BUY
$0.37
+84%
Target
$0.68

LMS COMPLIANCE | SGX:LMS

Lucrative Asset Protection – S$100mil Mkt Cap

LMS Compliance (LMS) is a significant **asset protection provider** in Malaysia that is expected to double its revenues (FY27F RM$63mil vs FY25 RM$33.6mil) and triple its PAT over next 2years. Driven by recent acquisitions and forays into new industry niches; Novel Food certification (18% FY26F Net Profit), Data Center water testing (15%), EV inspection (8%) & associate Prismatic (8%).

Next S$100mil market cap stock. Our intrinsic valuation of S$0.68 is premised on LMS' long-tail annuity/ SaaS like B2B & B2G business model. Much like an IT SaaS company, **LMS exceeds the Rule of 40** [55.4% FY25 to 112% FY26F] as it pursues revenue growth without sacrificing its margins. Its ability to scale revenue towards RM$100mil without debt underlies its asset-light strategy and ability to leverage on existing lab capacities.

LMS business model continues to post significant cashflow with est. **FCF yield above 14%** next 2 years. Its cash backed BS / gearing capacity allows appetite for value-accretive acquisitions. **Despite LMS' above average EPS growth forecasts** of 86.7% (FY26F-27F vs FY26F 9.6% comps & 10% STI growth) **it currently trades at significant** FY26F PE & PEG **discount to global TIC peers** (50-94%) **and STI** index (22-93%). LMS Intrinsic Value estimate of 68cts implies 16.8x (from 9.1) FY26F PE & 0.10x (vs 0.06x) PEG.

Rising macro risks due to Iran conflict is beneficial for Asset protection services; Rising petrol prices driving demand for EVs, shortage of global fertilizers & spillover demand for alternative proteins, higher input F&B costs & search for cheaper substitutes will drive tighter regulatory oversight, **Initiate BUY with target price of S$0.68 or potential +84% upside**

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Mkt cap: $50.8 mil [$0.37 3May26]
Intrinsic Value: $0.68
10 day adtv: 0.08m
Singapore
Industrials, Commercial & Professional Services [2020]
Testing, Inspection and Certification services

RHTC Forecast	***12/24***	***12/25***	***12/26F***	***12/27F***
RM$ mi				
Revenue	25.38	33.64	58.45	62.92
EBIT	7.74	9.54	25.78	24.69
Net Income	5.21	6.48	17.06	18.32
EPS (S$ cts)	1.25	1.52	4.05	4.35
P/E (x)	29.5	24.3	9.1	8.5
PEG (x)			0.06	1.15
Rule 40 (%)	35.8	55.4	112.0	42.6
ROAE (%)	16.1	16.6	34.9	28.1
Div Yield (%)	2.27	2.70	2.94	3.52
FCF yield (%)	2.89	4.92	14.3	14.1
Gearing% (D/TA)	2.5	1.5	2.0	2.9
Intrinsic Value			**S$0.68**	
% upside			84	

Industry Valuation	*PE 2026F*	*PEG 26F(x)*	*BETA[12]*	*EV/ EBITDA*
LMS	9.1	0.06[3]	*na*	0.68
STI	15.5	1.55	1.0	5.5-15 *(ex-FI)*
Global TIC				
SGS	21.7	2.1	0.59	11.4
Bureau Veritas	17.6	1.6	0.75	9.6
Intertek Gp	15.9	2.1	0.81	9.0
Avg ex LMS	**18.4**	**1.9**		**10.0**
LMS disc/t	*50.2%*	*94.2%*		*93%*

Source: 1: RHTC est YTD calculated beta to STI, 2: BBG, 3. Note that Fig 3-1 & Fig 5-10 PEG of 0.11x are based on Average growth of LMS FY26F (+166%) & FY27F (+7.4%) EPS growth.

BUY Price $0.37 3-May-26

Ratios & Valuations

	2024	2025	2026F	2027F
PE (x)	24.3	24.3	9.1	8.5
PE/G			0.06	1.15
Intrinsic Value			**0.68**	
(potential upside)			*84%*	
Mkt Cap/Sales (x)	6.5	4.9	2.7	2.5
Rule of 40 (%)	35.8	55.4	112.0	42.6
Div Yield (%)	2.3	2.7	2.9	3.5
FCF Yield (%)	2.9	4.9	14.3	14.1
P/BVPS	3.9	3.2	2.3	1.8
ROAE (%)	16.1	16.6	34.9	28.1
ROAA (%)	13.4	13.7	28.6	22.8

Growth & Margins (%)

	2024	2025	2026F	2027F
Revenue growth (%)	21.4	32.5	73.8	7.6
PBT growth (%)	2.8	20.9	186.5	4.3
EPS growth (%)		**(0.2)**	**166.1**	**7.4**
FCF growth (%)	(26.3)	110.8	190.3	(1.6)
Asset growth (%)	4.4	54.1	40.2	31.9
Operating margin	31.3	28.8	44.4	39.5
Net margin	20.5	20.1	35.1	35.1
FCF margin	14.4	22.9	38.2	34.9

Source: Company data, RHTC estimates

Income Statement $mil

Dec-yr end RM$mil	2024	2025	2026F	2027F
Revenue	25.4	33.6	58.4	62.9
Expenses	(16.7)	(22.5)	(30.5)	(35.7)
Depreciation & Amort	(1.3)	(2.1)	(2.6)	(3.0)
Operating Profit	7.9	9.7	25.9	24.8
Interest expense	(0.2)	(0.2)	(0.3)	(0.5)
Associate cont	0.1	(0.0)	1.4	3.8
Pretax Profit	7.8	9.4	27.0	28.2
Tax	(2.6)	(2.7)	(6.5)	(6.1)
tax rate (%)	*33.3*	*28.3*	*24.0*	*21.5*
Net Profit	5.2	6.8	20.5	22.1
Attributable Net Profit		6.5	17.1	18.3
MYR/SGD yr-end	3.25	3.10	3.07	3.07
EPS S$ cents	1.53	1.52	4.05	4.35
DPS S$ cents	0.84	1.00	1.09	1.30
payout (%)	55%	66%	27%	30%
Wt avg sh o/s mil	104.9	137.3	137.3	137.3
# staff year-end	140	180	225	248

Top shareholders

#	Beneficial Owner	Total Shares mil	Est % o/s
1	Dr OOI Shu Geok	106.2	77.36%
2	Ms CHONG Moi Me	106.2	77.36%
3	Deng YuBiao	11.347	8.27%
	Free Float	(as of 16Mar26)	14.13%

Source: LMS AR 2025

Balance Sheet $mil

RM$ mil	2024	2025	2026F	2027F
Cash & ST invest	12.3	14.6	33.2	51.6
Trade & Prepayments	5.0	7.0	10.3	15.3
FVTPL	10.1	11.4	13.1	13.4
Other current assets	0.1	0.2	0.2	0.3
Total current assets	27.4	33.2	56.9	80.5
Net PP&E	9.4	9.7	10.4	12.4
Net intangibles	-	14.9	14.1	13.2
Associate	0.6	0.5	1.2	3.1
Right of use assets	1.3	1.2	1.2	1.1
Non-current assets	11.3	26.4	26.8	29.8
Total assets	**38.7**	**59.7**	**83.6**	**110.3**
Accounts payable	2.5	6.1	8.5	12.0
ST debt	0.1	0.1	0.1	0.5
Current lease liabilities	0.3	0.7	0.3	0.5
Income tax payable	0.4	0.5	1.3	1.1
Contract liabilities	0.4	0.9	0.1	0.1
Total current liabilities	3.6	8.2	10.3	14.2
LT debt	0.9	0.8	1.6	2.7
Non-current lease liabilities	1.3	0.8	0.5	1.1
Deferred tax liabilities	0.4	0.7	3.4	4.6
Others	0.2	0.1	0.3	0.2
Total LT liabilities	2.7	2.4	5.7	8.5
Total Liabilities	**6.3**	**10.6**	**16.0**	**22.7**
Equity	13.5	25.7	25.7	25.7
Retained Earnings	18.9	21.5	37.5	54.1
Minority Interests	-	1.8	5.3	9.1
Total equity	**32.4**	**49.1**	**68.5**	**88.9**
Total liabilities & equity	**38.7**	**59.7**	**84.5**	**111.6**
BVPS (S$ cents)	9.49	11.54	16.26	21.10

CashFlow $mil

RM$ mil	2024	2025	2026F	202
Pretax profit	7.8	9.4	27.0	28.
Net change working capital	(3.1)	(2.0)	(5.0)	(2.
others	1.6	1.6	0.9	(1.
CF from Operations	**6.3**	**9.1**	**23.0**	**24.**
Capital Expenditure	(2.7)	(1.4)	(0.6)	(2.
Acquisitions/(Divestitures)	(0.6)	0.3	-	-
Others	(2.9)	(1.1)	0.1	0.
CF from Investing	**(6.1)**	**(2.2)**	**(0.6)**	**(2.**
Dividends paid	(4.0)	(3.8)	(3.9)	(3.
Equity	-	-	-	-
Debt	(0.1)	(0.1)	0.6	0.
Others	(0.4)	(0.5)	(0.5)	(0.
CF from Financing	**(4.6)**	**(4.5)**	**(3.8)**	**(3.**
Net CF	**(4.4)**	**2.4**	**18.6**	**18.**
Free CF	**3.7**	**7.7**	**22.3**	**22.**
FCF per shr S$	1.1	1.81	5.3	5.

EXECUTIVE SUMMARY

We met with CEO Dr Louis Ooi prior to initiating our report on LMS Compliance (LMS). We are impressed with management's depth of knowledge on the Testing, Inspection and Certification (TIC) cycle and its pursuit of excellence. We visited its newly renovated laboratory in Johor Bahru, Malaysia (the other 2 located in Kuala Lumpur and Penang) akin to a well-funded Top Tier University Science Lab equipped with latest diagnostic & testing equipment. We discussed key issues such as its growth strategy, how LMS is scaling to the next level (RM$100mil revenue), its positioning for further upscaling (towards $250mil milestone), outlook and opportunities on TIC + Assessment market, LMS ability to consolidate its above-industry margins and its recent foray into China.

Continuing its trend of uninterrupted growth since listing, **FY26F is poised to record revenue growth circa +74% which is expected to translate into +163% increase in Net Attributable Profit.** We analyse 4 new business streams (2 from recent acquisitions), how LMS has positioned itself to leverage on those business up-cycle, the complementary fit to LMS' infrastructure and make an educated NPV guesstimate on these businesses.

New Business Growth of 23% FY26F PATMI [DC 15%, EV 8%] (Fig 5-3)
LMS' 3 laboratories in Malaysia are currently running above 50%+ utilization with ability to upscale without additional capex. In conjunction with Malaysia's new Data Center (DC) growth, LMS is well positioned to pursue mandatory **DC water certification & testing (section 2-1-1)** as a new business growth appendage while leveraging on its existing spare lab capacity, all of which are strategically located in Tech hubs like Johor Bahru (increasing Data Center concentration), Kuala Lumpur (government designated Super Corridor Multi-Media highway) and Penang (mature semi-conductor industry). Recent Anwar government announcements that Malaysia will only allow AI-Data Center construction (higher project development costs) due to heavy demands on water and electrical infrastructure, bodes well for TIC players like LMS. At 1 GW (per new Data Centers), estimated Water Compliance costs for LMS (assume market penetration of 25%) circa US$1.4-3.9mil (and US$0.28k-0.78k recurring). Our base case (fig DC-12) assumes the lower range-average TAM between US$4.5-8mil (fig DC-11) this is equivalent to average Base Case revenue of RM$8.75 & RM$2.6mil long-tail recurring subscription. Assuming market share of 25%, estimated NPV Earnings for DC ~ RM$7.05mil or S$2.27mil (4.5% of mkt cap).

Electric vehicle (EV) inspection (section 2-1-2) is another area that gels with LMS asset light strategy (incorporated MISB in Oct-2025). The potential new EV inspection & certification for imports into Malaysia has estimated Total Addressable Market (TAM) of RM$23mil (fig EV-5) with 4.2% CAGR to 2030. We estimate if LMS were able to secure accreditation for new EV import inspection, this could add RM1.44mil in Net Profit (or 8% FY26F fig 5-9). Our forecast NPV earnings for EV comes to S$3.3mil (fig 5-9), equivalent to 6.6% of mkt cap.

Acquisition 26% FY26F PATMI [NF 18%, LS 8%]

We have strong expectations of LMS foothold into China. The 75% subsidiary ACC (section 2-2-1) has captured substantial market share in Chinese **Novel food (NF) exports into USA**, which requires product compliance with strict licensing and FDA guidelines for approvals. Based on Chinese Novel protein exports to US of $440mil (2024), we estimate the implied recurring revenue contribution circa RM$16.8mil (with conservative 10% growth assumption). This implies acquisition **ROIC circa 17.5%**. We anticipate substantial upside risks on reverse Novel food imports into China as exporters seek experienced and bilingual service providers. Singapore could potentially be another Novel growth market for LMS.

30% Prismatic *(section 2-2-2)* exposure to Malaysia's **landslide slope (LS) monitoring** / asset protection market. Associate contribution buildout expected between RM1.35-3.83mil (phased in installation assuming 350 slopes over next 24 months). Risk of Federal government budget cuts are low given the tremendous prevention to actual repair expense risks trade-off (between 20-40x). The high data intensity & need for real-time monitoring and analyses fits well with its SaaS platform.

LMS Compliance was listed on Singapore Exchange Catalist Board in Dec 2022, raising S$3.64 mil through a fully subscribed IPO at S$0.26 per share. Its portfolio offers more than 1,100 accredited tests and 10,200 non-accredited tests[1]. LMS achieved 32.5% revenue growth in FY2025 with a robust 28.0% PBT margin, significantly **outpacing the 3.9%-8.1% organic growth** rates of mature global peers while maintaining net cash balance sheet. The US$4.51 mil acquisition of Anchor Technology (11.25% mkt cap) drove a 29.8% surge in net profit, demonstrating **aggressive M&A deployment** relative to scale compared to the **more conservative 1.5%-6.3% market cap acquisitions** by global competitors. Customer retention rates in the TIC sector averaged between 75-80%, with clients rarely switching, creating **powerful incumbency moats** that favour established global players with comprehensive geographic footprints and accreditation portfolios.

LMS' operates in a low Beta industry as exemplified by global TIC leaders (fig 5-9) with beta ranging between 0.59 (SGS AG) to 0.81 (Intertek Group). The low industry correlation with wider investment market makes it ideal candidate for reducing portfolio volatility. LMS trades at a competitive 9.1x FY26F P/E ratio with a 2.94% dividend yield, at a significant 50% PE, 94% PEG and 93% EV/EBITDA discount to global TIC players (**SGS, Bureau Veritas and Intertek Group)**. LMS significantly stronger growth outlook averaging 82% (next 2 years) vs TIC group of 10% FY26F and LMS' debt free balance sheet warrants a narrower discount in our view. At estimated Intrinsic Value of 68cts, LMS trades at 14% of global TIC peers PEG valuations and FY26F PE 16.8x (from 9.1x) & FY27F 15.6x (from 8.5x).

Despite rising macro risks of Iran conflict metastasizing into global recession with potential significant negative impact on global capital markets, LMS business exposure remains largely anti-cyclical & may likely benefit from increasing portfolio allocation away from cyclical sectors**. Initiate coverage on LMS Compliance with BUY rating, target price of S$0.68 and potential 84% upside**.

CONTENT

2. OVERVIEW

Since its inception (2006) LMS Compliance (LMS) has established itself as a serious testing and certification company in Malaysia anchored by 3 strategically positioned laboratories in key states of Kuala Lumpur, Penang and Johor. Its subsequent IPO (2022) laid the foundation for upscaling the business beyond its borders (organic and acquisition growth). We expect FY2026 to be a watershed year as LMS' revenues gear towards medium term RM$100mil level while consolidating its above-industry margins. Despite global headwinds amidst potential deterioration of Iranian conflict and collateral impact on global GDP growth, LMS remains well positioned as an under-rated anti-cyclical business leveraged into growing Testing, Inspection & Certification (TIC) global market. Based on our various assumptions, we estimate Intrinsic Value of the business at $0.68 or potential 84% upside for investors. Initiate coverage on LMS Compliance with a BUY recommendation.

Background

LMS Compliance (LMS) was co-founded in 2006 by CEO Dr. Ooi Shu Geok and Ms. Chong Moi Me with the primary goal of enhancing consumer trust in homegrown Malaysian brands. The company launched its first laboratory at a time when local businesses often viewed testing and certification as an unnecessary expense rather than a vital tool for earning consumer confidence. By 2007, LMS began developing its proprietary Laboratory Information Management System (LIMS), which served as an intelligent digital backbone for automating data capture and compliance workflows. Over the subsequent 15 years, the company steadily scaled its capabilities to become a recognized leader in conformity assessment across strategic Malaysian hubs like Kuala Lumpur, Shah Alam, Johor Bahru and Penang.

LMS operates as a comprehensive Testing, Inspection, Certification and Assurance (TICA) platform, turning opaque safety and environmental risks into verifiable compliance/asset protection for its clients. Portfolio offers more than 1,100 accredited tests and 10,200 non-accredited tests (Business Times 22-Nov-2022). LMS achieved early industry milestones, notably becoming **one of the first local private laboratories in Malaysia to conduct toy safety testing compliant with the Ministry of Domestic Trade and Consumer Affairs standards**. During the COVID-19 pandemic lockdowns, the management team successfully pivoted by launching face mask testing services that complied with ASTM and EN specifications, providing a crucial revenue stream during the crisis.

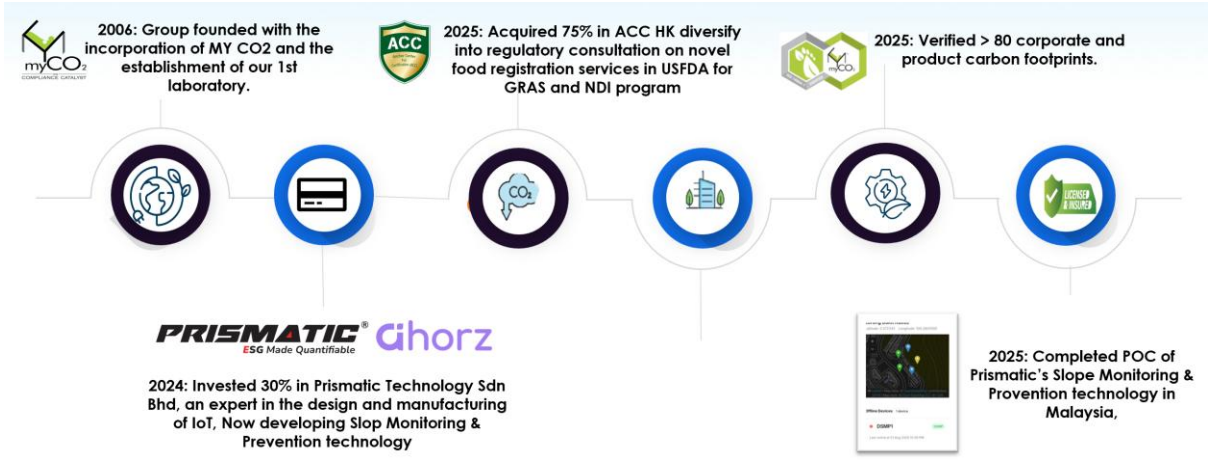
On December 1, 2022, LMS Compliance officially commenced trading on the Catalist Board of the Singapore Exchange Securities Trading Limited (SGX-ST). The successful initial public offering involved a fully subscribed placement of 14 mil shares at S$0.26 per share, raising approximately S$3.64 mil. Since IPO, LMS has posted **+61.5% vs +54.6% for** STI (fig 2-1).

Figure 2-1 IPO and Post-Listing share price

Source: yahoo finance

Following its public debut, LMS was able to upscale its traditional laboratory testing company to a serious asset protection firm with international ambitions. To support its organic growth operations, the company significantly expanded its physical footprint, completing a major 15,000-square-foot laboratory upgrade in Shah Alam (Kuala Lumpur) and expanding its Johor Bahru facility in 2024. In May 2024, the group acquired a 30% stake [RM$0.54mil] in Prismatic Technologies Sdn Bhd [section 2-2-2] to bolster its automated data generation capabilities for sustainability reporting.

Figure 2-2: Milestones



Source: LMS

The company accelerated its inorganic growth strategy in July 2025 by completing the US$4.5 million acquisition of a 75% stake in Anchor Technology Holdings Co., Limited (ACC) [section 2-2-1]. In October 2025, LMS further broadened its ecosystem by incorporating MY CO2 Inspection Sdn Bhd [section 2-1-2] to capture emerging opportunities in electric vehicle and goods inspection services.

Figure 2-3: Current Asset Protection Portfolio Composition

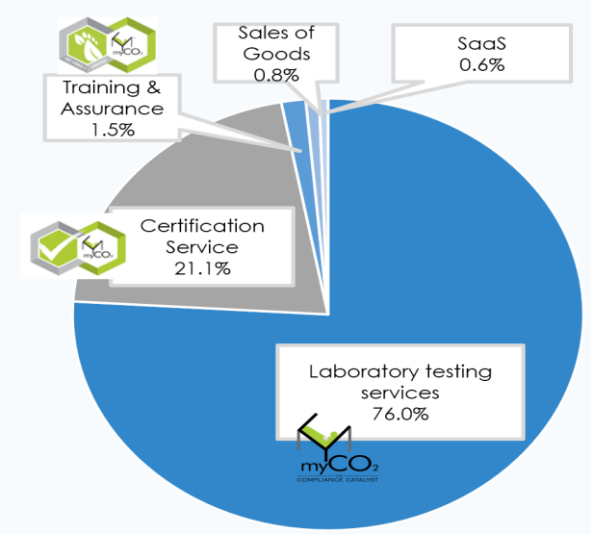
Source: LMS

LMS has established itself firmly as a serious TIC industry player with **more than 20 years of operational experience**. Over 80% of the Group's revenue coming from its testing and assessment segment attributable to repeat customers

A Specialized Regional TIC Player Leveraging Digital Innovation and Regulatory Tailwinds. The TIC business model is fundamentally **regulatory-led and defensive**, requiring **mandatory third-party verification regardless of economic cycles**, with operations heavily leveraged to **tightening ESG regulations** across Southeast Asia, including mandatory climate reporting and anti-greenwashing guidelines.

Management estimates **at least 80% of revenue is recurring**, derived from repeat customers, driven by the continuous nature of **product testing and ISO certifications** required to maintain market access, with proprietary digital tools creating **high switching costs**. Strong exposure to **food, pharmaceutical, medical device and greentech industries**, particularly as medical device and environmental sectors fuel recent growth.

Figure 2-4: LMS FY2025 Revenue composition



Source: LMS

On the back of recent acquisition and continuing organic growth, **FY2025 revenues grew +32.5% yoy**, while maintaining net profit margin at 19.3%, expanding ROA to 13.7% (from 13.5%) and ROE 16.6% (FY24 16.1%).

LMS Compliance currently operates through five primary business segments, which together form a fully integrated compliance and assurance ecosystem
LMS' 5 business segments

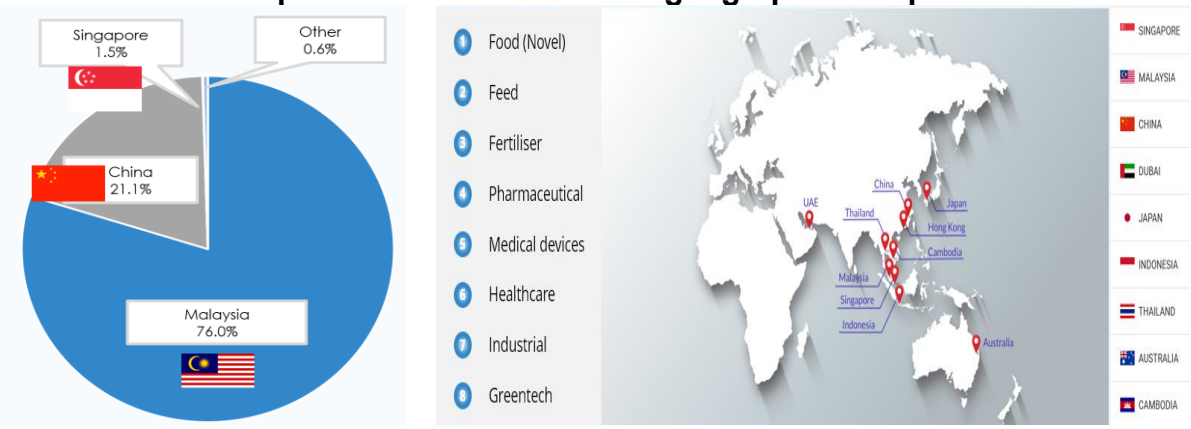
- **Testing and Assessment:** Through its ISO/IEC 17025 accredited laboratories, the group provides chemical, microbiological, nucleic acid and physical analyses to assist customers in achieving compliance with industry standards and ensure consumer product safety. While historically the dominant revenue driver at over 95%, this segment accounted for **75.96% of the group's total revenue** in FY2025 as other divisions expanded.
- **Certification and Consultancy Services:** Operating as an ISO/IEC 17021 accredited body, this segment conducts audits for quality management (ISO 9001-2015), food safety (ISO 22000-2018, MS 1480-2019) and occupational health systems (ISO 45001). Driven by the strategic acquisition of ACC, this division's **revenue contribution** surged to **21.10%** in FY2025.
- **Assurance, Validation & Verification:** Introduced to address the global green economy transition, this segment provides comprehensive ESG data collection, impact assessment, and greenhouse gas reporting services. The group's subsidiaries hold dual accreditations as Validation and Verification Bodies (VVB) from both the Singapore Accreditation Council and the Department of Standards Malaysia.
- **Conformity Assessment Technology (SaaS):** The company markets its proprietary cloud applications, including "aikinz-LIMS" for digitizing laboratory operations and "aizenz" for streamlining ISO certification processes.
- **Trading:** This segment is dedicated to the distribution and trading of a broad range of analytical instruments, scientific testing equipment, and laboratory consumable items. 0.8% of FY25 revenue.

Client Group Exposure by Industry
LMS Compliance maintains a diversified client base across a broad spectrum of heavily regulated industries. LMS testing services allow businesses, their customers, regulators, and other stakeholders to assess the quality and safety of products or materials, validate whether the manufacturing process is achieving its intended outcomes, and check for compliance with the applicable standards and regulations.

The core testing and assessment services cater primarily to the **food, feed, fertilizer, pharmaceutical, medical devices, healthcare, industrial and green-tech sectors**. The strategic acquisition of ACC specifically broadened the group's capabilities and client exposure within the novel food and dietary supplement sector. Furthermore, the establishment of the new inspection subsidiary allowed LMS to penetrate the electric vehicle market. Through a strategic collaboration with the Malaysian Semiconductor Industry Association, the company also provides ESG readiness assessments for SMEs embedded in the global semiconductor supply chain.

Figure 2-5: LMS geographical & multi-industries exposure

2025 revenue composition **Industries and geographical exposure**



Source: LMS

From a concentration standpoint, LMS Compliance is not materially dependent on any single customer or industry vertical. During the company's pre-IPO review period spanning FY2019 to FY2021, its largest single customer, Kawan Food Manufacturing, contributed between 1.85% and 5.96% of total revenue. In the first half of FY2025, only one major customer accounted for slightly above 5% of the group's total revenue. Geographically, while operations have historically been concentrated in Malaysia, the company has actively expanded its footprint by securing accreditations in Singapore, acquiring ACC (HK) for market penetration in China (potential spill over in Singapore & Malaysia).

TIC is a **highly fragmented industry** with competitors (market shares in mid-single digits) including **ALS Technichem, Eurofins, SGS Malaysia, Bureau Veritas Malaysia, TÜV SÜD Malaysia and Sirim Berhad.**

2-1 STRATEGY

LMS Compliance listed on the Singapore Exchange Catalist Board in Dec 2022, raising S$3.64 mil through a fully subscribed IPO at S$0.26 per share, marking its transition from a **regional Malaysian laboratory** to a **comprehensive ESG assurance platform**. Its portfolio offers more than 1,100 accredited tests and 10,200 non-accredited tests[1]. LMS achieved 32.5% revenue growth in FY2025 with a robust 28.0% PBT margin, significantly **outpacing the 3.9%-8.1% organic growth** rates of mature global peers while maintaining **pristine balance sheet strength** with a net cash position. The US$4.51 mil acquisition of Anchor Technology (11.25% mkt cap) drove a 29.8% surge in net profit, demonstrating **aggressive M&A deployment** relative to scale compared to the **more conservative 1.5%-6.3% market cap acquisitions** by global competitors. Customer retention rates in the TIC sector hover between 75-80%, with clients rarely switching providers unless experiencing severe service failures, creating **powerful incumbency moats** that favour established global players with comprehensive geographic footprints and accreditation portfolios. LMS has displayed disciplined execution in (a) Delivering Profitable Revenue Growth [establishing strong niches in industries with high degree of regulations], (b) Leveraging Scale for Operational Excellence [balance sheet warchest to acquire market shares in down markets] (c) Prudently Allocating Capital to High-Return Investments [asset-light strategy].

Since its listing in 2022, LMS has continued to self-fund its organic growth while deploying its IPO funding into strategic (earnings accretive) acquisitions, namely 30% acquisition of Prismatic Technologies Sdn Bhd [May 2024] and 75% acquisition of ACC HK [July 2025].

As a result, over the next 2 years we expect LMS revenues to grow (cumulative) by 87% to hit RM$63mil FY27F (vs FY25 33.6mil). Consequently, earnings expected to triple RM$22mil (FY25 6.8mil) driven by (fig 5-3) acquisitions and new business growth. Given its current trajectory, LMS with its cash-rich balance sheet is well positioned to scale beyond RM$100mil revenue milestone and gear towards S$100mil market capitalization.

New Business Growth [23% FY26F PATMI] DC 15%, EV 8%

Key to maintain organic growth, pursuing opportunities in vicinity of its laboratories. In targeting Data Center growth (section 2-1-1) in Johor (ditto Selangor), LMS can utilize its excess lab capacity.

We also look at LMS foray into Electric Vehicle Inspection as the other leg of new business growth (section 2-1-2), whereby we estimate it contributes 8% FY26F PATMI.

2-1-1 Data Center Market for LMS (15% PATMI)

[Dec-2024] LMS forged a collaboration with the Malaysian Semiconductor Industry Association, Masverse Technologies Sdn Bhd and CRIF Omesti Sdn Bhd. This partnership seeks to assist SMEs in achieving ESG compliance, promoting sustainability awareness and strengthening Malaysia's position in the global semiconductor supply chain. Section below shows the current Data Center demand and consequently the need for Water Certification.

Malaysia has emerged as Southeast Asia's premier data center hub, attracting RM184.7bn (US$43.6bn) in data-center-related investments between 2021 & 2024. North American hyperscalers alone committed US$23.3 bn (fig DC-9) in the first 10 months of 2024. As of Dec24, 38 projects had secured Electricity Supply Agreements (ESAs) with Tenaga Nasional Berhad (TNB) totalling 5.9 GW of maximum demand, while actual utilisation stood at only 405 MW (3% TNB's total supply).

The sector faces two critical resource constraints: energy supply and water availability. Data center energy consumption is projected to surge from 8.5 TWh in 2024 to 68 TWh by 2030, potentially representing 30% of national electricity demand. Water requirements are equally significant; the National Water Services Commission (SPAN) estimates 876 mil litres per day are needed for 104 data centers in 2025, equivalent to daily consumption of 4 mil people.

Data Center [1GW NPV = RM$7m or 4.5% mkt cap]

We quantify the water quality compliance and testing costs associated with new Data Center (DC) capacity in Malaysia. **RHTC estimates base case of RM$8.75mil (first year revenue) per GW and recurring RM$2.5mil with estimated 10-yr DCF value of RM$20mil (4.5% of mkt cap) per GW**.

Figure DC-1: TAM per GW for Water Compliance for DC in Malaysia

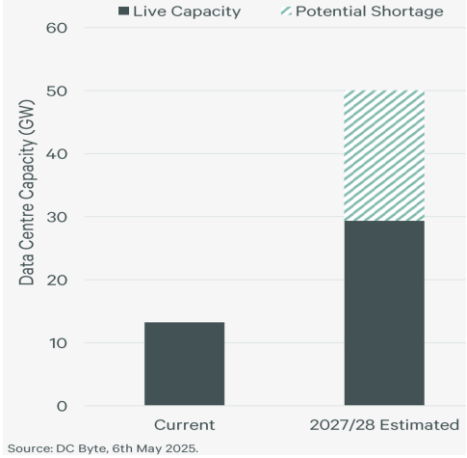
DC construction cost per GW	Water compliance per GW	% of total Data Center capex
US$8 – 10 bn (fig DC11)	US$4.5–11.5mil (fig DC11)	0.05 – 0.14% (fig DC5)

Source: SPAN water tariff data, DOE environmental compliance benchmarks.

Water compliance testing represents 0.05–0.14% of total DC capex per GW (fig DC-5); a rounding error for hyperscalers, but a structurally attractive, regulatory-

mandated revenue stream for LMS Compliance. Per GW, the initial + Year 1 compliance envelope is US$4.5–11.5 mil, with US$1.8–3.7 mil in annual recurring revenue thereafter.

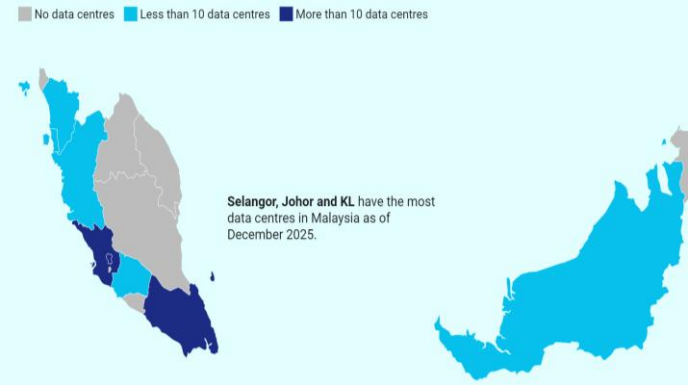
Fig DC-2:APAC Live DC Capacity



In a Asia Pacific Data Center Trends & Opportunities report dated May-2025, CBRE estimated a supply shortage of 15-25GW by 2027/28 (fig DC-2).

It stated that **Malaysia has the biggest pipeline in emerging Southeast Asia**, mainly due to Johor attracting spillover demand from Singapore.

Figure DC-3: Data Centers in Malaysia



There are currently 123 Data Centers listed in Malaysia (fig DC-3),

Of which;
* Selangor 50
* Johor 43
* KL 15

Source: Bernama

Figure DC-4: Live Capacity and Supply Pipeline of Carrier-Neutral Colocation Data Centers in Major Asia Pacific Markets (as of end-2024)

	Live Capacity (MW)	Capacity Under Construction (MW)	Colocation Vacancy	2025 Outlook Colocation Prices	2025 Outlook Colocation Vacancy	Indicative Cap Rate Q1 2025
Shanghai	1,071	551	11%	▼	▼	6.50 – 9.00
Greater Tokyo	949	601	13%	▶	▶	3.90 – 4.50
Mumbai	667	635	17%	▲	▼	7.40 – 8.40
Seoul	698	513	9%	▲	▼	5.25 – 6.50
Hong Kong SAR	647	406	28%	▶	▼	4.50 – 5.75
Sydney	767	230	15%	▲	▶	5.25 – 6.00
Singapore	738	104	2%	▲	▶	5.20 – 6.45
Johor	311	472	15%	▶	▶	n/a
Melbourne	308	227	22%	▲	▼	5.25 – 6.50
Jakarta	274	244	32%	▼	▶	n/a

Source: DC Byte, CBRE Data Centre Services, May 2025.

Fig DC-4 shows Johor already has 0.47GW under construction (as at end-2024). Coupled with (fig DC-6) Selangor, DC capacity should easily exceed 1GW by end-2026, hence our analysis with 1GW reference.

Figure DC-5: Selective Major Hyperscaler Commitments (2024-2025)

Company	Investment USD $bn	State/Location	Capacity	Status / Timeline
Google	2	Selangor (Elmina Business Park)	Cloud region	Announced May 2024; Gamuda contractor
Microsoft	2.2	Malaysia West region	Multi-site	May 2024
ByteDance	2.1			June-2024
Microsoft (Phase 2)	TBD	Johor (SE Asia 3)	3 avail. Zones	Nov 2025; operational 2027–28
AWS	6.2	Multiple (tri-AZ)	Tri-availability zone	Aug 2024
Oracle	6.5	Malaysia	Cloud region	Oct 2024
YTL / Nvidia	4.3 (initial); +2.3	Johor	600 MW (Wiwynn JV); 72 MW Phase 1 live	Phase 1 operational Oct 2025
Sub-total	25.7	*Source: 24-Dec-2025 (Bernama), Knight Frank*		

Figure DC-5 shows the proposed DC installations (2024 onwards) by selected major hyperscalers across Malaysia.

Figures DC 6-8 shows the various Data Center Operators & Developers by State. More importantly, LMS is well positioned with its labs in Johor, KL and Penang.

Fig DC-6: DC in Johor (more than 1GW capacity)

Company	Facility/Project	Capacity	Notes
AirTrunk	JHB1 Campus	150 MW + 270 MW scalable	Operational 2024; liquid cooling installed
Yondr Group	Sedenak Tech Park (STeP)	200–300 MW	Largest planned hyperscale campus in SEA
YTL / Nvidia / Wiwynn	YTL Green DC Campus	600 MW total; 72–100 MW Phase 1	Nvidia GB200 GPUs; operational 2025
NTT Data	New Johor Campus	290 MW (6 buildings)	Land acquired Aug 2024 ($88.5mil); first bldg by 2027
Princeton Digital Group	Johor facility	150 MW (Phase 1)	Operational by end-2024
TM One	Iskandar Puteri	Major planned capacity	Telecom-backed expansion
Bridge Data Centers / Mah Sing	Johor + Ulu Tiram hyperscale	400 MW grid agreement	Water reclamation plant built; JV Oct 2024
Equinix	JH1	Operational	Went live 2024; dual-metro with KL
Microsoft	Johor campus (USD 2B)	Hyperscale	SE Asia 3 cloud region; 2027–28
DAMAC (Edgnex)	Johor expansion	Under development	New entrant; Middle East-backed

Sources: MIDA approved project data; TNB ESA agreements (Dec 2024); Johor government pipeline targets;ResearchAndMarkets, DC Byte capacity projections

- Johor (60%+ of national capacity; ~1.3 GW operational, target 2.7 GW by 2027, 5+ GW by 2030)

Figure DC-7: DC in Selangor / Klang Valley / Cyberjaya

Company	Facility/Project	Capacity	Notes
Vantage Data Centers	KUL2, Cyberjaya	256 MW (AI-ready)	Dedicated 275 kV substation; const. started Aug 2024
Google	Elmina Business Park, Selangor	Hyperscale cloud region	$2bn investment; Gamuda as contractor
Equinix	KL1, Kuala Lumpur	Operational	Went live 2024
NTT Global Data Centers	Cyberjaya expansion	Multi-phase	Existing operations; ongoing expansion
Infinaxis (Gaw Capital/A3)	Cyberjaya	Under development	Topping out ceremony Nov 2024
VCI Global	KL AI Computing Center	512 Nvidia H200 GPUs	$30mil investment from Alumni Capital; Nov 2024

Sources: MIDA approved project data; TNB ESA agreements (Dec 2024); Johor government pipeline targets; ResearchAndMarkets, DC Byte capacity projections

- Selangor / Klang Valley / Cyberjaya (55% of early-stage supply; 68 live + pipeline projects)

Figure DC-8: DC in other states

State	Company	Project	Notes
Kedah	Open DC / Northern Gateway	Data center campus	Emerging hub; lower land costs
Negeri Sembilan	Multiple operators	Various	Part of 101 DCs across 3 states (with Johor, Selangor)
Sarawak	PPTEL	Tier IV build	SEA-H2X cable landing; gateway for N. Asia–Indonesia traffic
Penang	Semiconductor-adjacent	Niche cluster	AI hardware testing; limited HV capacity

Sources: MIDA approved project data; TNB ESA agreements (Dec 2024); Johor government pipeline targets; ResearchAndMarkets, DC Byte capacity projections

- Emerging Hubs (Kedah, Negeri Sembilan, Sarawak, Penang, Perak)

Figure: DC-9 Aggregate DC Pipeline Summary across Malaysia

	As of 2024	Pipeline / Target
Total Approved Projects (2021–25)	143 projects (to Jun 2025)	US$38bn [RM144.4bn] investment
Operational Capacity	~507–640 MW	~4 GW total (incl. pipeline)
ESA-Secured Maximum Demand	5.9 GW (Dec 2024)	7+ GW (Sep 2025)
Hyperscaler Commitments	US$23.3 bn (North American)	US$14.7 bn pipeline (G/AWS/O/MSFT)
Johor Approved Projects	51 (as of Nov 2025)	US$48.1bn [RM182.96bn] investment
Market Value (2025)	US$5.48–6.14 bn [RM20.82-23.33bn]	US$11.4–13.6 bn [RM43.3-51.7bn] by 2030–31

Sources: MIDA approved project data; TNB ESA agreements (Dec 2024); Johor government pipeline targets;ResearchAndMarkets, DC Byte capacity projections

Fig DC-9 shows the current operational capacity 0.5-0.64GW (end of 2024) with market value of US$5.5-6.1bn. The pipeline target by 2030/31 of 4 GW worth US$11.4-13.6bn implies our following TAM assumptions based on 1 GW is highly conservative.

Fig DC-10: Estimating Johor DC Pipeline TAM

Pipeline TAM for LMS (Water)	Value	Source
Johor Target Capacity (2027)	2.7 GW	Johor Govt / MIDA
Johor Target Capacity (2030)	5+ GW	MIDA Pipeline
National ESA-Secured Demand	5.9 GW	TNB (Dec 2024)
TAM Revenue (by 2030) US$mil	**10.8–40.25**	**RHTC estimate**

Sources: MIDA approved project data; TNB ESA agreements (Dec 2024); Johor government pipeline targets;ResearchAndMarkets, DC Byte capacity projections

Using the per-GW analysis, we multiplied across Johor's actual pipeline to estimate the total opportunity through 2030. ESA-secured demand of 5.9 GW vastly exceeds actual utilisation (0.47 GW figure DC-4). We scaled the compliance TAM against facilities that actually proceed to construction and operation, not the full ESA pipeline. **Assuming a 40–60% realisation rate**, the effective pipeline is 2.4–3.5 GW by 2030, or implied TAM for water compliance and testing of US$10.8mil to US$40.25mil assuming $4.5-11.5mil per GW (fig DC-11).

Fig DC-11: Cost Stack Comparison: Where Water Compliance Sits (per GW)

	Cost Component	Per GW Value	% of Total Capex	Category
A	DC Construction (Capex)	US$8–10bn	100%	Capital
B	Annual Electricity (OpEx)	US$1.3–1.7bn	15–19%	Operating
C	MEP Systems (Capex)	US$4–5bn	45–50%	Capital
D	Cooling Systems (Capex)	US$2.4–4bn	27–40%	Capital
E	Water Supply (OpEx)	US$50–90mil/yr	0.6–1.0%	Operating
F	Water Treatment Plant (Capex)	US$20–50mil	0.2–0.6%	Capital
G	**Water Compliance & Testing**	**US$4.5–11.5mil**	**0.05–0.14%**	**Compliance**

Sources, Bernama, SPAN tariff data.

DC-11 illustrates the total per-GW cost stack; from construction capex down to the testing and certification line items that LMS targets. **Water compliance at 0.05–0.14% of capex is comparable to environmental compliance cost ratios in other regulated industries**: mining (3–7%), palm oil (2–4%) and semiconductor manufacturing (4–8%). Despite the lower percentage (DC capex is US$8–10bn per GW) the actual compliance spend of US$4.5–11.5mil translates to significant TAM for the likes of LMS.

Figure DC-12: Estimating LMS Data Center Revenue per 1 GW capacity

	LMS Revenue Metric	Low-Low	Low-Avg	Base Case-Low	Base Case-Avg	High-Avg	High-Top
H	**[Figure DC-11, row G]**	**4.5**	**8**	**4.5**	**8**	**8**	**11.5**
A	LMS Market Share Assumption	20%	20%	25%	25%	30%	30%
B=AxH	Year 1 Revenue per GW US$mil	0.9	1.6	1.125	2	2.4	3.45
C=0.4B	Steady-State Recurring per GW per yr US$mil	0.36	0.64	0.45	0.8	0.96	1.38
D=B+10C	10-Year Cumulative per GW US$ mil	4.5	8	5.625	10	12	17.25
E=(B+C) x4/USD	**LMS Year 1 est Revenue per GW RM mil**	**5.04**	**8.96**	**6.3**	**11.2**	**13.44**	**19.32**
F=C*4/USD	**LMS recurring Revenue per GW RM mil**	**1.44**	**2.56**	**1.8**	**3.2**	**3.84**	**5.52**
G (RM mil)	**Avg NPV Earnings over 10yrs (10% discount rate, 5% growth)**	5.64		**7.05**		13.2	

Source: Bernama

Referring to fig DC-12, we assumed the addressable compliance services for LMS across 1 GW of new DC builds include all testing, certification and monitoring line items (for water) from row H (taken from figure DC-11).

Row A shows the assumed market share for LMS while row H (fig DC-11 row G) shows the assumed range from US$4.5– 11.5mil (average of $8mil). Column Low-Low assume market share of 20% and bottom of range at US$4.5mil fee, while Base case-average assumes market share of 25% and average fee of $8mil.

We further assumed that first year revenue includes first year recurring fees. Extending the earnings profile over 10 years (assuming it is highly unlikely DC vendors would change TIC vendors), the NPV of each earnings stream ranges from RM$5.6mil (20% mkt share) to RM$13.2mil (at 30% mkt share).

For our forecasts, we assumed LMS market share at 25% {columns Base-Case} with mid-point average of RM$8.75mil (average Base case row E) for LMS FY1 revenue and recurring revenue at RM$2.5mil (row F). We further apply net margin of 30%, 10% discount rate and zero terminal value to derive 10-yr post-tax NPV of RM$7.05mil / S$2.3mil (4.5% of mkt cap) per 1 GW.

Our thoughts

No DC in Johor can receive approval without demonstrating adequate water management to the Special Technical Committee. No DC using reclaimed water can operate without continuous water quality monitoring. No hyperscaler can meet sustainability commitments (Microsoft: water positive by 2030; Apple: AWS certification for all DCs by 2025) without accredited water testing data.

Counter-cyclical resilience: Johor's water moratorium ("wait until mid-2027" for new water-cooled capacity) actually increases the value of water compliance services;

operators need to demonstrate superior water efficiency to secure scarce approvals. More regulatory friction = more demand for LMS.

Recurring revenue: Unlike construction services (one-off), water quality testing is a continuous obligation. Monthly/quarterly lab testing, annual DOE reporting and ISO/AWS audit support create predictable, subscription-like revenue streams.

Scalability: While Johor leads today (~60% of capacity), Selangor, Cyberjaya and the Klang Valley represent additional markets with similar water constraints. SPAN's call for national water usage regulations suggests the federal framework will replicate Johor's requirements nationwide, expanding LMS's TAM beyond a single state.

Risk of Iran war escalation & US government trade probes?

- Data Center growth remains robust for now[2].

The head of Malaysia's chip industry association says the country will be able to weather a U.S. trade probe and disruptions caused by the Iran war. As part of an investigation against numerous trading partners announced in mid-March, the U.S. is investigating if Malaysia has excess industrial capacity that warrants punitive tariffs.

"At this stage semiconductor remains under the exempted list," Wong Siew Hai, president of the Malaysia Semiconductor Industry Association (MSIA), told Nikkei Asia in an interview. "The immediate impact is likely limited, although the investigation could create some uncertainty for exporters while the process unfolds," he added. The trade investigation, which targets 16 major trading partners, was launched after the U.S. Supreme Court struck down much of President Donald Trump's sweeping tariff regime.

U.S. Trade Representative Jamieson Greer said that the so-called Section 301 investigation into alleged unfair trade practices could lead to new tariffs on those partners which, in addition to Malaysia, include China, the European Union, India, Japan, South Korea and Mexico.

Wong said **Malaysia's semiconductor and electrical and electronics industries are largely integrated into global supply chains, and production is driven by multinational companies serving global demand, rather than state-driven capacity expansion.**

2-1-2 ELECTRIC VEHICLE INSPECTION 8%NP

Executive summary: Every new EV entering Malaysia (whether CBU import or CKD kit) requires pre-shipment inspection, type approval verification, HV battery safety certification and vehicle audit at the OEM factory or port of export. LMS Compliance intends to position itself as the appointed third-party inspection body conducting these audits at source, leveraging its existing TIC competencies without the capital intensity of building Malaysian inspection centers. EVs currently account for 5.5% of Total Industry Volume (TIV) and the government is targeting 15-20% penetration by 2030 (implied 4.2% CAGR). For LMS to target automobile makers planning to obtain Conformity of Production (COP) for exports into Malaysia, we assumed simplistic only 2 inter-related parts; (i) process audit of RM0.25mil per factory per annum and (ii) annual re-certification at RM0.5mil per model.

Assuming LMS capture of conservative 25% market share of BEV China and applying net margin of 25% (FY25), this would give a forecast EV Inspection revenue of RM5.75mil & net earnings of RM1.44mil (or 8% of PATMI). Assuming similar discount rate at 10% with zero terminal value, the forecast post-tax NPV RM$10.4mil / S$3.3mil (or 6.6% mkt cap).

EV Factory Inspection Market Dynamics and TAM (est. RM$23mil)
In October 2025, the Group incorporated a new subsidiary, MY CO2 Inspection Sdn. Bhd. (MISB), to capture emerging opportunities in the electric vehicle (EV) and goods inspection space. This entity assesses client conformity with applicable physical inspection schemes, directly aligning with broader regional initiatives supporting green transportation infrastructure. With the potential entry into the Chinese EV export licensing market, LMS could potentially tap on the high-quality Chinese EV exports to international markets, especially BRICS' countries whereby larger TIC players are still not present

The global electric vehicle (EV) factory inspection market represents a highly lucrative, rapidly evolving Total Addressable Market (TAM) characterized by strict quality tolerances and the integration of automated intelligence. As automotive manufacturers transition from traditional internal combustion engines (ICE) to EV platforms, the underlying complexity of vehicle architectures has increased exponentially. This shift is accelerating the demand for precision metrology, automated defect detection, and rigorous safety compliance testing across the manufacturing floor. The overarching factory inspection TAM for electric vehicles spans several distinct technological sub-segments, primarily anchored by battery testing systems, dimensional metrology for vehicle bodies and advanced machine vision software.

Figure EV-1: EV testing Global TAM

Market Segment	Base Year Value	Projected Value	Forecast Period
EV Battery Testing & Diagnostic Services	$3.18 bn (2025)	$9.22 bn (2032)	16.7% CAGR
3D Machine Vision Market	N/A	$10.56 bn (2032)	N/A
Body in White (BIW) Inspection	N/A	$361.5 mil (2030)	N/A

Sources: 17-Mar-26 3-D Machine Vision Market (MarketsandMarkets), 23-Feb-26 Body in White (Global), 2-Mar-26, EV Battery Testing (MarkNtel)

EV inspection can be separated into (1) downstream periodic (maintenance) inspection to (2) upstream factory/pre-shipment inspection and vehicle audit at country of origin. LMS focus on the asset-light upstream factory inspection and audit at country of origin.

Malaysia Auto Population (of which EVs circa 45K in 2025): Total registered vehicles (excluding motorcycles) reached 19.76 mil by end-2023[3], approximately doubling from ~10.5 mil in 2010. Including motorcycles, the cumulative registered vehicle figure exceeded 36.3 mil[4] up from ~20.2 mil in 2010, representing a CAGR of approximately 4.6%.

Figure EV-2: Electric vehicles total registration in Malaysia

Year	BEV Sales (MAA)	JPJ Registrations*	*YoY Growth*	JPJ % of Total Industry Volume (TIV)
2021	278	~300	-	
2022	2,631	3,017	*846%*	0.5%
2023	10,159	13,144	*286%*	1.7%
2024	14,766	21,789	*45%*	2.7%
2025	30,848	44,813	*109%*	5.5%

Sources: Malaysian Automotive Association [MAA], Jabatan Pengangkutan Jalan (JPJ), or the Road Transport Department of Malaysia.
Note: JPJ registration data (via data.gov.my and namaasia.com) includes non-MAA members such as Tesla, Zeekr, and Xpeng, providing a more complete picture. The JPJ figure of 44,813 for 2025 is 45% higher than MAA's 30,848. TIV does not include used car transactions or second-hand vehicle sales — only new vehicles sold (registered)

- **New Vehicle Sales:** Malaysia's TIV reached 820,752 units in 2025, marking back-to-back years above 800,000. MAA projects TIV of 790,000 units for 2026[5]
- **Battery EV (BEV) + Hybrids:** A total of 30,848 BEVs were sold in 2025, a 109% YoY increase. Combined electrified vehicles (BEV + hybrid) totalled 69,363 units in 2025. MAA forecasts total EV+Hybrid sales of 100,000 units (49,000 BEVs + 51,000 hybrids) in 2026, equivalent to 12.7% of TIV[5]

Malaysia EV industry developments:

- **Accounting for the end of CBU EV tax incentives (Dec 2025)**

For 2026, MAA projects a Total Industry Volume (TIV) of 790,000 units, representing a 3.8% decline from 2025[5], citing US-China trade uncertainties, RON95 subsidy rationalisation and the shift from fixed to effective interest rates for hire purchase. MAA forecasts xEV sales of 100,000 units in 2026, equivalent to 12.7% of total industry volume. The shift to CKD assembly (BYD, Proton, Xpeng, Chery, Zeekr all committed) and the **government's 15–20% EV penetration target by 2030.**

Implied +4.2% CAGR (BEV+Hybrid) till 2030 on EV growth before taking into account potential upside risks from Iran conflict. Beyond 2026, the government hasn't published an official year-by-year TIV target, but the key policy frameworks; National Automotive Policy (NAP2020) targets the automotive sector to contribute 10% of GDP by 2030[6] up from the current 4%. Prime Minister Anwar Ibrahim set a target to transition 15% of vehicles on Malaysian roads to EVs by 2030[7]. MITI has positioned Malaysia's automotive industry as the second largest in Southeast Asia (23rd largest globally). In summary, the government expects the industry to sustain annual volumes around 780,000–830,000 units (to 2030) with the growth story being *composition shift* (more EVs, more CKD local assembly, higher value-add).

The CBU-to-CKD shift. BYD Malaysia has officially confirmed plans for a CKD plant in Tanjong Malim, expected to begin production in H2 2026. Xpeng is targeting CKD in Malaysia by H2 2026. Zeekr has confirmed Malaysia as the first country outside of China to assemble its EVs. This means whether it's finished CBU vehicles or CKD kits, everything still flows from Chinese factories and every unit needs pre-shipment inspection, HV battery certification and kit audit.

Figure EV-3; EV assembly terms

CBU (Completely Built-Up) a finished/fully assembled vehicle that **rolls off the factory line in China and is shipped to Malaysia as-is/ready to drive**. These currently attract import and excise duties (which were exempted until Dec 2025 for EVs). **HV Battery certification**: High-Voltage Battery (lithium-ion battery) pack that powers the EV. These typically operate at 400–800 volts (compared to regular car battery at 12V), which creates serious safety considerations around thermal runaway (fire risk), insulation resistance, crash integrity and charging safety.	**CKD (Completely Knocked Down)** the **vehicle is partially disassembled into a kit** at the Chinese factory; body panels, chassis, engine/motor, electronics, battery pack. Then **shipped in containers to Malaysia to be reassembled at a local plant** (like Proton's Tanjong Malim facility or BYD's upcoming factory there). The CKD model gets local tax incentives because it creates Malaysian jobs and supports the local automotive ecosystem. As the kit still originates from China, it therefore needs inspection before it leaves.

Competition from Global TICs?

Global TIC giants (SGS, Bureau Veritas, TÜV Rheinland, Intertek) already have the accreditations, the China presence and the automotive expertise. However, given their focus on much larger markets (EU type approval, US FMVSS compliance, China domestic CCC certification), Malaysia-bound EV market at 40,000–130,000 units per year is likely too small for them to build a dedicated service line around. This is why we believe LMS (with Malaysia regulatory knowledge (JPJ/MITI requirements, type approval process) has the advantage.

Where Malaysia's EVs Come From

The overwhelming majority of EVs entering Malaysia originate from China, either as CBU finished vehicles or as CKD kits for local assembly. Based on 2024–2025 brand-level registration data:

Figure EV-4: EV vehicles country of import

Origin Country	Brands	2025 Est. Share	Future Trajectory
China (CBU)	BYD, Xpeng, Zeekr, Chery/iCaur, Neta, GWM, MG, Dongfeng, Denza, Leapmotor, GAC, smart	~55–60%	Declining as CKD ramps
China (CKD kits)	Proton e.MAS (Geely), Chery Omoda E5, Neta, Dongfeng Box	~15–20%	Offset CBU
USA	Tesla (Model Y, Model 3)	~12–15%	Stable; possible CKD later
Europe (CKD in MY)	Volvo (XC40/C40/EX30), Mercedes-Benz (EQS)	~5–8%	Stable CKD
Germany/EU (CBU)	BMW, Porsche, Audi, MINI	~5–7%	Low volume, premium
Other Asia	Hyundai (Korea), Honda e:N1 (China-made)	~2–3%	Growing slowly

Source: paultan.org top 20 EV brands (monthly JPJ data, 2024–2025); ZigWheels MY (Jan 2026); SoyaCincau EV registrations (Nov 2025).

This upstream factory inspection and vehicle audit model conducted at the country of origin principally China accounts for >80% of EVs entering Malaysia.

Every new EV entering Malaysia (whether CBU import or CKD kit) requires pre-shipment inspection, type approval verification, HV battery safety certification and vehicle audit at the OEM factory or port of export. LMS Compliance can position itself as the appointed third-party inspection body conducting these audits at source, leveraging its existing TIC competencies without the capital intensity of building Malaysian inspection centers.

Figure EV-5: EV brand factories in China and EV models (export to Malaysia)

OEM / Brand Group	# Factories (for M'sia exports)	Factory Location	Models Produced for Malaysia
BYD (incl. Denza)	3	Shenzhen (HQ); Changsha (Hunan); Xi'an	Atto 3, Atto 2, Dolphin, Seal, Seal 6, Sealion 7, M6, e6, Denza D9
Geely Group (Proton e.MAS, Zeekr, smart, Volvo, Lotus)	4	Hangzhou Bay (Zeekr); Ningbo; Xi'an; Chengdu	Proton e.MAS 5, e.MAS 7 (Geely Galaxy EX5 base), Zeekr X, Zeekr 7X, Zeekr 009, smart #1, smart #3
Chery Group (Chery, Omoda, Jaecoo, iCaur, Jetour)	2	Wuhu (Anhui — main); Hefei	Omoda E5, iCaur 03, iCaur V23, Jetour models
Tesla	1	Shanghai Gigafactory	Model 3, Model Y
Xpeng	2	Zhaoqing (Guangdong); Guangzhou	G6, G6 Facelift, X9 (upcoming)
GWM (Great Wall Motor) / Ora	2	Baoding (Hebei — main); Xushui	Ora Good Cat, Ora 07, Tank EV
SAIC / MG	2	Shanghai; Nanjing	MG4 EV, MG ZS EV, MG Cyberster
Neta (Hozon Auto)	1	Tongxiang (Zhejiang)	Neta V, Neta X (also assembled at NMSB Rembau, MY)
Dongfeng	2	Wuhan (HQ); Liuzhou	Dongfeng Box, Honda e:N1 (Dongfeng Honda JV)
Leapmotor (Stellantis JV)	1	Jinhua (Zhejiang)	T03, C10
GAC (incl. Aion sub-brand)	2	Guangzhou (HQ); Panyu	Aion Y Plus, Aion ES
Total — Chinese OEMs	**22**	**Across 11 OEM groups**	**~35+ BEV models destined for Malaysia**
Assume Inspection Fees	RM$0.25mil per factory		RM$0.5mil per model
Estimate TAM	**RM$ 5.5mil**		**RM$ 17.5mil**

Source: Company websites, JPJ

From fig EV-5, the TAM for factory audits assuming RM0.25mil per factory is equivalent to RM5.5mil while TAM for model certification at RM0.5mil equates to RM17.5mil for collective **TAM of RM23mil**.

LMS EV New Business (8% PATMI)

Assuming LMS capture of conservative 25% market share (TAM RM$23mil) targeting BEV China and applying net margin of 25% (FY25), this would give a forecast EV Inspection revenue of RM5.75mil & net earnings of RM1.44mil (S$0.47mil) or 8% contribution to FY26F net earnings.

As an annuity-like business, we can forecast a 10-year NPV to estimate the value of this new business. Assuming post-tax net profit of RM 1.44mil (fig 5-3), growth of 4.2%,

discount rate at 10% with no terminal growth, our forecast post-tax NPV of S$3.3mil (fig 5-8) is equivalent to 6.6% of mkt cap.

At 25% market share, this implies circa 5.5 factories which translates to average of 2-3 OEMs. Similarly for the model inspection the 25% market share implies circa 3 OEMs. This creates a meaningful first-mover advantage that could potentially lockout new competitors 18–24 months. This would also coincide with the CKD wave hitting in H2 2026.

Acquisition growth [26% FY26F PATMI]

Market share acquisition in highly desirable niches; 75% acquisition of ACC HK [July 2025] and 30% acquisition of Prismatic [May 2024].

2-2-1 Chinese Novel Food Exports [18% PATMI]

LMS US$4.51mil acquisition of 75% of Anchor Technologies HK (ACC) is expected to post FY26F revenue contribution of RM$16.8mil, which translates to RM$3.15mil net profit (18% of FY26F RM$17.1mil) or yielding 17.5% ROIC in its first full year of consolidation. Funded with cash raised during IPO and issuance of new LMS shares, this acquisition marks a new geographic footprint for LMS expansion. ACC specializes in the novel food sector and has substantial market share [est. 30-40% (fig NF-5)] in Novel Food Chinese export certification to USA, offering targeted regulatory support for Generally Recognized as Safe (GRAS) and New Dietary Ingredient (NDI) product registrations exports into the United States, alongside comprehensive research and development consulting. LMS to ride on expected 12% industry growth over the medium term. Potential upside risks in complementary markets; ACC's experienced bilingual (English & Mandarin) team facilitates seamless transition to potential regulatory certification Novel Food (reverse) imports into China and Singapore market. We estimate Novel Food business post tax NPV of 10yr DCF S$9.2mil (fig 5-8) or 18% of market cap.

The ACC acquisition dramatically expands LMS Compliance's certification presence in the Asia-Pacific region, providing immediate exposure to the fast-growing alternative protein and novel food markets.

Figure NF-1: Bilateral goods trade between US and China[8,9,10,11]

Year	Total US Imports from China (All Goods) $ bn	US Ag Exports TO China $bn	China Total Ag Imports (All Sources) $ bn	US Total Food Imports (All Sources) $ bn
2019	452	13.8	130	152
2020	435	26.4	133	152
2021	506	37.0	145	175
2022	537	36.4	136	199
2023	427	31.6	140	192
2024	463	24.7	237*	213

**2024 China Ag imports use broader Chinese customs definition inclusive of forest products,seafood.*

The bilateral trading value between US & China (fig NF-1) saw US Food imports of $213bn (2024), almost 90% of total Chinese Agriculture Imports $237bn.

Figure NF-2 China's Food exports to US

Year	China Food Exports to US $bn	% of US Total Food Imports	Key Categories[8,9,10,11]
2019	4.5–5.0	3.0–3.3%	Seafood, processed vegetables, fruit juice, spices, food ingredients
2020	4.5–5.5	3.0–3.6%	Seafood, processed vegetables, spices, protein ingredients
2021	5.0–6.0	2.9–3.4%	Seafood, processed vegetables, protein ingredients, food additives
2022	5.5–6.5	2.8–3.3%	Seafood, soy protein, pea protein (pre-duty surge), food additives
2023	5.0–6.0	2.6–3.1%	Seafood, processed vegetables, spices, declining protein share
2024E	4.5–5.5	2.1–2.6%	Seafood, processed foods; protein sharply reduced post AD/CVD

China is not among the top 3 food exporters to the US. Mexico, Canada and EU collectively average ~60% of all US agricultural imports (USDA ERS, 2020–24 average: $41bn, $35bn and $33bn respectively).

China's food exports to the US are estimated **$4.5–6.5 bn p.a**, representing 2–3% of US food imports ($213bn fig NF-1). The primary categories are seafood (largest single component), processed vegetables, fruit juices, spices, food ingredients and protein products.

What Are Novel Foods and Why Do They Matter?

Novel foods are food products or ingredients that lack a significant history of human consumption. Typically defined as fewer than 20 years of established dietary use and encompass a rapidly expanding universe that includes plant-based protein isolates, cultivated (lab-grown) meats, precision-fermented dairy proteins, insect-derived ingredients, algal oils, and bioactive compounds produced through synthetic biology.

Under Singapore's Food Safety and Security Act (FSSA), novel food comprises food or food ingredients that do not have a history of human consumption over the past 20 years and may also include compounds that are chemically identical to naturally occurring substances but are produced through advances in technology.

The European Union's Novel Food Regulation (EU 2015/2283) applies a similar framework and in 2024 alone, the European Commission authorised 13 novel food applications and 9 novel food revisions.

In the United States, novel food ingredients enter the market primarily through the FDA's GRAS (Generally Recognized as Safe) notification pathway under 21 CFR §170.30, a regime now facing significant tightening under the current FDA administration's proposal to eliminate self-affirmed GRAS; a move that would force hundreds of existing ingredients through formal safety review.

The role of novel foods in the human food chain is no longer peripheral: the global alternative protein market was valued at $22.9 bn in 2025 (figure NF-4) and is expected to reach $50.62 bn (implied 17% CAGR) by 2032[12], while the plant-based

protein market alone is projected to expand from $20.33 bn (2025) to $43.07 bn (2034), growing at a CAGR of 8.7%[13]. these figures reflect a fundamental structural shift: as the global population approaches 10 bn by 2050, traditional animal agriculture which already consumes roughly 77% of agricultural land while producing only 18% of global calories[14]), cannot sustainably meet rising protein demand. **Novel foods** represent the critical bridge between current food systems and a more **resource-efficient, nutritionally secure future**. The **United States is the single most important export destination for novel food ingredients globally** and this importance is growing. US food imports reached US$204 bn in 2024 , with agricultural imports forecast to reach a record $212 bn (2025) or +3.9%, driven by increases in processed food and beverages, horticultural products and livestock products[16]. The US alternative protein market alone is valued at $6.4 bn in 2025 and projected to reach $28.9 bn by 2035, expanding at a CAGR of 16.3%[17], making it the largest single-country market in the world.

Where ACC dominates

The regulatory infrastructure underpinning this market, the FDA's GRAS/NDI framework, USDA-FSIS dual jurisdiction over cultivated meats and FSMA compliance requirements, creates substantial barriers to entry that simultaneously protect incumbents and generate enormous demand for **specialised regulatory clearance services**. For Chinese novel food ingredient manufacturers, the US market represents both the highest-value opportunity and the most complex regulatory challenge: anti-dumping/countervailing duties of 127–626% on Chinese pea protein[18] have not eliminated Chinese producers' interest in the US market but rather redirected their strategies through reformulation, third-country processing and next-generation ingredient development, all of which require fresh GRAS dossier submissions.

ACC exposure: Novel Food Protein exports [China to US]

Using HTS codes identified in USITC Investigation Nos. 701-TA-692 and 731-TA-1628 (Publication 5529, August 2024), supplemented by IHS Markit/S&P Global trade data and industry sizing from GFI, Brandessence Research and Grand View Research, we estimate the novel food protein import corridor from China to the US as follows:

Figure NF-3: Novel Protein imports to US

Year	Est. Total Novel Protein Imports to US $ bn	From China (%)	China Novel Protein Value $ mil	Key Driver
2019	0.9–1.1	40–45%	360–495	Beyond Meat IPO catalyzes demand; base growth
2020	1.1–1.4	42–48%	462–672	COVID demand surge; +35% plant-based retail
2021	1.4–1.7	45–50%	630–850	Peak demand; supply chain stress pricing
2022	1.6–1.9	48–55%	768–1,045	Chinese imports surge pre-trade case filing
2023	1.5–1.8	45–52%	675–936	PURIS petition filed Jun 2023; imports soften
2024E	1.3–1.6	25–35%	325–560	AD/CVD duties 127–626% imposed Aug 2024

Sources: USITC Publication 5529 (Aug 2024):AD/CVD duties on Chinese pea protein; US Census HTS codes 3504.00.10, 3504.00.50, 2106.10.00; IHS Markit via USITC; Volza shipment data (494 Chinese shipments Jun 2024–May 2025); GFI State of the Industry reports; PBFA/SPINS retail data. Note: Values represent broader novel food protein imports including pea protein, soy protein isolate/concentrate, textured vegetable protein, novel fermented proteins, algal proteins and other GRAS-notified plant proteins.

Chinese Novel Protein exports to US in 2024 averaged $440mil, which contracted by 45% due to Anti-Dumping (AD) and Countervailing Duties (CVD) levied in Aug 2024. This comes against backdrop of Global Alternative Protein market 14.5% growth (2024) while US posted 16.4% growth.

Figure NF-4: Food Market Summary [Alt Protein to maintain +15% growth]

US$ bn	2020	2021	2022	2023	2024/25	*21/20*	*22/21*	*23/22*	*24/23*	*Average*
Global Alt. Protein Market	13	15	18	20	**22.9**	*15.4%*	*20.0%*	*11.1%*	*14.5%*	15.2%
US Alt. Protein Market	3.5	4.2	4.8	5.5	6.4	*20.0%*	*14.3%*	*14.6%*	*16.4%*	**16.3**%
China Plant Protein Market	1.1	1.2	1.4	1.5	1.8	*9.1%*	*16.7%*	*7.1%*	*20.0%*	13.2%
China Meat Substitutes	1.5	1.8	2.0	2.3	2.71	20.0%	11.1%	15.0%	17.8%	16.0%
US Food Imports (Total)	**152**	**175**	**199**	**192**	**204**	15.1%	13.7%	-3.5%	6.3%	7.9%
EU Novel Food Approvals (Annual #)	8	10	11	12	13+					
China NHC Novel Food Approvals #	3	5	7	9	26*					
Singapore SFA Approvals (Cultivated)	1 (Good Meat)	—	1 (Solein)	1 (serum-free)	2 (Vow, Parima)					
Global Cultivated Meat Companies	70	107	150	174	180+ est.					
Global Cultivated Meat Investment (Cumulative)	0.8	1.4	2.4	3.1	3.5					

*Source: Brandessence Research, Future Market Insights, Mordor Intelligence, Statista, USDA ERS, European Commission via ZMUni, *1H2025 REACH24H/NHC, GFI/SFA, GFI State of Industry, GFI/NetZero Pathfinders*

The US Alternative Protein market has averaged 16.3% growth over the last 5 years, outpacing Global at 15.2% (blue highlights). Likewise, Chinese Plant Protein market and Meat Substitutes have also grown 13.2% and 16% respectively. Overall, **we expect industry growth to remain above 15% in the medium term** and ACC should likewise benefit given its substantial market share (fig NF-5).

Impact of Iran conflict => Positive for Novel Food market growth

Given recent upheavals in the global fertilizer market due to crisis in Straits of Hormuz (over 20% global fertilizer production) with substantially higher fertilizer costs and drastic reduction in supply, we believe (a) this could reverse the 2024 AD & CVD tariffs which will be positive for LMS and (b) overall food scarcity should result in increased market demand for food alternatives.

Upside earnings risks; Potential (reverse) Novel Food imports into China and Singapore market. Looking ahead, there is substantial upside risks if LMS expanded its focus in potential import markets for the domestic Chinese Novel Food and the Singapore Novel Food approvals/clearances for production and sale.

Fig NF-5 Estimating ACC's addressable market and business value

Description	Value US$ bn	As % of Denominator
China total food exports to US (2023 est.)	5.5–6.0	2.9–3.1% of $192bn total US food imports (fig NF-1)
China novel food protein exports to US (2023)	675-936mil (fig NF-3)	0.4–0.5% of $192bn total US food imports
Novel protein as % of China's total food exports to US	675-936mil	12–16% of $5–6.0bn China food to US (fig NF-2)
ACC addressable market (novel protein trade compliance fee assumed at 1.5%)	10.1–14mil	TAM for regulatory clearance services
ACC estimated annual revenue US$4.2mil (30-40% market share)	12–16.8mil	Base case current capacity at 40 staff

Source: ACC APS calculated at 3% compliance fee

ACC's 2H25 revenue contribution at RM$7mil is equivalent to annualized RM$16.8mil or US$4.2mil, in-line with US$10.1-14mil range in figure NF-5. This implies a market share circa 40%. Applying net margin of 18.75% (to account for 75% stake), the resulting net profit of RM$3.15mil is 18% of FY26F net profit.

Based on LMS acquisition price of US$4.51mil or RM18mil (for 75%), FY26F net earnings of RM$3.15mil implies **ROIC of 17.5%.**

Near term, we assume FY26F revenue contribution at RM$16.8mil with a net margin assumption at 18.75% (accounting for 75% stake) and apply forward growth rate at 10% (below industry of 15% fig NF-4). The projected NPV post-tax earnings over 10 years with discount rate of 10% and zero terminal value is equivalent to S$9.2mil or 18% of market cap.

Potential upside risks to markets: Accelerating adoption in Asian markets
China, the world's largest meat market, accounting for around a third of the world's supply, has seen its government embed alternative proteins into national policy through the 14th Five-Year Plan (2021–2025), which includes cultivated meat and fermentation as strategic food technologies[19].

In 2025, Beijing saw the opening of the New Protein Food Science and Technology Innovation Base, a first-of-its-kind R&D and innovation center for cultivated meat and fermentation-derived foods, backed by RMB80 mil (US$ 11 mil) in funding from the Fengtai District government and meat processor Shounong Food Group[19]. Top government officials called for deeper integration of emerging industries including biomanufacturing at the 2025 Two Sessions summit, while the No. 1 Central Document [China's top policy goals] underscored the importance of protein diversification and exploring "novel food resources". The China plant protein market is estimated at $1.8 bn in 2025 and expected to reach $2.69 bn by 2030, growing at a CAGR of 8.32%[20], while China's broader meat substitutes market amounts to $2.71 bn in 2025 and is expected to grow annually by 10.34%[21].

China's National Health Commission (NHC) has accepted 26 novel food applications in 2025 alone (as of June 2025), up from just 3 approved varieties in 2020[22]. This is an eightfold increase in regulatory throughput that signals Beijing's determination to build a domestic novel food ecosystem despite traditional cultural preferences. This is not merely a top-down phenomenon: average per capita protein consumption in China reached 42.89 grams per day in 2022[20], with health consciousness and food safety anxieties (post-melamine, post-African Swine Fever) driving consumer openness to alternatives that would have been unthinkable a decade ago.

Singapore, next leg of Novel food growth

Singapore occupies a uniquely influential position disproportionate to its size. In 2020, the Singapore Food Agency (SFA) became the first regulatory body in the world to approve the sale of a cultivated meat product; GOOD Meat's cultivated chicken[23], and has since built the most progressive novel food regulatory framework in Asia. In October 2022, Singapore became the first country to approve gas-fermented microbe-based protein (Solein by Solar Foods) and in 2024, SFA approved cultivated quail from Vow Foods, while GOOD Meat's cultivated product became available for retail, the first such instance globally[23]. In 2024, Singapore's MUIS Fatwa Committee declared cultivated meat permissible as halal under certain conditions[24], a landmark ruling with implications across the 1.9-bn-strong global Muslim consumer market.

From 28 November 2025, **Singapore's new Food Safety and Security Act (FSSA) formalised the pre-market approval framework, making it an offence to supply unapproved novel food**[25], providing the regulatory certainty that institutional investors and food manufacturers require. Beyond Singapore, Israel approved cultivated steak in 2024, the UK approved cultivated pet food in 2024, and by 2023, there were 174 publicly announced cultivated meat companies globally with $3.1 bn invested in the technology over the past decade[26]. South Korea began accepting applications for cultivated meat regulatory approval in 2024, Japan's Prime Minister announced plans to develop a cultivated meat industry in 2023, and India lowered GST rates on textured vegetable proteins, plant-based milks, and single-cell microorganisms from 12–18% to just 5%, bringing them on par with animal proteins[19]. The regulatory landscape is rapidly bifurcating between nations racing to lead (Singapore, US, Israel, UK, China) and those erecting protectionist barriers (Italy's outright ban, France and Austria citing threats to traditional farming) creating a fragmented but fast-growing global market that places an enormous premium on regulatory navigation expertise of exactly the kind that ACC provides.

2-2-2 Asset Protection Services: Landslide monitoring & prevention (8% PATMI)

The RM$0.54mil acquisition of a 30% stake in Prismatic Technologies Sdn Bhd [May 2024], specialising in automated data generation for sustainability reporting companies and organisations focused on sustainable buildings and environmental impact assessments, paved the way for technological advancements and the Company's service diversification. As 1 of 6 Prismatic product offerings (source: prismatic.asia), we highlight LMS' latest Asset Protection Services in Earth Slope Monitoring (detect ground movement and structural instability to prevent landslides and accidents) as a potential game-changer. With over 25,000 man-made slopes hugging federal roads in Malaysia, assuming 1,500 slopes with 10-year contract, the expected NPV is estimated at S$16.8mil (33% mkt cap) business value for LMS. Estimated break-even for LMS (for RM$0.45mil acquisition) circa 50 slopes deployment.

Asset Protection Services (APS) for landslide monitoring & prevention

The cost-benefit analysis is overwhelmingly compelling. Even at a conservative assumption of RM0.1mil per deployment, the implied savings per incident range from RM23.60 to 57.80mil, circa 23x over 10 years. Malaysia's terrain, with **over 25,000 catalogued man-made slopes** *(*along federal roads alone and more than 400 km² of mapped hilly areas, makes slope monitoring not merely a matter of infrastructure maintenance but a question of life and death. Since 1961, landslides have claimed in excess of 600 lives and inflicted cumulative economic losses exceeding US$ 1 bn[27]*)*. The tragedies are etched into the national memory: 48 killed in the Highland Towers collapse (1993), 44 dead in the Pos Dipang mudflow (1996), 20 perished at the Genting Highlands slip road (1995), 16 [mostly children] buried at an orphanage in Hulu Langat (2011) and most recently 31 lives lost including 13 children at the Batang Kali campsite (December 2022). The recurring pattern is unmistakable: these are not isolated incidents but systemic failures of monitoring and early intervention on slopes that, in many cases, were already known to be at risk. As recently as September 2025, seven deaths were reported from a single landslide in Kota Kinabalu, Sabah, a grim reminder that the toll continues to mount.

Proactive slope monitoring through continuous IoT-based sensor network [ranging from measuring ground displacement, pore water pressure, rainfall intensity and vibration in real time] transforms this equation fundamentally.

Over 666+ slopes under repair and backlog

The current reactive approach, where the **government spends RM154–200 mil annually repairing slopes only after failure** (166 sites repaired in 2024 alone, with a backlog of 500+ pending requests), addresses consequences rather than causes. A single catastrophic event like Batang Kali generated estimated total costs of RM31–96 mil when factoring in Search And Rescue (SAR) operations, road reconstruction, civil litigation (RM1.22 mil in special damages claimed, with general damages yet to be determined) and tourism disruption to the Genting corridor. By contrast, continuous

monitoring (RHTC assumption at RM100,000 per site initial deployment and RM50k recurring per year) can detect early-stage slope movement; the PWD's own monitoring at Gunung Pass has tracked 0.4m/year displacement since 2003; providing weeks to months of warning before catastrophic failure.

The **benefit-to-cost ratio is compelling**: as shown in CH Andullah's analyses, every RM1 spent on prevention avoids RM4.60 to 8.30 in reactive repair costs on direct costs alone, rising to RM20–50 when indirect costs including lives, litigation liability and economic disruption are included.

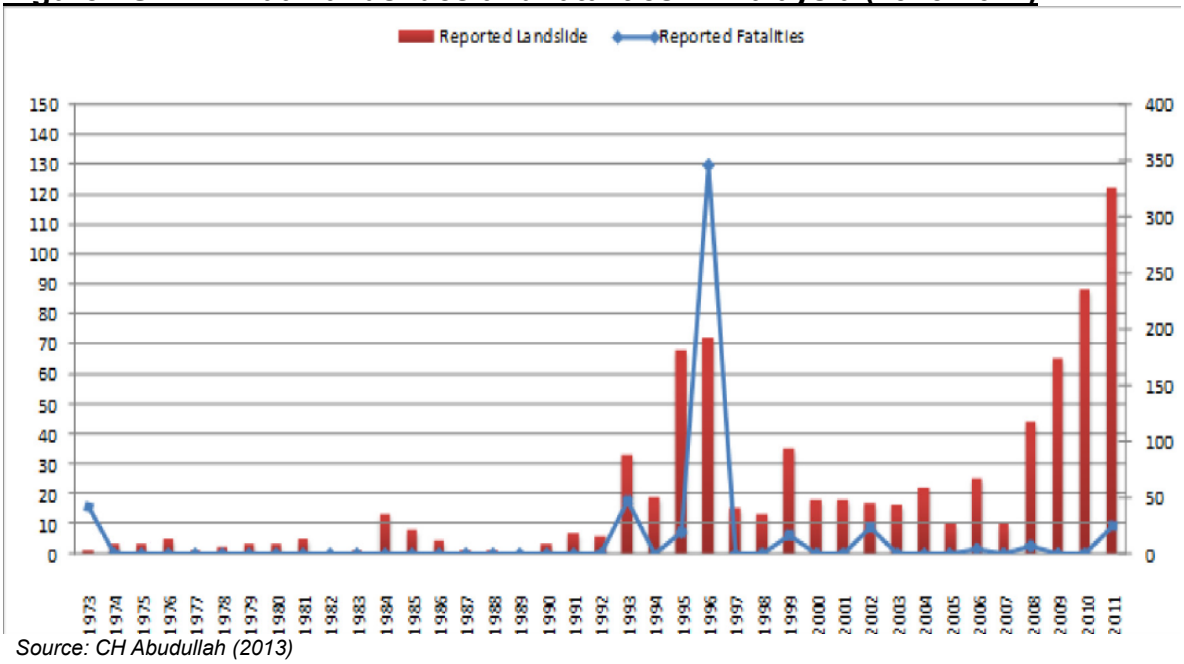
A Federal Government Concern

The National Slope Master Plan (NSMP), completed in 2009 by PWD's Slope Engineering Branch, established a 10-component framework for slope risk management. Key components directly relevant to APS include: hazard mapping and assessments, early warning and real-time monitoring systems, loss assessment, information collection and archiving, and loss reduction measures.

As of the academic paper by Abdullah (2013), more than 25,000 man-made slopes along federal roads had been catalogued using the SMART (Slope Management and Risk Tracking) system.

Malaysia has been experiencing rapid economic development since the early 1990s. As a result, more hilly terrain areas have opened up for development.

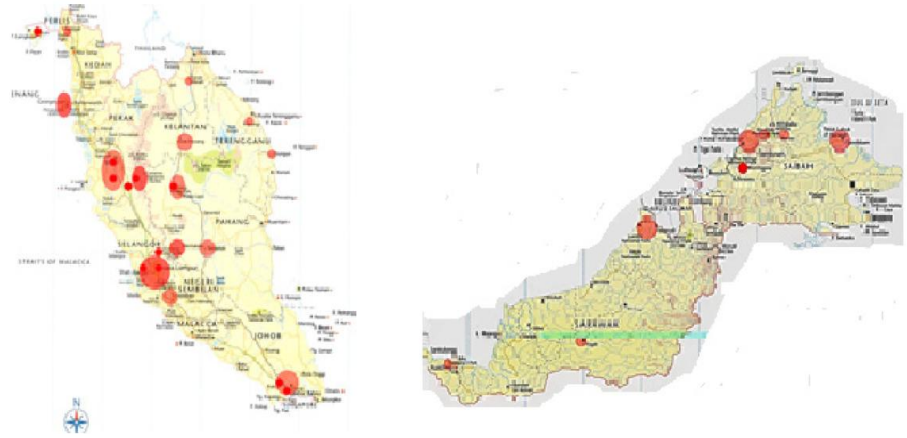
Figure LS-1: Annual landslides and fatalities in Malaysia (1973-2011)



Source: CH Abudullah (2013)

From 1973 to 2011, there have been a number of major landslides in Malaysia with a total loss of lives amounting to more than 600. Fig LSM-1 shows the number of landslide events and fatalities.

Fig LS-2: Landslide prone areas in Malaysia



- >25,000 man-made slopes along federal roads
- Land-slide prone areas covering *1,700km^2

Source: CH Abudullah (2013)

The department of Minerals and Geoscience Malaysia (JMG) has recently mapped 2,966 sq km of landslide-prone areas nationwide. The Works Ministry (KKR) has received allocation of RM93.374mil[28] for slope management works, of which circa RM60mil has been set aside for new slope repair works at 50 locations (fig LSM-3).

Figure: LS-3 Budget for Slope Management Works in Malaysia

	A	B	C = A/B
Slope Management works	**Budget RM$ mil**	**# slopes**	**Est.budget per slope RM$ mil**
2025 Total Slope works	93		
Of which: Slope repair	60	50	1.2
Slope projects & monitoring	34	29	1.2
2024	200 (154 utilised)	166	1.2 (0.93)
Preventive works	24	20	1.2
Landslide warning system (monitoring)	22	20	1.1

Source: RHTC estimates, Bernama

As shown in fig LSM-3, the implied Slope Monitoring is circa RM$1.1-1.2mil, which we believe is the market entry point for LMS' associate Prismatic. Given current repair and backlogs amounting to above 666+ slopes, we estimate circa **1,500 slopes as near term addressable market for Prismatic** Slope Monitoring.

Applying initial setup costs of RM$0.1mil and RM50k recurring service fee (10-year monitoring contract), for 1,500 slopes with installation schedule in fig LS-4, the associate contribution to LMS for FY1 (FY2026F) is estimated at RM$1.35 and FY27F RM$3.825mil.

Figure LS-4: Slope monitoring projected installation, revenues, NPV

# slopes (cumulative)	FY0 RM$mil	FY1	FY2	FY3	FY4	FY5-10
150	15	7.5	7.9	8.3	8.7	

500		35	17.5	18.4	19.3	
850			35	17.5	18.4	
1,200				35	17.5	
1,500					30	
Revenue sub-total	15	42.5	60.4	79.1	93.9	700-800
Assumed net margin	30%					
Post tax NPV (FY14)	174					
Discount rate	10%					
	FY26F	**FY27F**				
Associate contribution (LMS P&L) RM$ mil	1.35	3.825				

Source: RHTC estimates

Fig LS-4 shows our projection for estimated 1,500 slopes rollout and the expected NPV over 10-years fixed per slope with similar assumptions as above, RM$0.1mil per setup and subsequent RM50k p.a. service contract. The DCF (assume 10% discount rate and zero terminal value) for 1,500 slopes is expected to yield RM$173mil post-tax NPV or associate value of S$16.8mil to LMS (33% mkt cap).

3 INDUSTRY LANDSCAPE

LMS (S$50.8mil or US$39mil mkt cap) delivered revenues of RM33.63mil (+32.5% yoy) and 29.8% net profit growth to RM6.76M in FY2025, significantly outpacing global peers targeting mid-single-digit growth. Over the next 2 years, LMS is expected to post over 50% revenue growth, driven by 4 distinct new businesses (section 2-1). This significantly outpace its larger global peer group; SGS commands CHF17bn market cap with CHF8.4bn revenue 5-7% FY26F growth, Bureau Veritas at EUR 13.4bn/EUR 7.3bn with 6.5% growth and Intertek at GBP7.4bn/GBP 4.5bn at 3.9% growth. Valuations wise, LMS trades at 9.1x FY26F PE versus SGS at 21.67x, Bureau Veritas at 17.56x and Intertek at 15.85x. We expect LMS anticipated near term growth to drive its market capitalization beyond S$100mil (or US$78mil).

LMS Compliance Ltd occupies a distinctive competitive position as a high-growth, specialized regional player operating within the shadow of global Testing, Inspection and Certification behemoths. While the company's absolute scale remains modest with a market capitalization of approximately **S$50.8 mil**, (US$39mil) its strategic focus on regulatory-driven compliance services in Southeast Asia has enabled it to achieve exceptional financial performance that materially outpaces the growth trajectories of industry giants such as **SGS**, **Bureau Veritas** and **Intertek**.

The global TIC industry remains highly fragmented despite the enormous scale of its leading participants with top-tier companies like Eurofins and SGS each holding circa 5% of the total market share, while Bureau Veritas holds roughly 4%. Within this fragmented landscape, LMS Compliance has successfully carved out defensible regional market share by focusing on localized regulatory requirements and deploying proprietary digital compliance platforms that offer operational agility unmatched by the legacy systems prevalent at multinational competitors. Since 2007, LMS Compliance has been developing its own Laboratory Information Management System, which is now in its fifth iteration and serves as the intelligent backbone for automating data capture and enabling remote verification. This technological edge allows the company to deeply embed itself into clients' operational workflows, creating substantial switching costs that protect its competitive positioning.

SGS operates a sprawling network of over 2,500 laboratories and business facilities across 115 countries, supported by a workforce exceeding 100,000 professionals. Intertek similarly leverages a massive footprint, utilizing more than 1,000 laboratories and offices in over 100 countries to deliver its comprehensive ATIC (Assurance, Testing, Inspection, and Certification) solutions. In stark contrast, LMS Compliance operates as a highly targeted regional platform, generating its revenue primarily from its three accredited laboratories in Malaysia and its newly expanded operations in Singapore and China with overall staffing circa 180 (implied RM$0.19mil per staff). However, this massive scale can sometimes become a structural disadvantage for the global giants when servicing localized corporate clients, which could make consistent global delivery challenging especially with legacy systems that requires constant IT upgrading in addition to data standardization and harmonization.

Digital Compliance Solutions: Agility vs. Legacy Systems

A critical differentiator for LMS Compliance is its proprietary digital ecosystem, which heavily mitigates the traditional scale advantages of its larger peers. Since 2007, LMS Compliance has been developing its own Laboratory Information Management System (LIMS), which is now in its fifth iteration and serves as the intelligent backbone for automating data capture and enabling remote verification. This system is complemented by "aizenz", a one-stop ISO certification platform, and "aisinz", a real-time surveillance product that provides stakeholders with immediate safety data via tamper-proof QR codes.

This unified, ground-up digital architecture contrasts sharply with the technology stacks often found at the global TIC majors. Because these behemoths have grown through decades of continuous acquisitions, there is significant integration risk inertia. LMS bypasses these legacy integration hurdles entirely. By utilizing advanced data analytics and artificial intelligence within a unified proprietary framework, the Group achieves superior decision-making capabilities, reduces manual errors, and seamlessly interfaces with modern ESG reporting frameworks. This technological agility allows LMS Compliance to deeply embed itself into clients' daily workflows, creating high switching costs and defending its regional market share against the fragmented digital offerings of the global TIC giants.

Relative Valuation: LMS vs Global TIC Behemoths

The global TIC sector commands premium valuation multiples due to its defensive characteristics, high barriers to entry and the highly recurring nature of regulatory-driven revenue. While the behemoths offer global scale, LMS Compliance presents a much smaller, higher-growth regional alternative.

Figure 3-1: Global TIC valuations

Company	S$ Mkt Cap bn	Beta	FY26F P/E	EPS growth	PEG	EV/EBITDA
SGS AG	26.5	0.59	21.67x	10.2%	2.12	11.38x
Bureau Veritas SA	20.1	0.75	17.56x	11.0%	1.6	9.62x
Intertek Group PLC	12.7	0.81	15.85x	7.7%	2.1	9.02x
Average	19.8		18.36	9.63%	1.9	10.0
LMS Compliance	50.8mil	nm	9.14	*86.7%	0.11	1.06x
Discount to global avg			-50.2%		-94.5%	-93.2%

** Average of LMS FY26F (+166%) & FY27F (+7.4%) EPS growth. Source: BBG, Yahoo Finance, RHTC estimates*

As shown in fig 3-1, the larger global TIC players trade at substantial valuation premium over LMS Compliance, even though the average EPS growth is 9.6% while LMS average 86.74% over next 2 years. Global TIC industry landscape is generally fragmented and most of the global players hold less than 5% market share in their respective industries. Hence while LMS is significantly smaller scale, its anticipated strong growth would likely vault it to above **S$100mil market capitalisation bracket** and perhaps start to attract serious institutional investors.

4. EXECUTIVE MANAGEMENT TEAM

LMS' founder-led culture is a competitive advantage, emphasizing quality service, transparency and purposeful innovation. Succession planning is a medium-term risk as it must ensure continuity of vision and operational rigor. **The leadership bench boast of succession-ready executive teams, *features several long-tenured executives with deep industry expertise* providing investors with confidence in LMS' ability to maintain market leadership across multiple business cycles, opportunistic M&As and potential CEO transitions.**

LMS maintains a lean 6-member board with 50% independence and strong 33.3% gender diversity, led by co-founders with 19 years of industry tenure, contrasting with the **larger 9-13 member boards** and **tenure-capped governance structures** of multinational peers. LMS built its IP strategy around proprietary cloud applications including aikinz-LIMS and aizenz, relying on software copyrights rather than hardware patents, reporting zero formal patent filings in FY2023, while global peers hold **€461.5M-£329.4M in intangible assets** and pursue **hardware-focused patent portfolios**.

LMS is supported by an executive team distinguished by its exceptional tenure and strategic depth. Core leaders average more than ***15 years*** with the company, providing a foundation of stable, institutional knowledge across finance, operations and sales. This stability has enabled the deliberate cultivation of a strong, succession-ready leadership bench, a process actively overseen by the Board. The result is a resilient organization where strategic execution and cultural continuity are embedded within the leadership structure, effectively mitigating transition risk and ensuring the enduring success of the corporate strategy.

Figure 4-1: LMS' executive officers as of 31-Dec-2025

Officer Name	Age	Position	Year First Became Officer
DR OOI SHU GEOK	54	*Executive Director and Chief Executive Officer*	2006
MS CHONG MOI ME	58	*Executive Director & Chief Development Officer*	2006
ONG BENG CHYE		*Independent Non-Executive Chairman*	2022
TAN SRI DATO' (DR) WEE HOE SOON		*Independent Non-Executive Director*	2022
MS WONG WAN CHIN		*Independent, Non-Executive Director*	2022
DR CHONG JUIN KUAN		*Non-Independent Non-Executive Director*	2022

Source: LMS

4-1. Leadership Depth – deep bench

RHTC believes the LMS' Board of Directors actively oversees a comprehensive planning process for key executive roles. Its executive team reflects a deliberate balance of seasoned tenure and evolving leadership. The long tenured executive appointments & recent infusion of independent directors are part of a strategic, long-term plan to develop internal talent & ensure a seamless transition of responsibilities, underpinning ITS' future stability & continued execution of its strategic objectives.

DR OOI SHU GEOK: Founder, *Executive Director and Chief Executive Officer, leads the strategic di*rection of LMS. Dr. Ooi also plays a prominent role in industry associations - serving as chairman of the Malaysia Association of Accredited Laboratories and SME Association (Samenta) Malaysia (southern region).

MS CHONG MOI ME: Executive Director and Chief Development Officer Ms. Chong oversees the growth and development of LMS group's subsidiaries (excluding MY CO2 (KL) Sdn Bhd). With a career spanning over two decades, Ms. Chong has held roles in industrial engineering, chemistry, and quality control in organisations like DNP Garment, Fumakilla, Depco United, and Asia Nutri-Chemical.

ONG BENG CHYE has served as Independent Non-Executive Chairman since 2022. Mr Ong has more than 27 years of experience in areas such as accounting, auditing, due diligence, mergers and acquisitions and business advisory. He is also an independent director of 5 other listed companies: ES Group (Holdings) Limited, IPS Securex Holdings Limited, Hafary Holdings Limited, Geo Energy Resources Limited and Alpina Holdings Limited.

TAN SRI DATO' (DR) WEE HOE SOON: Independent Non-Executive Director, extensive experience in finance & corporate planning. He served as CEO of Avenue Securities Sdn Bhd From 2000 to 2006 managing the overall operations and business development. In 2018, he was awarded an honorary Doctor of Business by Wawasan Open University.

MS WONG WAN CHIN: Independent, Non-Executive Director. Ms. Wong began her legal career in 2000 and is currently the managing partner of Wong & Loh. She oversees 7 offices across Malaysia where they provide corporate legal services such as M&A, IPOs, and industrial land acquisitions. She also serves as the non-executive chairman of Volcano Berhad, listed on Bursa Malaysia.

DR CHONG JUIN KUAN: Non-Independent Non-Executive Director. He is the Chief Data Officer for Nanyang Technological University since Sep-2023. He was an associate professor of marketing at the National University of Singapore (NUS) where he worked for over 30years. From 2016 to 2019, he served as the Vice Dean of Research and PhD at NUS Business School. Dr Chong graduated from University of Canterbury, New Zealand in 1990 with a Bachelor of Science in Operations Research (First Class Honours). He obtained his Doctor of Philosophy in Management from the University of California in 1998.

5. FINANCIALS, INTRINSIC VALUE, ROIC

LMS' FY25 financials continue to show a trend of robust cash flow and shareholder-value maximization as a high margin niche asset protection services provider in Malaysia. Since 2023, it has posted double digit Revenue growth (22% CAGR), maintaining average net margin above 20% and average 17.4% ROA since listing. Over the next 2 years, we are forecasting average EPS growth of 56% driven by 4 New Business lines. New Business Growth is multi-faceted (fig 5-3), driven by (i) Chinese Electric Vehicle import Inspection, (2) water certification driven by robust Data Center growth in Johor, Malaysia, (3) Recent acquisition of 75% stake in ACC (HK) certification business for Novel Food Chinese exports into US while (4) 30% stake in Prismatic (associate contribution) positions LMS as emerging Landslide monitoring and prevention vendor across Malaysia. Management team through its long-sighted strategies (M&A, asset light revenue growth) sets the stage to sustain shareholder value maximization with its execution. As LMS scales up its revenues towards RM$100mil, the forecasted earnings expected to translate to average 20%+ ROAA over next 2 years. LMS Intrinsic valuation of $0.68 (+84% upside potential) derived from estimating its 4 business stream NPV (fig 5-8). Its counter-cyclical business makes LMS ideal for various portfolio allocation.

5-1 LMS Financials

Figure 5-1: Income statement

RM $ mil	2023	2024	2025	2026F	2027F		23/22	24/23	25/24	26/25	27/26
Lab Testing service	20.02	23.75	25.55	34.33	36.88		*11.8%*	*18.6%*	*7.6%*	*34.4%*	*7.4%*
Certification svr	0.42	0.48	7.10	17.33	18.96		*78.1%*	*14.0%*	*1375%*	*144.2%*	*9.4%*
Trading, CAT	0.46	1.15	0.99	1.04	1.09		*-14.8%*	*152.*	*-14.0%*	*5.0%*	*5.0%*
Inspection				5.75	5.99						*4.2%*
Revenue	**20.90**	**25.38**	**33.64**	**58.45**	**62.92**		*11.9%*	*21.4%*	*32.5%*	*73.8%*	*7.6%*
Gross Profit	**7.03**	**8.51**	**11.29**	**27.96**	**27.21**		109.6%	21.2%	32.6%	147.6%	*-2.7%*
EBIT	**7.56**	**7.74**	**9.54**	**25.78**	**24.69**		194.2%	2.3%	23.3%	170.1%	*-4.2%*
Interest expense	(0.18)	(0.19)	(0.22)	(0.25)	(0.47)		*-15.2%*	*9.0%*	*13.9%*	*14.2%*	*88.1%*
Interest income	0.21	0.20	0.15	0.15	0.15		*307.8%*	*-2.9%*	*-26.7%*	*0.0%*	*0.0%*
Other income	1.79	0.36	0.44	0.44	0.44		*458.9%*	*-79.9%*	*22.5%*	*0.0%*	*0.0%*
Associate contribution		0.06	(0.04)	1.35	3.83				*-161.7%*	*nm*	*183.3%*
PBT	**7.59**	**7.80**	**9.43**	**27.02**	**28.19**		*214.8%*	*2.8%*	*20.9%*	*186.5%*	*4.3%*
Tax	(2.11)	(2.60)	(2.67)	(6.50)	(6.07)		*24.8%*	*23.1%*	*2.7%*	*143%*	*-6.5%*
tax rate (%)	*27.82*	*33.32*	*28.32*	*24.04*	*21.54*						
PAT	**5.48**	**5.21**	**6.76**	**20.53**	**22.11**		*661.3%*	*-4.9%*	*29.8%*	*203.6%*	*7.7%*
Minority Interests			*(0.29)*	(3.47)	(3.79)					*1116%*	*9.4%*
Net Attributable Profit			**6.48**	**17.06**	**18.32**					*163%*	*7.4%*

Source: Company, RHTC estimates.

We have classified Data Center FY26F revenue of RM$8.75mil (fig DC-12) as Lab testing service, Novel Foods RM$16.8mil (fig 5-3) under Certification service, Electric Vehicles RM$5.75mil (fig 5-3) under Inspection revenue.

Figure 5-2: Ratios and Per share data

	2024	2025	2026F	2027F
PE (x)	24.26	24.31	9.14	8.51
PE/G			0.06	1.15
Intrinsic Value			**0.68**	
Mkt Cap/Sales (x)		4.91	2.69	2.48
Rule of 40 (%)	35.81	55.40	112	42.58
Div Yield (%)	2.27	2.70	2.94	3.52
FCF Yield (%)	2.89	4.89	14.33	14.10
P/BVPS		3.21	2.28	1.75
ROAE (%)	16.07	16.60	34.91	28.10
ROAA (%)	13.44	13.75	28.65	22.80
Revenue/staff ($mil)	0.181	0.187	0.260	0.254
Debt/EBIT (x)	0.12	0.09	0.06	0.13
Interest cover (x)	40.9	43.8	102.8	52.3
Debt/Equity (%)	3.0	1.8	2.5	3.6
Debt/Assets (%)	2.5	1.5	2.0	2.9
Nett Cash/Total Assets (%)	29.1	23.0	37.7	43.9
Nett Cash per shr S$ cts	3.31	3.22	7.48	11.50
	2024	**2025**	**2026F**	**2027F**
Revenue growth (%)	21.42	32.53	73.77	7.65
PBT growth (%)	2.78	20.86	186.49	4.31
EPS growth (%)		(0.21)	166.06	7.40
FCF growth (%)	(26.34)	110.77	190.31	(1.60)
Asset growth (%)	4.40	54.12	40.18	31.90
Operating margin	31.3	28.8	44.4	39.5
Net margin	20.5	20.1	35.1	35.1
FCF margin	14.4	22.9	38.2	34.9
EPS S$ cents	1.53	1.52	4.05	4.35
DPS S$ cents	0.84	1.00	1.09	1.30
payout (%)	0.55	0.66	0.27	0.30
BVPS S$ cents	9.49	11.54	16.26	21.10
Wt avg sh o/s mil	104.92	137.25	137.25	137.25
# staff year-end	140	180	225	248

Source: Company, RHTC estimates

Note that average EPS growth (FY26F-FY27F) is 86.7% (used in fig 3-1 and fig 5-10).

Fig 5-2 shows relatively strong margins at LMS; operating margins above 30% indicative of sustained penetration in high regulatory regime, while the high FCF margin coincides with high cash generation.

Figure 5-3: New Business Growth & EPS accretion

RM$ mil	Revenue	recurring	Net margin	Net Earnings	% NBG	NBG Earnings per shr S$	% FY26F Earnings
DC	8.75	2.5	30%	2.63	**31%**	0.62	15%
EV	5.75	5.75	25%	1.44	**17%**	0.34	8%
NF*	16.8	18.48	18.75%	3.15	**37%**	0.74	18%
LS			30%	1.35	**16%**	0.32	8%
		NBG sub-total		8.56		2.01	50%
		*NBG adjusted for 50% NF				1.64	
		Change in EPS FY26F-25 [$4.05 – $1.52]				2.53	

**Novel Food was acquired in 2H25, hence half of its earnings should be considered organic. Source: RHTC estimates*

FY26F EPS is forecast to from 1.52cts to 4.05cts or increase by 2.53cts. Fig 5-3 shows the simplified (we did not adjust for pro-rated shares in FY25 in this calculation example) 4 new business streams estimated to contribute close to 1.64cts (excluding 2H25 contribution by ACC). As percentage of FY26F Net Earnings, Novel Food certification is expected to account for 18%, followed closely by Data Center water testing at 15% while Electric vehicle inspection and Landslide Monitoring accounts for 8% each.

Figure 5-4: Balance Sheet

RM$ mil	2022	2023	2024	2025	2026F	2027F		*23/22*	*24/23*	*25/24*	*26/25*	*27/26*
Cash & CE	12.31	17.23	12.26	14.60	33.18	51.63		39.9%	-28.9%	19.4%	127.4%	55.6%
Trade rec	2.91	3.21	4.51	6.50	9.75	14.63		10.4%	40.7%	44.1%	50.0%	50.0%
Prepayments	0.22	0.44	0.48	0.52	0.58	0.63		103.3%	9.6%	9.4%	10.0%	10.0%
Contract assets	0.21	0.12	0.10	0.22	0.24	0.26		-44.5%	-18.1%	130.5%	10.0%	10.0%
FVTPL	6.97	7.08	10.09	11.41	13.12	13.38		1.6%	42.5%	13.0%	15.0%	2.0%
Current Assets	**22.62**	**28.07**	**27.43**	**33.24**	**56.87**	**80.53**		24.1%	-2.3%	21.3%	71.1%	41.6%
PPE	7.29	7.58	9.36	9.75	10.37	12.42		4.0%	23.5%	4.1%	6.4%	19.8%
Right of use assets	1.67	1.43	1.32	1.23	1.16	1.09		-14.4%	-7.5%	-7.0%	-6.0%	-6.0%
Investment in Associates			0.60	0.51	1.19	3.10				-15.0%	131.8%	161.1%
Goodwill				14.93	14.06	13.19					-5.9%	-6.2%
LT Assets	**8.96**	**9.01**	**11.28**	**26.42**	**26.77**	**29.79**		0.6%	25.2%	134.2%	15.8%	45.3%
Total Assets	**31.57**	**37.08**	**38.71**	**59.70**	**83.64**	**110.32**		17.5%	4.4%	54.2%	40.2%	31.9%
Trade Payables	1.31	2.07	2.50	6.10	8.54	11.96		58.3%	20.6%	144.0%	40.0%	40.0%
Bank borrowings	0.09	0.09	0.09	0.10	0.10	0.50		2.3%	4.5%	4.3%	3.1%	400%
Lease liabilities	0.24	0.25	0.27	0.69	0.30	0.50		1.7%	8.5%	159.6%	-56.7%	66.7%
Contract liabilities	0.40	0.35	0.38	0.86	0.07	0.08		-12.5%	9.4%	124.0%	-91.6%	10.0%
Income tax payable	0.06	0.18	0.36	0.46	1.3	1.12		215.5%	94.0%	28.5%	117.2%	13.1%
Current Liabilities	**2.10**	**2.94**	**3.60**	**8.21**	**10.32**	**14.16**		40.3%	22.3%	128.0%	25.7%	37.3%
Other payables	0.23	0.19	0.16	0.12	0.25	0.16		-20.2%	-14.0%	-23.8%	1441%	62.8%
Bank borrowings	1.05	0.97	0.88	0.79	1.58	2.66		-7.8%	-9.0%	-10.4%	100%	68.4%
Lease liabilities	1.62	1.40	1.25	0.77	0.47	1.10		-13.9%	-10.2%	-38.3%	-38.8%	132.1%
Deferred tax liabilities	0.41	0.41	0.43	0.69	3.36	4.60		-1.2%	5.4%	60.3%	389.8%	36.9%
LT Liabilities	**3.32**	**2.96**	**2.73**	**2.37**	**5.67**	**8.52**		-10.8%	-7.9%	-12.9%	138.8%	50.4%
Share capital	11.29	11.29	11.29	23.76	23.76	23.76		0.0%	0.0%	110.4%	0.0%	0.0%
Reserves	2.18	2.17	2.22	1.98	1.98	1.98		-0.3%	2.1%	-10.5%	0.0%	0.0%
Retained Earnings	12.69	17.72	18.88	21.54	37.49	54.11		39.6%	6.6%	14.1%	74%	44.3%
Non-ctrl interests				1.80	5.26	9.06					192.7%	72%
Total Equity	**26.16**	**31.18**	**32.39**	**49.09**	**68.50**	**88.91**		19.2%	3.9%	51.5%	39.5%	29.8%

Source: Company, RHTC estimates

Figure 5-5: Gearing

	2022	2023	2024	2025	2026F	2027F
Interest cover (x)	12.24	42.49	39.88	43.18	102.2	52.0
Total Debt/Equity	4.4%	3.4%	3.0%	1.8%	2.5%	3.6%
Total Debt/Assets	3.6%	2.9%	2.5%	1.5%	2.0%	2.8%
Total Debt/EBIT	44.3%	14.0%	12.6%	9.3%	6.5%	12.8%
Assets/Equity	1.21	1.19	1.20	1.22	1.23	1.26

LMS balance sheet is essentially debt free with estimated gearing (Debt/ Total Assets) staying below 3%.
Strong CF generation business projected to raise Cash balance above 45% of balance sheet by FY27F.

Source: Company, RHTC estimates

Figure 5-6: CF statement	2022	2023	2024	2025	2026F	2027F
PBT	2.41	7.59	7.80	9.43	27.02	28.19
Amortisation				0.44	0.44	0.44
Bad debts WO	0.01	0.01		0.06		
Dep PPE	0.81	0.88	0.96	1.15	1.33	1.52
Dep Right of Use	0.27	0.26	0.32	0.49	0.49	0.49
Interest expense	0.21	0.18	0.19	0.22		
Interest income	(0.05)	(0.21)	(0.20)	(0.15)		
IPO fee	0.61					
Share of associate			(0.06)	0.04	(1.35)	(3.83)
Trade & other rec	(0.29)	(0.43)	(1.16)	(0.40)	(0.05)	(0.06)
Contract assets	(0.21)	0.09	0.02	(0.12)	(0.02)	(0.02)
Prepayments	0.53	(0.22)	(0.04)	(0.05)	(0.05)	(0.06)
Trade and other payables	(0.30)	0.71	0.45	0.88	2.44	3.42
Contract liabilities	0.15	(0.05)	0.03	0.48	(0.79)	0.01
income tax paid	(1.64)	(1.99)	(2.41)	(2.80)	(6.50)	(6.07)
Net Cash from Operations	**2.49**	**6.08**	**6.32**	**9.05**	**22.96**	**24.03**
Interest income		0.01	0.05	0.06	0.06	0.06
Acquisition of subsidiary				0.30		
Associate Investment			(0.54)	0.04		
Purchase PPE	(0.79)	(1.18)	(2.62)	(1.36)	(0.62)	(2.05)
Disposal right of use assets		0.05	(0.04)			
Placement financial assets	(2.46)	(3.45)	(6.41)	(5.30)		
Redemption Financial assets	2.83	3.60	3.50	4.14		
Cash from Investing	**(0.42)**	**(0.97)**	**(6.07)**	**(2.16)**	**(0.57)**	**(1.99)**
Dividends paid		(0.45)	(4.04)	(3.82)	(3.90)	(3.58)
Proceeds from share issue			10.52			
Repayment bank	(0.93)	(0.08)	(0.08)	(0.09)	0.69	0.58
Repayment interests	(0.07)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Repayment lease	(0.25)	(0.24)	(0.26)	(0.44)	(0.44)	(0.44)
Repayment lease interests	(0.14)	(0.13)	(0.104)	(0.10)	(0.10)	(0.10)
Cash from Financing	**9.14**	**(0.95)**	**(4.58)**	**(4.49)**	**(3.80)**	**(3.59)**
Net CF	**11.21**	**4.17**	**(4.33)**	**2.41**	**18.59**	**18.44**
Effect of FX		0.75	(0.65)	(0.07)		
Cash beginning of year	1.11	12.31	17.23	12.26	14.60	33.18
Cash end of year	12.31	17.23	12.26	14.60	33.18	51.63

Source: Company, RHTC estimates

LMS' management projected FCF over next 2 years is expected to yield between RM$17-18mil, which we believe is easily sustainable given its pro-active focus on new business growth.

As a result, LMS could boast a projected cash balance of RM$52mil or 47% of balance sheet by FY27F. This recurring war chest would afford the firm a wide latitude to pursue its M&A targets, operational capex, maintain/increase its dividend payouts or scale its business to another level.

5.2 INTRINSIC VALUATION

RHTC investment thesis centers on LMS' entrenched economic **moat** built & developed over 20 **years, offering full-stack TIC** ecosystem with substantial international market share penetration and strategic positioning for next leg of industry growth (regulatory upscaling/adoption). LMS commpliance represents the kind of business for investors to own for the long term, an executive management team that focus on maximizing shareholder value, tremendous market positioning ahead of the curve, ability to identify and anticipate changing consumer demand. Since listing in 4Q2022, the stock has returned over 42% (excluding S$2.7mil in dividends), a reflection of LMS sustained track record in the TIC industry.

Figure 5-7: LMS share price performance since listing

Period	Share price close est	% chg yoy
Nov-22	26 [IPO-subscription pr]	
Dec-23	27.78	+6.8%
Dec-24	30.00	+8%
Dec-25	38.00	+26.7%
10-Apr-26	37.00	-2.6%

- Shareholder return +42.3% (excluding dividends)
- Total dividends paid since listing; RM$8.31mil / S$2.7mil (equivalent to 5.3% current yield)
- ROAE 16.4% – 19.1%
- ROAA 13.7% - 16%

Source: CNBC

As LMS seeks to scale towards RM$100mil in revenues, it is heartening to see that LMS has exceeded Rule of 40 (typically for high growth Tech companies; Revenue growth + Operating margin) and is likely to increase from current 55.4 to 112 in FY26F, essentially growing the company without sacrificing margins. Noteworthy also is management ability to keep LMS relatively debt free in this cycle.

5-2-1 Intrinsic Valuation Methodologies

LMS' TIC portfolio is largely subscription-like with long-tail recurring business streams. As such we apply a discounted cash-flow as a means of estimating the intrinsic value (IV) of the business. Based on our various assumptions (fig 5-8), we forecast 10-year NPV of $0.34 per share. As we assume zero terminal value for all the DCF business streams, we apply a 2x earnings multiple adjustment to arrive at Intrinsic Value of 68cts per shr (or potential 84% upside).

Next, we cross-check our estimated IV with global TIC players' relative valuations in (fig 5-9 Implied LMS target price). At S$0.68, this implies LMS trading at 86% discount to (select group) global TIC FY26F PEG ratio or 78% discount to EV/EBITDA.

Lastly, we benchmark against Straits Times Index valuations (fig 5-11). At LMS IV of S$0.68, this implies LMS trading at 87% discount to STI's FY26F PEG ratio.

Figure 5-8 Intrinsic Valuation assumptions & estimates

Business lines	Net Margin	Mkt shr	Growth rates	DCF S$ mil	Per shr S$	Comments
DC	30%	25%	5%	2.3	0.02	Conservative assumption vs Industry likely growth at double digits
EV	25%	25%	4.2%	3.3	0.03	In-line with Industry projected growth. Upside risks from Iran conflict
NF	18.75%	40%	10%	9.2	0.07	Below Industry average growth of 15%. Upside risks from Iran conflict
LS	30%	nm	5%	16.8	0.12	New market hence mkt shr assumption not meaningful. Although 25k man-made slopes with Federal roads were catalogued, our DCF model assumes up to 1,400 slopes (2x current slopes requiring repairs) phased installation over 5 yrs.
		NBG sub-total		**31.6**	**0.23**	New Business Growth of S$31.6mil or $0.23 per shr
Reported FY24	20.50%		10%	15.3	0.11	Existing business excl NBG. LMS averaged >20% NP growth from 2023-25
			Total	46.9	0.34	
			Earnings multiple		2	Adjustment for zero Terminal Values
			Intrinsic Value		**0.68**	Derived Intrinsic Value for LMS, implied $93.3mil mkt cap

Source: RHTC estimates

Our assumptions to derive DCF estimates;

- We assumed 10% discount rate across all NPV models
- 10 year horizon
- **zero terminal value**
- LMS assumed market shares
- various industry growth rates for the respective business lines recurring net earnings

The New Busines Growth (NBG) subtotal of S$31.6mil or S$0.23per share is then added to existing LMS portfolio (excluding NBG), using FY2024 numbers and 10% growth rate (below recent historical growth above 20%). This gives us the resulting total of S$46.9mil or S$0.34.

Figure 5-9: Summary New Business Growth contribution and % Mkt Cap

FY26F	RM$ mil					S$ mil	
	Revenue	Net Profit	% Gp Rev	% Gp NP		NPV	% Mkt Cap
DC	8.75	2.63	15%	15%		2.27	4.5%
EV	5.75	1.44	10%	8%		3.34	6.6%
NF	16.80	3.15	29%	18%		9.24	18.2%
LS	na	1.35	na	8%		16.79	33.1%
Sub-total		**8.56**		**50%**		**31.65**	**62.3%**
Group	58.45	17.06					

Source: RHTC estimates

Fig 5-9 shows the summary contribution of each business units and their relative contribution LMS Group.

To compensate for zero terminal values in all the DCF estimates, we applied a 2x earnings multiple which resulted in our **Intrinsic Value estimate of S$0.68 for LMS (implied S$93.3mil mkt cap).**

Figure 5-10: LMS Intrinsic Value relative to Global TIC valuations

	Company	S$ Mkt Cap bn	Beta	FY26F P/E	EPS growth	PEG	EV/EBITDA
A	SGS AG	26.53	0.59	21.67x	10.2%	2.12	11.38x
B	Bureau Veritas SA	20.1	0.75	17.56x	11.0%	1.6	9.62x
C	Intertek Group PLC	12.7	0.81	15.85x	7.7%	2.1	9.02x
D = avg (A,B,C)	**Global TIC Average**	**19.8**		**18.36**	**9.63%**	**1.9**	**10.0**
E	LMS Compliance	50.8mil	nm	9.14	*86.7%	0.06	0.68x
F = E/D-1	Discount to global avg			-50.2%		-94.5%	-93.2%
G=Dx22.5%			**At 13.5% of global avg**			0.267	2.25
H			**Implied LMS shr pr cts**			**68.5**	**51.9**
J=Dx33%			**At 22% of global avg**			0.4	**2.2**
K			**Implied LMS shr pr cts**			111	**68.5**

** Average of LMS FY26F (+166%) & FY27F (+7.4%) EPS growth. Source: BBG, Yahoo Finance, RHTC estimates*

As shown in fig 5-10, despite its significantly larger growth estimates, LMS' valuations are at a steep discount to global TIC between 50-95%. With significantly higher growth potential (we apply average EPS growth [+86.7%] of FY26F [+166%]] and FY27F [+7.4%]), we believe LMS valuations should narrow the valuations gap.

Applying our Intrinsic Value of S$0.68, this is equivalent to 86% discount to Global TIC's PEG ratio, or **78% discount on EV/EBITDA** basis.

Figure 5-11: LMS and STI relative valuations

	FY26F PE	FY26F growth	PEG	FY26F PB	Implied ROE	Div Yield	EV/EBITDA
STI	15.5	10%	1.55	1.59	10.25%	4.7%	5.5-15.5[2] (ex-FI)
LMS	9.14	*86.7%	0.11	2.28	30%	2.94%	0.68
(Discount) / Premium	(21.9%)		(93.2%)	55.3%			(87.6%)
	At 12.5% of STI avg		0.19				0.715
	Implied LMS shr pr cts		**68**				43
	At 40% of STI avg		0.62				2.2
	Implied LMS shr pr cts		206				**68**

1. Average of LMS FY26F (+166%) & FY27F (+7.4%) EPS growth.2. Average range for other sectors in STI ex-Financials; Telco average 5.7x, Offshore Marine Engineering sector 5.5x, Aerospace avg 12.7x, Fund Mgt industry 15.5x. Source: BBG, RHTC estimates

Compared to the domestic market, LMS trades at 21.9% FY26F PE discount to STI despite having estimated average *8x growth vs STI (fig 5-11). Despite lower dividend yield of 2.94% vs 4.7%, LMS has substantially higher ROE at 30% vs implied STI ROE at 10.25%. Similar to comparison with global TIC valuations, we believe a more relevant yardstick would be PEG. LMS Intrinsic Value of 68cts is equivalent to 12.5% of STI PEG valuation (or 87.5% discount). On a EV/EBITDA basis with the lowest value industry group in STI, LMS Intrinsic Value of 68cts implies a 60% discount to STI's EV/EBITDA.

5-2-2 Valuation Key Risks

Risks to RHT Capital views and intrinsic value/price target:

1. Better/worse execution in pursuing new market shares that would pose an upside/downside risk to our estimates and valuation.
2. Faster/slower-than-expected organic growth would pose an upside/downside risk to our estimates and valuation.
3. A better/worse-than-expected macro/trade environment that may provide upside/downside risk to growth across business lines.

5-3 Sustainability / ESG

LMS Compliance Ltd is a Catalist-listed Testing, Inspection & Certification (TIC) group operating across Singapore, Malaysia, Hong Kong, and China (Shanghai, Hainan). Its subsidiary network, including MyCO2 Group, Empiric Science, Acclab Malaysia, Prismatic Technologies and Anchor Center for R&D and Certification, underpins its "Decarbonomics" sustainability brand. The 2025 Sustainability Report was prepared in accordance with SGX Catalist Board requirements

Figure 5-12: LMS Sustainability Report 2025 overview

Source: LMS AR 2025

LMS Compliance's ESG framework is notably comprehensive for a Catalist-listed company of its size. The group's core TIC business in carbon measurement (MyCO2) creates a natural alignment between its commercial operations and SGX's escalating sustainability disclosure requirements. The breadth of published policies; spanning environment, social, governance, digitalisation, and financial sustainability, positions LMS well ahead of the "comply-or-explain" baseline, though the depth of quantitative target-setting and third-party assurance will be the next frontier as SGX progressively tightens requirements toward FY2026–2027.

Environmental Policies

- **Renewable Energy Policy:** Strategic transition framework to shift operations toward cleaner energy sources.
- **Greenhouse Gas (GHG) Policy:** Commitment to reduce Scope 1 and Scope 2 GHG emissions across operations and supply chain — directly aligned with SGX's mandatory GHG disclosure requirements effective FY2025.
- **Environment Policy:** Broad commitment to environmental protection and improvement as a core operational priority.
- **"Decarbonomics" Branding:** The group's sustainability identity positions carbon measurement and reduction as a commercial value proposition — consistent with the MyCO2 subsidiary brand.

Social Policies

- **Personal Data Protection (PDPA):** Formal statements and policies ensuring compliance with Singapore and Malaysian data protection laws.
- **Whistleblowing Policy:** Open channel for employees, partners, and the public to report unethical or illegal conduct.
- **Anti-Discrimination & Anti-Harassment:** Dedicated policies eliminating discrimination, harassment, sexual harassment, and workplace violence.
- **Child & Forced Labour Policy:** Explicit commitment to counter forced and child labour risks within the group's sphere of influence.
- **Safety & Health Policy:** Occupational safety and health (OSH) practices aligned with legislative requirements.
- **Amoeba Management System:** An organisational innovation framework encouraging autonomy and collaboration.
- **Supply Chain Assessment:** ESG-aligned vendor assessment covering environmental, climate, social, and governance dimensions.
- **Innovation Policy:** Commitment to fostering a culture of innovation across the organisation.

Governance Policies

- **Anti-Bribery & Anti-Corruption (ABAC):** Operations conducted to the highest ethical and integrity standards.
- **Conflict of Interest Policy:** Governance controls consistent with corporate governance best practices.
- **Board Diversity Policy:** Targets diversity at the Board of Directors level.
- **Policy Declaration:** Stakeholder acknowledgement mechanism requiring agreement to comply with published policies.

Digitalisation & Financial Sustainability

- **Intellectual Property, Information Security & Network Security Policies:** Framework for IP awareness, data protection, and secure IT infrastructure.
- **Budget Planning, Cash Flow & Compliance Policies:** Financial discipline policies ensuring operational sustainability and regulatory compliance.

Figure 5-13: Alignment with SGX Sustainability Reporting Requirements

SGX Requirement[A]	LMS Compliance Alignment
Catalist Rule 711A/711B[29] — Annual sustainability report with material ESG factors, policies, targets, and reporting framework	2025 Sustainability Report published per Catalist Board requirements
Mandatory Scope 1 & 2 GHG Emissions (FY2025)[30]— All listed issuers must disclose	GHG Policy and MyCO2 subsidiary infrastructure directly support emissions measurement and reporting
TCFD / ISSB Climate Disclosures[31] — Climate-related disclosures consistent with IFRS S2	"Decarbonomics" positioning and renewable energy/GHG policies form the foundation for TCFD-aligned disclosure
Comply-or-Explain for Other ESG Components[32] — Social, governance, and non-climate environmental factors	Comprehensive policy suite across all three ESG pillars (18+ published policies)
Board Training on Sustainability[33] — Director competency requirements	Board diversity policy and governance framework in place
Supply Chain ESG Assessment[34] — Increasingly expected under ISSB framework	Formal supply-chain sustainability assessment questionnaire deployed
Internal Review of Sustainability Process[35] — Required under Rule 711B	Policy declaration mechanism and structured compliance framework support internal review

Source: lmscompliance.com/policy.html, sustainability report, SGX[A] refer to appendix A-3

APPENDIX A1 – SWOT ANALYSES

SWOTs	Description [Report section]	Probability / Risks
Strengths	*Leverage on expertise accumulated over 20 years TIC to penetrate new markets and maintain market share/margins *Low Balance Sheet gearing insulate against any macro downturns	HIGH Medium-High
Weakness	Limited Executive Management Resources may curb next stage in scaling revenue growth (RM150-300mil level)	Low-Medium
Opportunities	• Data Center [2-1-1] • Novel Food: imports into China, new Singapore market [2-2-1] ACC's foothold/track record for US FDA imports • Electric Vehicle Inspection [2-1-2] • Landslide / Slope monitoring& prevention [2-2-2]	High Medium-High Medium-High High
Threats	Potential of established global TIC companies competing for LMS' new market opportunities: • Data Center (already high international content & players in DC buildup chain) • Novel Food (China & SG) – LMS can offset with competitive infrastructure • EV Import Inspection (global TIC has track record in other markets) • Slope monitoring & prevention	 Low – Regulators preference Low Low – Regulators preference Low – Completion of POC

A-2 Tables & Charts

A-3 Source / References table

#	Sources
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[32]	*SGX RegCo Press Release (23 Sep 2024): "SGX RegCo to start incorporating IFRS Sustainability Disclosure Standards into climate reporting rules"*
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[34]	*SGX Catalist Rules Amendments — Sustainability Reporting: Enhancing Consistency and Comparability (effective 1 Jan 2025)*
[35]	*ACRA & SGX RegCo Joint Announcement (25 Aug 2025): "Extended Timelines for Most Climate Reporting Requirements to Support Companies"*

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