



# Sumisaujana Group Bhd

## Cost Optimization Cushions Margin Pressure

Results Note

BUY (↔)

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Price: RM 0.095

Target Price: RM 0.138 (↑)

Sumisaujana Group Bhd (Sumi) 1QFY26 results met expectations. YoY, topline was driven by higher contributions from Malaysia, USA and Oman, with PBT supported by cost optimization initiatives. We maintain our FY26E/FY27E earnings estimates. We reiterate our BUY call, deriving a new TP of RM0.138 (previously RM0.132) as we rollover our valuation to FY27E, ascribing EPS of 0.8 sen to an unchanged 17.5 P/E multiple.

1QFY26 results broadly in line with expectations, with core earnings coming in at 23%/15% of ours/market full year estimates. An interim single tier DPS of 0.20 sen was declared, in line with its dividend policy of 30%.

YoY, topline surged 12% on the back of higher contributions from Malaysia (+200%), USA (+78%) and Oman (+100%), offsetting lower contributions from Thailand (-15%) and Indonesia (-33%). However, GP trimmed by 4% due to competitive pricing and higher cost of sales (+18%) as margin depleted to 26% from 30% (vs our assumption at 28%). On a brighter note, PBT rose 6% stemming from cost optimization as OPEX dropped 11%. OPEX margin improved to 19% from 24% (vs our assumption at 16%) as PBT margin remained stable at 9% (vs our assumption at 9%). Nevertheless, PATAMI contracted by 8%, dragged by a significantly higher ETR of 30% from 19% (vs our assumptions at 29%) due to certain expenses being non-deductible and deferred tax provision. Correspondingly, PATAMI margin was marginally lower at 6% from 7%, in line with our assumptions at 6%.

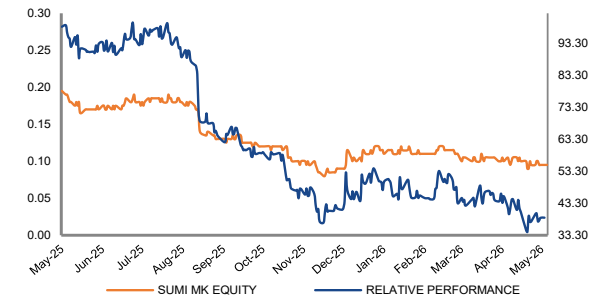
QoQ, topline fell 36%, mainly attributable to absence of contribution from a major contract in Malaysia. Recall that the major contract was completed in the preceding quarter, contributing RM28.3m. Subsequently, GP dropped by 30% despite lower cost of sales (-37%), with margin improving by 1 ppts. Despite lower OPEX (-21%), higher OPEX margin (19% vs 16%) weighed down PBT by 46%, with PBT margin lower by 2.3 ppts. PATAMI also contracted by 35% corresponding to the lower revenue, as margin dropped by 0.6 ppts despite a notably lower ETR (30% vs 40% in 4QFY25).

Post results, we maintain both FY26E/FY27E earnings estimates as results were in line with our expectations. Recall that previously we raised our FY26E earnings by 21%, accounting for i) the absence of one-off listing expenses, ii) lower forex volatility, on the back of 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 expected stronger contributions from the Asia-Pacific and American markets.

Valuation. We take the opportunity to roll over our valuation base to FY27E earnings estimates, deriving a new TP of RM0.138 (previously RM0.132) based on unchanged 17.5 P/E multiple which implies a 50% discount to global peers. As valuations still appear undemanding (FY26E/FY27E P/BV < 1.0x), we reiterate our BUY call.

Outlook. Despite macro headwinds from shifting U.S. trade policies, Middle East geopolitical friction, and volatile energy prices, management remains cautiously optimistic, anchored by resilient global drilling activities and steady demand across core regions. Elevated input costs are actively mitigated through progressive ASP adjustments, strategic procurement, and cost-rationalization. Geographically, expansion remains on track as the group scales its North American toll-manufacturing operations and strengthens its

### 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)	1,712.67
YTD KLCI chg.	1.9%
YTD Stock Price chg.	-17.4%

Price Performance	1M	3M	12M
Absolute (%)	-5.0%	-13.6%	-48.6%
Relative to KLCI (%)	-4.8%	-11.1%	-59.5%

### Stock Information

Market Cap (RM m)	137.1
Issued Shares (m)	1,443.6
52-week High (RM)	0.19
52-week Low (RM)	0.08
Est. Free Float (%)	31.0
Beta vs FBM KLCI	N.A
3-month Avg Vol. (m)	1,547,114
Shariah Compliant	Yes
Bloomberg Ticker	SUMI MK EQUITY

### Top 3 Shareholders

Shareholder	%
Atreon Holdings Bhd	65.0
Norazlam bin Norbi	1.7
Toh Chee Seng	1.7

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	183.6	181.9	189.2
EBITDA	17.2	23.9	25.2
PBT	12.8	15.5	15.2
Net Profit	8.3	11.0	11.6
<b>Core Net Profit</b>	<b>8.3</b>	<b>11.0</b>	<b>11.6</b>
Consensus Net Profit	-	17.0	29.0
Earnings Revision (%)	-	-	-
Core EPS (sen)	0.58	0.76	0.80
Core EPS Growth (%)	-51%	32%	5%
Net DPS (sen)	-	0.23	0.24
Net Div. Yield (%)	-	2.08	2.19
BV Per Share (sen)	11.66	12.19	12.75
P/E (x)	19.0	14.4	13.7
PBV (x)	0.9	0.9	0.9
ROE (%)	5%	6%	6%



Middle East presence. Meanwhile, strategic collaborations are progressing within timelines; manufacturing trials are underway for the CoolisT bio-polyols project, while feasibility evaluations are advancing alongside ongoing discussions to formalize a Heads of Agreement (HOA) for the regional Topsoe, KPI, and SPCI HELM Wet Gas Sulphuric Acid (WSA) ventures. We expect the operational centralization at Puncak Alam to structurally optimize efficiencies and support the long-term margin profile. Consequently, near-term earnings should remain resilient on solid demand fundamentals, though margin expansion will likely be gradual amid competitive pricing and lingering cost overheads.

**Investment case.** We view Sumi favorably in the long-term; i) SUMI manufactures and supplies drilling fluids and oilfield chemical solutions to leading players in the global oil and gas industry. Its 4 major customers including (Petronas) contribute 78% of total revenue ii) New Markets to Drive Growth with plans to expand both its domestic and international market presence by expanding its product range to include oleochemical for industrial application such as biodegradable lubricants and transformer oil. On the international front, Sumi is actively exploring the establishment of new production facilities outside Malaysia, with a focus on North America (expected to execute by 1HFY26) and the Middle East and iii) Diversifying Growth via Innovation via leveraging its licensing agreement with the Malaysian Palm Oil Board (MPOB) to produce palm-based polyols and bio-chemicals.

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

### Results Highlights

Y/E: Dec (RM m)	1Q26	4Q25	QoQ Chg	1Q25	YoY Chg	3M26	1Q25	YoY Chg
<b>Turnover</b>	<b>42.2</b>	<b>65.4</b>	<b>-35.5%</b>	<b>37.8</b>	<b>11.7%</b>	<b>42.2</b>	<b>37.8</b>	<b>11.7%</b>
<b>Gross Profit</b>	<b>11.1</b>	<b>15.9</b>	<b>-30.3%</b>	<b>11.5</b>	<b>-3.7%</b>	<b>11.1</b>	<b>11.5</b>	<b>-3.7%</b>
<b>OPEX</b>	<b>(8.1)</b>	<b>(10.2)</b>	<b>-21.0%</b>	<b>(9.1)</b>	<b>-11.0%</b>	<b>(8.1)</b>	<b>(9.1)</b>	<b>-11.0%</b>
EBITDA	4.0	6.8	-41.4%	5.5	-28.5%	4.0	5.5	-28.5%
EBIT	5.1	5.6	-9.0%	4.1	23.8%	5.1	4.1	23.8%
<b>PBT/(LBT)</b>	<b>3.6</b>	<b>6.6</b>	<b>-46.4%</b>	<b>3.4</b>	<b>6.4%</b>	<b>3.6</b>	<b>3.4</b>	<b>6.4%</b>
Taxation	(1.1)	(2.8)	-61.7%	(0.6)	67.0%	(1.1)	(0.6)	67.0%
Net Profit	2.5	3.9	-35.3%	2.7	-7.8%	2.5	2.7	-7.8%
<b>PATAMI</b>	<b>2.5</b>	<b>3.9</b>	<b>-35.3%</b>	<b>2.7</b>	<b>-7.8%</b>	<b>2.5</b>	<b>2.7</b>	<b>-7.8%</b>
Core EPS (sen)	0.2	<b>0.3</b>	-35.3%	0.2	-7.8%	0.2	0.2	-7.8%
DPS (sen)	0.2	-	-	-	-	0.2	-	-

### Margins %

Gross Profit	26.3%	25.3%		30.4%		26.3%	30.4%
Opex	-19.1%	-15.6%		-24.0%		-19.1%	-24.0%
EBITDA Margin	9.4%	11.3%		14.7%		9.4%	14.7%
EBIT Margin	12.1%	9.5%		10.9%		12.1%	10.9%
PBT Margin	8.5%	10.8%		8.9%		8.5%	8.9%
PATAMI Margin	5.9%	6.5%		7.2%		5.9%	7.2%
ETR	-29.8%	-39.5%		-19.0%		-29.8%	-19.0%

### Geographical Revenue

Thailand	13.53	11.66	16.0%	15.84	-14.6%	13.5	15.8	-14.6%
Malaysia	9.38	38.08	-75.4%	3.13	199.5%	9.4	3.1	199.5%
Indonesia	4.68	4.75	-1.6%	6.95	-32.8%	4.7	7.0	-32.8%
USA	4.00	0.81	391.9%	2.25	78.4%	4.0	2.2	78.4%
South Korea	0.00	0.00	N/A	0.00	N/A	-	-	N/A
Oman	2.47	2.74	-10.0%	0.00	N/A	-	-	N/A
Other	8.13	7.32	11.1%	9.60	-15.4%	8.1	9.6	-15.4%

Source: Company, Bursa Malaysia, Mercury Securities

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