the accelerating demand for sustainable biochemicals.

Risks to our recommendation include: (i) Dependence on key customers, (ii) Foreign currency exposure, (iii) Raw materials input cost fluctuation.

Key Financial Data

Income Statement

FY Dec (RM m)	2024A	2025A	2026E	2027E	2028E
Revenue	158.6	183.6	181.9	189.2	196.8
EBITDA	26.3	17.2	24.0	25.3	26.6
Depreciation & Amortz	(5.4)	(5.4)	(10.0)	(11.2)	(10.4)
Operating Profit	20.9	11.7	14.0	14.0	16.3
Interest Inc/(Exp)	(0.4)	1.0	1.6	1.3	1.8
Profit Before Tax	20.5	12.8	15.6	15.3	18.1
Taxation	(3.4)	(4.4)	(4.5)	(3.7)	(4.4)
Net Profit	17.1	8.3	11.1	11.7	13.8
PATAMI	**17.1**	**8.3**	**11.1**	**11.7**	**13.8**

Balance Sheet

	2024A	2025A	2026E	2027E	2028E
Fixed Assets	34.3	56.3	96.1	92.9	90.6
Intangible Assets	0.0	0.2	0.2	0.2	0.2
ROU Assets	2.1	10.3	10.3	10.3	10.3
Other Fixed Assets	0.0	0.1	0.1	0.1	0.1
Inventories	25.5	25.8	25.4	26.5	27.5
Receivables	36.2	65.7	65.0	67.6	70.3
Other Current Assets	37.5	100.1	65.2	75.8	86.2
Cash	31.3	95.3	60.4	71.0	81.4
Total Assets	**133.5**	**247.8**	**248.7**	**257.5**	**267.6**
Payables	18.9	39.7	37.8	39.4	40.9
ST Borrowings	12.7	22.2	21.2	22.0	22.9
Other ST Liability	65.5	88.1	42.3	39.7	42.8
LT Borrowings	9.7	9.5	6.3	3.2	0.0
Other LT Liability	5.9	5.4	5.4	5.4	5.4
Net Assets	**17.1**	**168.3**	**176.1**	**184.2**	**193.9**
Shareholders' Equity	17.1	168.3	176.1	184.2	193.9
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**17.1**	**168.3**	**176.1**	**184.2**	**193.9**

Cashflow Statement

FY Mar (RM m)	2024A	2025A	2026E	2027E	2028E
Operating CF	32.2	11.2	20.3	20.8	22.0
Investing CF	(6.7)	(28.6)	(43.8)	(3.5)	(4.2)
Financing CF	(21.0)	79.9	(6.5)	(6.7)	(7.3)
Change In Cash	4.5	62.5	(30.0)	10.6	10.4
Free CF	**25.9**	**(15.1)**	**(23.5)**	**17.3**	**17.8**

Financial Data & Ratios

FY Dec	2024A	2025A	2026E	2027E	2028E
Growth					
Turnover	-20.2%	15.8%	-0.9%	4.0%	4.0%
EBITDA	-44.2%	-34.8%	39.9%	5.2%	5.5%
Operating Profit	-50.8%	-43.8%	19.3%	0.2%	16.1%
PBT	-50.3%	-37.8%	22.1%	-1.8%	18.3%
Core Net Profit	-44.0%	-51.3%	32.9%	5.1%	18.3%
Profitability					
Gross Profit Margin	33.5%	29.2%	30.0%	30.0%	30.0%
EBITDA Margin	16.6%	9.3%	13.2%	13.3%	13.5%
Operating Margin	13.2%	6.4%	7.7%	7.4%	8.3%
PBT Margin	13.0%	7.0%	8.6%	8.1%	9.2%
Core Net Margin	10.8%	4.5%	6.1%	6.2%	7.0%
Effective Tax Rate	16.6%	34.8%	29.0%	24.0%	24.0%
ROA	100.2%	5.0%	6.3%	6.3%	7.1%
ROE	12.8%	3.4%	4.5%	4.5%	5.1%
Leverage					
Debt/Asset (x)	0.2	0.1	0.1	0.1	0.1
Debt/Equity (x)	1.3	0.2	0.2	0.1	0.1
Net (Cash)/Debt	(8.9)	(63.6)	(32.9)	(45.9)	(58.6)
Net Debt/Equity (x)	(0.5)	(0.4)	(0.2)	(0.2)	(0.3)
Valuations					
Core EPS (sen)	1.2	0.6	0.8	0.8	1.0
NDPS (sen)	0.0	0.0	0.2	0.2	0.3
BV/sh (RM)	0.01	0.12	0.12	0.13	0.13
PER (x)	9.3	19.0	14.3	13.6	11.5
Div. Yield (%)	0.0	0.0	2.1	2.2	2.6
PBV (x)	9.3	0.9	0.9	0.9	0.8

Source: Mercury Securities, Company

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