SumiSaujana Group Bhd

Company Update
BUY (↔)
research@mersec.com.my
Monday, June 15, 2026
Price: RM 0.095
Target Price: RM 0.138 (↔)

Growth Trajectory Sustained Amid Macro Headwinds

SumiSaujana's 1QFY26 performance indicates that underlying growth remains intact, supported by contributions from ongoing initiatives and resilient demand in key markets. While macro headwinds in the Middle East persist, these were largely mitigated by stronger performance from the US and Asia Pacific. FY26E/FY27E earnings estimates maintained. We maintain our BUY call, with unchanged TP of RM0.138 based on unchanged 17.5x P/E multiple.

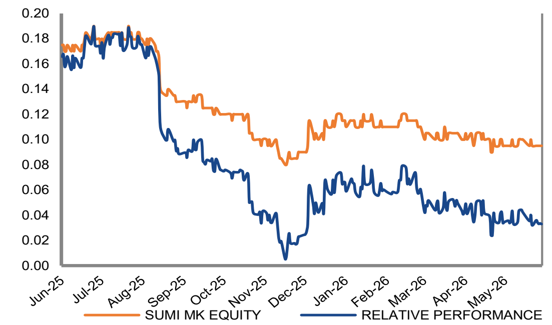
We attended SumiSaujana's recent 1QFY26 post-results briefing and the key operational insights and outlook takeaways are as below:

1. **Pressures arise in the Middle East.** Management struck a cautiously optimistic tone on the outlook, supported by resilient demand across its key markets despite ongoing macroeconomic uncertainties. The US market continues to perform well and is expected to remain supportive into 2QFY26, while Asia Pacific demand has stayed broadly stable. In addition, the Group is seeing increasing interest from Africa, presenting a potential avenue for incremental growth. These positives have partly mitigated softer activity in the Middle East, where geopolitical tensions continue to weigh on project execution and customer spending. The hydrocarbon segment, particularly petrochemicals, remains challenging, compounded by aggressive competition from Chinese suppliers that has compressed industry ASPs by an estimated 12%-15% YoY. Nevertheless, management noted that customers are increasingly prioritising reliability and security of supply over pricing considerations. To mitigate margin pressures arising from pricing competition and Ringgit appreciation, the Group implemented average price increases of approximately 5% in 1QFY26, alongside procurement optimisation, cost immunisation measures and organisational realignment initiatives.

2. **Execution broadly on schedule.** The Pengerang project is now expected to commence by end-June to early July 2026, with manpower already mobilised ahead of deployment. Meanwhile, the Indonesian Wet Sulphuric Acid (WSA) initiative with Pertamina and Topsoe has progressed to the finalisation of the Heads of Agreement under the proposed BOOT framework. Although negotiations have advanced at a slower pace over the past two months due to local developments in Indonesia, management views the additional time as conducive to ensuring optimal project structuring. Separately, the CoolisT collaboration has progressed into the production trial stage following the submission of its first batch of products, with test results expected to guide the next phase of commercialisation. The Group is also in the final stages of evaluating its US manufacturing strategy, with a decision anticipated within the next one to two months.

3. **IPO proceeds utilization.** As at 31st March 2026, the Group has successfully deployed 90.8% of its RM74.4m IPO proceeds, with >50% allocated to the acquisition of its new Puncak Alam warehouse and corporate office, completed early May 2026 with title transfer concluded. Subsequently, the Group has consolidated warehouse operations and ceased rental of three external premises. Also recall that the Group had previously terminated their tenancy (annual rental of RM720k) for their existing Puncak Alam factory upon completion of the acquisition. Additional investments in IT infrastructure, solar PV and R&D expansion

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)	1,683.63
YTD KLCI chg.	0.2%
YTD Stock Price chg.	-17.4%

Price Performance			
Absolute (%)	-5.0%	-13.6%	-44.1%
Relative to KLCI (%)	-1.2%	-12.7%	-55.0%

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 (%)	31.1
Beta vs FBM KLCI	N.A
3-month Avg Vol. (m)	1,213,201
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 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
Core Net Profit	**8.3**	**11.0**	**11.6**
Consensus Net Profit	**-**	**11.5**	**17.3**
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%

are also progressing as planned. While these initiatives have contributed to higher depreciation charges in the near term, they should enhance operating efficiency, improve cost visibility and support future expansion.

Earnings estimates. We maintain our FY26E/FY27E earnings estimates while incorporating higher production output assumptions at c.15,200 tonnes (previously c.14,400 tonnes) and revised ASP/tonne estimates at c.RM9,200 (previously c.RM9,700) following the latest briefing. Our core assumptions remain unchanged, including the absence of one-off listing expenses, a stable USD/MYR outlook and a 29% effective tax rate in line with management guidance. The revisions reflect stronger underlying demand from Asia Pacific and the US, which continue to mitigate weakness in the Middle East.

Valuation. We reiterate our **BUY** call and TP of **RM0.138**, based on an unchanged **17.5x FY27E PER**. While weakness in the Middle East and industry pricing pressures may continue to weigh on near-term sentiment, we believe these risks are adequately reflected in current valuations. Importantly, the Group continued to deliver underlying growth, as evidenced by the 11.6% YoY revenue expansion in what is typically its seasonally softer first quarter, underscoring the resilience of its diversified earnings base and structural growth trajectory. At below **1.0x FY26E/FY27E P/BV**, we believe SumiSaujana's strong balance sheet, geographic diversification and visible execution pipeline remain underappreciated by the market.

Outlook. While macro headwinds, particularly Middle Eastern weakness and industry-wide pricing pressures are likely to persist in the near term, the Group's diversified market exposure and resilient underlying demand continue to support its growth trajectory, as reflected by the 11.6% YoY revenue expansion in a seasonally softer first quarter. Concurrently, the ongoing transition towards an owner-operated model through the acquisition of its factory and warehouse assets should progressively translate into recurring cost savings, improved operational efficiency, and tighter control over logistics and inventory management. Management highlighted direct rental savings of approximately RM720k per annum from the Puncak Alam factory, alongside additional cost efficiencies from the consolidation and exit of multiple leased warehouse facilities. Looking ahead, key execution milestones include the commencement of the Pengerang contract, formalisation of the WSA framework, commercial validation of the CoolisT initiative, and clarity on the US manufacturing strategy, which collectively provide potential support to medium and long-term earnings growth.

Investment case. We remain constructive for the 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.

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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	15.5	15.2	18.0
Taxation	(3.4)	(4.4)	(4.5)	(3.7)	(4.3)
Net Profit	17.1	8.3	11.0	11.6	13.7
PATAMI	**17.1**	**8.3**	**11.0**	**11.6**	**13.7**

Balance Sheet

Fixed Assets	34.3	56.3	93.0	87.7	83.7
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	37.9	39.4	40.9
ST Borrowings	12.7	22.2	21.8	22.6	23.5
Other ST Liability	65.5	88.1	42.3	40.5	42.0
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**	**174.6**	**184.3**	**195.1**
Shareholders' Equity	17.1	168.3	176.0	184.1	193.7
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**17.1**	**168.3**	**176.0**	**184.1**	**193.7**

Cashflow Statement

FY Dec (RM m)					
Operating CF	32.2	11.2	20.2	20.7	21.9
Investing CF	(6.7)	(28.6)	(43.8)	(3.5)	(4.2)
Financing CF	(21.0)	79.9	(6.5)	(6.6)	(7.3)
Change In Cash	4.5	62.5	(30.1)	10.6	10.4
Free CF	**25.9**	**(15.1)**	**(23.6)**	**17.2**	**17.7**

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%	39.5%	5.2%	5.5%
Operating Profit	-50.8%	-43.8%	18.7%	0.2%	16.1%
PBT	-50.3%	-37.8%	21.4%	-1.9%	18.4%
Core Net Profit	-44.0%	-51.3%	32.2%	5.0%	18.4%
Profitability					
Gross Profit Margin	33.5%	29.2%	28.0%	28.0%	28.0%
EBITDA Margin	16.6%	9.3%	13.2%	13.3%	13.5%
Operating Margin	13.2%	6.4%	7.7%	7.4%	8.2%
PBT Margin	13.0%	7.0%	8.5%	8.0%	9.2%
Core Net Margin	10.8%	4.5%	6.1%	6.1%	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%	4.4%	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)	(32.3)	(45.2)	(57.8)
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	0.9
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	12.4	11.9	10.0
Div. Yield (%)	0.0	0.0	2.4	2.5	3.0
PBV (x)	9.3	0.9	0.8	0.7	0.7

Source: Mercury Securities, Company

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