# LMS COMPLIANCE | SGX: LMS

## 1H26 In-line, Execution on Track

**BUY**

**Current Price:** $ 0.425
**Target Price:** $ 0.680
**Upside:** + 60.0%

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**LMS Compliance (LMS)** saw record revenue growth of RM$18.19 mil, +40.5% yoy, in 1H FY26, significantly outpacing the 32.5% growth in FY25 and translating into a solid +23.9% yoy increase in Net Attributable Profit to RM$3.43 mil. This was in line with RHTC's investment thesis for LMS of a doubling in revenues in the next couple of years driven by recent acquisitions and forays into new business streams.

The robust top-line growth was largely driven by stronger contributions from certification and consultancy services of RM$5.44 mil, a phenomenal 1,833.7% yoy, supported by the integration of recently acquired business units (such as 75%-owned Anchor Technology). ACC has captured substantial market share in Chinese Novel Food (NF) exports into the USA. RHTC estimates the implied recurring revenue contribution circa RM$16.8 mil. 1H FY26 results show LMS is executing this strategic pivot and is well on track to capture this revenue upside.

While traditional core laboratory testing and assessment saw slight moderation of RM$0.30 mil, -2.5% yoy, the surge in high-value certification services and ESG/decarbonisation solutions more than offset the decline and means LMS has now grown a substantial second business pillar since FY25. Profitability expanded by a very solid 23.9% to RM$3.43 mil, though net margins faced slight compression but were still a very healthy 18.9%. They should rebound to the mid-20% as LMS scales up the high-value certification side of the business.

After digesting the FY26 results, we are confident that RHTC's investment thesis for LMS of a doubling in revenue driven by LMS's high-value testing and certification and ESG/tech expansion in Asia, particularly China. Our intrinsic valuation of $0.68 still stands (60% upside from 6 August's share price of $0.425 which is already up a market beating 14% since our initiation report on LMS on 4 May 2026).

**Mkt Cap**: S$58.3 mil

**[S$0.425 6-Aug-26]**

**Intrinsic Value:** S$0.68

**10 day ADTV:** 0.08 mil

**Singapore**

*Industrials, Commercial & Professional Services [2020]*

| RHTC Forecast *RM$ mil* | 12/24 | 12/25 | 12/26F | 12/27F |
|---|---|---|---|---|
| *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)* | 29.50 | 24.30 | 9.10 | 8.50 |
| *PEG (x)* | | | 0.06 | 1.15 |
| *Rule 40 (%)* | 35.80 | 55.40 | 112.00 | 42.60 |
| *ROAE (%)* | 16.10 | 16.60 | 34.90 | 28.10 |
| *Div Yield (%)* | 2.27 | 2.70 | 2.94 | 3.52 |
| *FCF yield (%)* | 2.89 | 4.92 | 14.30 | 14.10 |
| *Gearing% (D/TA)* | 2.50 | 1.50 | 2.00 | 2.90 |
| **Intrinsic Value** | | | **S$0.68** | |
| *% upside* | | | **62%** | |

| Industry Valuation | PE 2026F | PEG 26F(x) | BETA [1,2] | EV/ EBITDA |
|---|---|---|---|---|
| **LMS** | 10.3 | 0.06 | *na* | 0.68 |
| *STI* | 18.3 | 1.55 | 1.00 | 5.5-15 *(ex-FI)* |
| **Global TIC** | | | | |
| *SGS* | 23.9 | 2.1 | 0.59 | 11.4 |
| *Bureau Veritas* | 19.4 | 1.6 | 0.75 | 9.6 |
| *Intertek Gp* | 17.5 | 2.1 | 0.81 | 9.0 |
| **Avg ex LMS** | **20.3** | **1.9** | | **10.0** |
| ***LMS disc/t*** | ***49.3%*** | ***94.2%*** | | ***93.0%*** |

*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 $0.425 6-Aug-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 *(RM$ 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% |

*Dr Ooi and Ms Chong are spouses* *Source: LMS AR 2025*

## MM Per Share

| **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 |

## Cash Flow *(RM$ mil)*

| **RM$ mil** | **2024** | **2025** | **2026F** | **2027F** |
|---|---|---|---|---|
| Pretax profit | 7.8 | 9.4 | 27.0 | 28.2 |
| Net change working capital | (3.1) | (2.0) | (5.0) | (2.8) |
| others | 1.6 | 1.6 | 0.9 | (1.4) |
| **CF from Operations** | **6.3** | **9.1** | **23.0** | **24.0** |
| | | | | |
| Capital Expenditure | (2.7) | (1.4) | (0.6) | (2.0) |
| Acquisitions/(Divestitures) | (0.6) | 0.3 | - | - |
| Others | (2.9) | (1.1) | 0.1 | 0.1 |
| **CF from Investing** | **(6.1)** | **(2.2)** | **(0.6)** | **(2.0)** |
| | | | | |
| Dividends paid | (4.0) | (3.8) | (3.9) | (3.6) |
| Equity | - | - | - | - |
| Debt | (0.1) | (0.1) | 0.6 | 0.5 |
| Others | (0.4) | (0.5) | (0.5) | (0.5) |
| **CF from Financing** | **(4.6)** | **(4.5)** | **(3.8)** | **(3.6)** |
| **Net CF** | **(4.4)** | **2.4** | **18.6** | **18.4** |
| **Free CF** | **3.7** | **7.7** | **22.3** | **22.0** |
| FCF per shr S$ | 1.1 | 1.81 | 5.3 | 5.2 |

# EXECUTIVE SUMMARY

**On Track for a Doubling in Revenue**

Continuing its trend of uninterrupted revenue growth since listing, **LMS** saw record revenue growth of RM$18.19 mil, +40.5% yoy, in 1H FY26, significantly outpacing the 32.5% growth in FY25 and translating into a solid +23.9% yoy increase in Net Attributable Profit to RM$3.43 mil. This was in line with RHTC's investment thesis for LMS of a doubling in revenues in the next couple of years driven by recent acquisitions and forays into new business streams: Novel Food certification (18% of future Net Profit); Data Centre water testing (15%); EV inspection (8%); and 30%-owned associate Prismatic (8%). We remain upbeat about the prospects for the growth in LMS's revenues through 2H FY26 and FY27 and reiterate our BUY call on LMS with a target price of S$0.68, +62% upside.

Overall, LMS demonstrated strong top-line momentum and profit growth, driven primarily by operational expansion and recent inorganic contribution from 75%-owned Chinese subsidiary Anchor Technologies (ACC Shanghai), though dividend distribution was paused to preserve capital, giving LMS the ability to further scale up the business to the next level of RM$100 mil in revenue which we see happening over the next couple of years.

**Top-Line Growth Drivers - Certification & Consultancy Expansion:**

The robust 40.5% yoy revenue increase to RM$18.19 mil was largely driven by stronger contributions from certification and consultancy services of RM$5.44 mil, a phenomenal 1,833.7% yoy, supported by the integration of recently acquired business units (such as 75% Anchor Technology). ACC has captured substantial market share in Chinese Novel Food (NF) exports into the USA, which requires product compliance with strict licensing and FDA guidelines for approvals. RHTC estimates the implied recurring revenue contribution circa RM$16.8 mil (with conservative 10% growth assumption). 1H FY26 results show LMS is executing this strategic pivot and is well on track to capture this revenue upside.

While traditional core laboratory testing and assessment saw slight moderation of RM$0.30 mil, -2.5% yoy, the surge in high-value certification services and ESG/decarbonisation solutions more than offset the decline and means LMS has now grown a second business pillar since the end of FY25.

While LMS incurred a RM$0.14 mil share of loss from 30%-owned Prismatic, its exposure to Malaysia's landslide slope monitoring / asset protection market is still expected to contribute to between RM$1.35-3.83 mil in revenue phased in over the next 2-3 years given the more than 1,000 high-risk slopes nationwide. The risk of government budget cuts is low given the repair expense trade-off amidst accelerating climate change as seen globally again in 2026.

The high data intensity and need for real-time monitoring and analysis fits well with LMS's SaaS platform.

Profitability expanded by a very solid 23.9% to RM$3.43 mil, though net margins faced slight compression relative to revenue growth but were still a very healthy 18.9% but should rebound to the mid-20% as LMS scales up the high-value certification side of the business.

Employee benefit expenses and consumables/materials increased by RM$0.76 mil or 68.4% yoy in tandem with business scale, alongside higher depreciation costs of RM$0.51 mil, 72.8% yoy, and amortization costs of RM$0.44 mil tied to newly acquired assets and intangibles. This was to be expected given the acquisition of ACC in 2H FY25 and integration in 1H FY26 and should moderate in 2H FY26 as the yoy comparison dissipates.

Management opted not to declare an interim dividend for 1H FY26 down from RM$3.82 mil in 1H FY25. RHTC is fully supportive of this decision as cash conservation is vital as LMS scales up to support ongoing working capital, integration costs, and growth opportunities across regional decarbonisation and SaaS schemes.

Cash and cash equivalents rose by RM$4.91 mil to RM$19.51 mil, comprising over half of the company's current assets – giving it a very healthy liquidity buffer, which is where LMS should be at this point in the business cycle. Net Asset Value (NAV) per share improved to 38.70 cents, up from 35.76 cents.

Macro risks did not materialise in 1H FY26 despite the ongoing conflict in the Middle East and should be supportive in LMS's main Malaysian market. GDP growth in Malaysia remains buoyant at 5.4% yoy in 1Q and a projected 5.8% in 2Q, well above official forecasts of 4% to 5% for the full year. Inflation also remains low at 1.5% to 2.5% allowing Bank Negara to keep interest rates steady at 2.75% amidst policy tightening elsewhere in Asia. Malaysia is a prime beneficiary of the global AI boom given its massive semiconductor industry and the boom in construction of data centres in the country's tech hubs of Johor Bahru, Kuala Lumpur and Penang where LMS has its 3 laboratories and bodes well for a proven Malaysian TIC player. At 1 GW (per new Data Centre), estimated Water Compliance costs for LMS (assume market penetration of 25%) are circa US$1.4 mil-US$3.9 mil (and US$0.28k-US$0.78k recurring), equivalent to average Base Case revenue of RM$8.75 mil and RM$2.6 mil long-tail recurring subscription.

**Strategic Initiatives & Future Outlook - ESG & Decarbonisation Push:**

Building on its strategic 2025 acquisition of ACC, LMS signed an MOU with Chinese strategic partners ACC in Shanghai and Shenzhen GDR Carbon Asset in April 2026 to deploy AI-driven ESG and carbon management cross-border solutions, establishing a strategic "Shanghai-Shenzhen-Singapore" collaboration platform in 3 of the world's most dynamic growth markets (Shenzhen is China's hardware, electronics and tech epicentre).

In May 2026 LMS secured Singapore Accreditation Council (SAC) accreditation for Carbon Footprint of Products, further expanding the scope of its existing validation and verification capabilities. This is another exciting high-margin new business opportunity for LMS's asset-light business strategy in Singapore and augurs well for further top-line growth.

In summary LMS continues to pivot from a traditional Malaysian lab testing provider into a regional asset-light and high value-added integrated ESG compliance and digital SaaS platform encompassing Malaysia, China and Singapore.

The 1H FY26 performance highlights solid underlying operational expansion and effective cross-selling post ACC acquisition. The temporary pause in distributions shows LMS prioritising cash preservation to fund strategic ESG/tech expansion in Asia. This business expansion has continued unabated in 1H FY26, with the MOU in China and SAC accreditation in Singapore highlighting LMS's continued high growth potential and strategic execution of the business plan in the lucrative asset protection industry.

If anything, after digesting the FY26 results, we are confident that RHTC's investment thesis for LMS of a doubling in revenue driven by LMS's high-value testing and certification and ESG/tech expansion in Asia, particularly China, and soon, Singapore. **Our intrinsic valuation of $0.68 still stands (60% upside from 6 August's share price of $0.425 which is already up a market beating 14% since our initiation report on LMS on 4 May 2026)**.

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