EARNINGS UPDATE

LMS Compliance Ltd.
(SGX: LMS / LMSC.SI / LMS SP Equity)

Downgrade to OUTPERFORM

Target Price (SGD)	0.495
Current Price (SGD)	0.425
Potential Price Return	+16.5%
Previous TP(SGD)	*0.44*
Previous TP Date	*30 Jan 2026*

ACC broadens the earnings base; FY2025 beat lifts TP, but valuation caps upside.

LMS Compliance is a Singapore-listed testing, certification and assurance provider with three accredited laboratories in Malaysia and an expanding regional footprint through Singapore and China. FY2025 added ACC's novel-food regulatory consulting platform and established MY CO2 Inspection for EV and goods inspection.

As at 15 July 2026

Key Call

Downgrade to OUTPERFORM; TP raised to S$0.495 from S$0.44.
We raise our target price to S$0.495 from S$0.44 after FY2025 revenue and EBITDA exceeded our initiation forecasts, but downgrade LMS to OUTPERFORM following the share-price increase from S$0.35 at initiation to S$0.425. The revised TP implies 16.5% upside, below the house BUY threshold. FY2025 validated the operating thesis: laboratory testing remained resilient, ACC established certification and consultancy as a material second revenue pillar, and cash conversion strengthened. However, ACC's 25% NCI and acquisition-related amortisation limit the flow-through from consolidated operating growth to shareholder earnings.

Thesis Update & Watchpoints

Testing resilience intact; diversification is now established.
Laboratory testing revenue grew 7.6% to RM25.55m, while certification and consultancy increased to RM7.10m as ACC contributed RM6.40m following completion on 11 Jul 2025. Testing's share of Group revenue declined to 76.0% from 93.6%, reducing business concentration without weakening the core operating franchise.

ACC validates scale, but attributable earnings remain the key test. ACC contributed RM1.15m of profit during the post-acquisition period, although 25% is attributable to NCI and RM0.437m of acquisition-related amortisation reduced reported earnings. FY2026 will be the first full consolidation year. The key tests are whether ACC can grow above its RM11.14m FY2025 pro-forma revenue base, retain its c.17% pro-forma profit margin and deliver stronger PATMI and cash flow after NCI.

What we monitor next. Key watchpoints are ACC growth and customer retention, laboratory utilisation, ESG-assurance monetisation, MISB regulatory approvals and commercial launch, working-capital conversion, and whether earnings delivery can sustain the narrow discount to global TIC peers.

Info & Statistics

Industry	Specialty Business Services
52-week Range, S$	0.285 – 0.450
3M Avg. Turnover, S$	41,103
Free Float	19.4m (14.13%)
Market Cap, S$ m	58.33

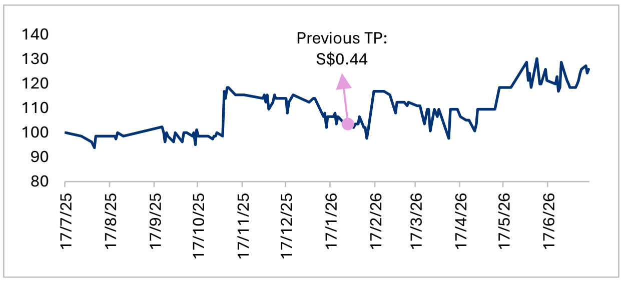
Financial Metric Summary

RM m, unless stated	FY25A	FY26E	FY27E
Revenue	33.64	41.08	44.00
EBITDA	11.77	14.58	15.62
Adjusted PATMI	6.72	8.38	9.01
EPS, RM cents	4.89	5.82	6.32

Source: LMS FY2025 Annual Report published on SGXNet on 9 Apr 2026; uSMART Research estimates as at 15 Jul 2026.

Share Price Performance

12M, Rebased to 100



Source: Bloomberg data extracted on 15 Jul 2026, reproduced by uSMART Research.

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Results & Forecast Revision Snapshot

RM m unless stated	FY2025E	FY2025A	Variance	FY2026E	*Revision Verdict*
Revenue	29.50	33.64	+14.0%	41.08	Operating beat; full-year ACC lifts base
EBITDA	11.05	11.77	+6.5%	14.58	Above range; margin remains disciplined
EPS, RM cents	5.50	4.89	-11.1%	5.82	NCI and amortisation dilute flow-through
DPS, S cents	N.A.	1.00	N.A.	1.00	Supported by cash generation

Source: LMS FY2025 Annual Report published on SGXNet on 9 Apr 2026; uSMART initiation report dated 30 Jan 2026; uSMART Research estimates as at 15 Jul 2026.

Investment Call & Results Verdict

OUTPERFORM; TP raised to S$0.495 as FY2025 validates the thesis, but valuation upside narrows.

We downgrade LMS to **OUTPERFORM from BUY** while raising our TP to **S$0.495 from S$0.44**. FY2025 validated the operating thesis and established a higher forward earnings base, while the TP increase reflects ACC's full-year contribution, updated peer multiples and the Group's net cash-like asset position. The rating change is valuation-led: from the 15 Jul 2026 closing price of S$0.425, our TP implies 16.5% upside, within the house OUTPERFORM band. Share-price appreciation since initiation has therefore outpaced the TP revision.

Figure 1 Rating Action & Investment Verdict

Item	Initiation / reference	Latest / revised	Read-through
Rating / TP	BUY / S$0.44	**OUTPERFORM / S$0.495**	Stronger operating thesis, but upside narrows to 16.5%
Revenue	FY2025E RM29.50m	FY2025A RM33.64m	14.0% above forecast midpoint
EBITDA	FY2025E RM11.05m	FY2025A RM11.77m	6.5% above midpoint; though below our 37–38% assumption
EPS	FY2025E 5.50 sen	FY2025A 4.89 sen	Lower-than-assumed margin, NCI and amortisation dilute flow-through.

Source: LMS FY2025 Annual Report released on SGXNet on 9 Apr 2026; uSMART initiation report dated 30 Jan 2026; uSMART Research assessments as at 15 Jul 2026.

Operating beat, but shareholder earnings were the softer line.

FY2025 revenue and EBITDA exceeded the midpoints of our initiation forecasts by 14.0% and 6.5%, respectively. Reported EPS of 4.89 sen nevertheless fell below our 5.50-sen estimate because the 35.0% EBITDA margin was below our 37–38% initiation assumption, while ACC's NCI and acquisition-related amortisation further limited shareholder-level flow-through. We therefore regard FY2025 as an operating beat, but not a clean EPS beat.

The investment debate shifts from diversification to execution.

The operating thesis has strengthened: laboratory testing remained resilient, ACC established a material second revenue pillar, VVB capability became operational and cash conversion improved. The key FY2026 test is no longer whether LMS can diversify, but whether ACC can grow above its RM11.14m pro-forma revenue base, retain its c.17% pro-forma profit margin and convert consolidated growth into PATMI and free cash flow after NCI and working-capital requirements.

FY2025 established a higher, cash-backed earnings base.

LMS delivered a strong FY2025 result, with revenue rising 32.5% YoY to RM33.64m, EBITDA increasing 27.6% to RM11.77m and PATMI growing 24.3% to RM6.48m. Anchor Technology Holdings Co., Limited's (ACC) consolidation from 11 July 2025 provided the main step-up in scale but did not account for all of the growth. Excluding ACC's disclosed RM6.40m revenue contribution, Group revenue would still have reached approximately RM27.23m, implying c.7.3% growth against FY2024. The result therefore reflects both acquisition-led expansion and continued momentum in the existing business.

Profitability remained resilient through the enlargement of the operating platform. EBITDA margin eased to 35.0% from 36.3%, as LMS absorbed higher employee, subcontracting and depreciation costs together with a different consolidated business mix. The limited margin dilution is a constructive outcome given the increase in scale and integration complexity and does not indicate deterioration in underlying demand or cost discipline.

Figure 2 FY2025 Earnings Quality Snapshot

RM m unless stated	FY2025A	FY2024A	YoY / change	Read-through
Revenue	33.64	25.38	+32.5%	Higher base; growth not solely acquisition-led
EBITDA	11.77	9.22	+27.6%	Scale translated into operating earnings
EBITDA margin	35.0%	36.3%	−1.3 ppt	Limited dilution through integration
PAT	6.76	5.21	+29.8%	Higher Group earnings before NCI allocation
PATMI	6.48	5.21	+24.3%	Growth moderated by RM0.285m of ACC NCI
Adjusted PAT[1]	7.20	5.21	+38.2%	Excludes ACC acquisition-related amortisation
Basic and diluted EPS, RM cents	4.89	4.08	+19.9%	Per-share growth moderated by ACC consideration shares
DPS, Singapore cents	1.00	0.84[4]	+19.0%	Higher effective payout on comparable share base
Operating cash flow	9.22	6.32	+45.8%	Strong cash backing; 1.42x PATMI
Free cash flow[2]	7.86	3.57	+120.0%	Higher CFO and lower post-expansion capex
Cash and cash equivalents	14.60	12.26	+19.1%	Higher cash buffer supports working capital and investment
FVTPL money-market funds[3]	11.41	10.09	+13.0%	Additional liquid financial resources

Note [1]: Company-defined adjusted Group PAT, excluding RM0.437m of amortisation arising from the ACC business combination.
Note [2]: Calculated as net cash from operating activities less purchases of PPE; before acquisitions, lease repayments and financing activities.
Note [3]: Highly liquid money-market funds classified separately as financial assets at FVTPL. Including these funds, total cash and cash-like financial assets were RM26.00m in FY2025 versus RM22.35m in FY2024.
Note [4]: FY2024 DPS adjusted for the enlarged share base following the ACC consideration shares and November 2025 bonus issue.
Source: LMS FY2025 Annual Report released on SGXNet on 9 Apr 2026; uSMART Research assessment as at 15 Jul 2026.

Adjusted earnings clarify operating strength; NCI remains a shareholder leakage.

Group PAT increased 29.8% to RM6.76m, while PATMI grew at a slower 24.3% after RM0.285m was attributable to ACC's minority shareholders. This distinction is economically important: ACC's 25% NCI will continue to limit the proportion of consolidated profit accruing to LMS shareholders.

By contrast, the RM0.437m amortisation of acquired customer relationships and contracts is non-cash and arises from the acquisition purchase-price allocation. Excluding this charge, adjusted net profit increased 38.2% to RM7.20m and adjusted net margin improved to 21.4% from 20.5%. We therefore use adjusted earnings to assess the underlying operating performance of the enlarged Group, while retaining NCI in full when assessing shareholder-level earnings and valuation.

Cash conversion remained strong; acquisition returns are now the key quality test.

Operating cash flow rose 45.8% to RM9.22m, equivalent to 1.42x PATMI, confirming that the earnings improvement was supported by cash generation rather than accounting consolidation alone. Capex moderated to RM1.36m from RM2.75m following the heavier laboratory investment phase in FY2024, lifting free cash flow to approximately RM7.86m. The improvement partly reflects capex normalisation, but LMS nevertheless generated sufficient internal cash to support integration, dividends and further investment.

The balance sheet remained liquid after recognising RM0.75m of deferred consideration and RM1.47m of contingent consideration relating to ACC at year-end. LMS ended FY2025 with RM14.60m of cash and RM11.41m of money-market funds, against RM0.89m of borrowings and RM1.47m of lease liabilities. Funding capacity is therefore not the immediate concern. The more relevant earnings-quality question is whether ACC can sustain the profit and cash generation required to support the goodwill and customer-related intangible assets recognised on acquisition.

Higher shareholder returns were supported by cash generation and a formal dividend framework.
Shareholders approved a tax-exempt final dividend of 1.00 Singapore cent per share at the AGM on 27 Apr 2026, implying a total FY2025 payout of S$1.37m, up 19.0% from S$1.15m in FY2024. On the annual report's RM-equivalent basis, this represents a payout of approximately 67% of FY2025 PATMI. The higher payout remained well covered by operating cash flow and was accompanied by the adoption of a formal Dividend Policy on 28 Nov 2025, providing a clearer framework for balancing sustainable shareholder returns against working-capital and investment requirements.

Overall, FY2025 was a good-quality result. LMS established a materially higher earnings base, preserved profitability and converted shareholder earnings strongly into cash. The next test is whether the enlarged Group can sustain growth, margins and PATMI after the initial ACC consolidation effect.

Segment & Operating Review

ACC created a second revenue pillar, but diversification remains predominantly acquisition led.

LMS's revenue mix changed materially in FY2025. Laboratory testing remained the operating anchor at RM25.55m, but its share of Group revenue declined to 76.0% from 93.6% as certification and consultancy expanded to RM7.10m, equivalent to 21.1% of revenue. LMS therefore exited FY2025 with a more balanced operating base and a meaningful presence beyond its traditional Malaysian laboratory business.

The mix shift was driven principally by ACC. Certification and consultancy revenue increased by RM6.62m, of which ACC contributed RM6.40m following completion on 11 Jul 2025. Assuming ACC's contribution was fully classified under this segment, it accounted for approximately 97% of the increase. The remaining legacy certification business generated an estimated RM0.69m, still representing c.44% growth. Diversification has therefore accelerated meaningfully, although most of the additional scale was acquired rather than organically built.

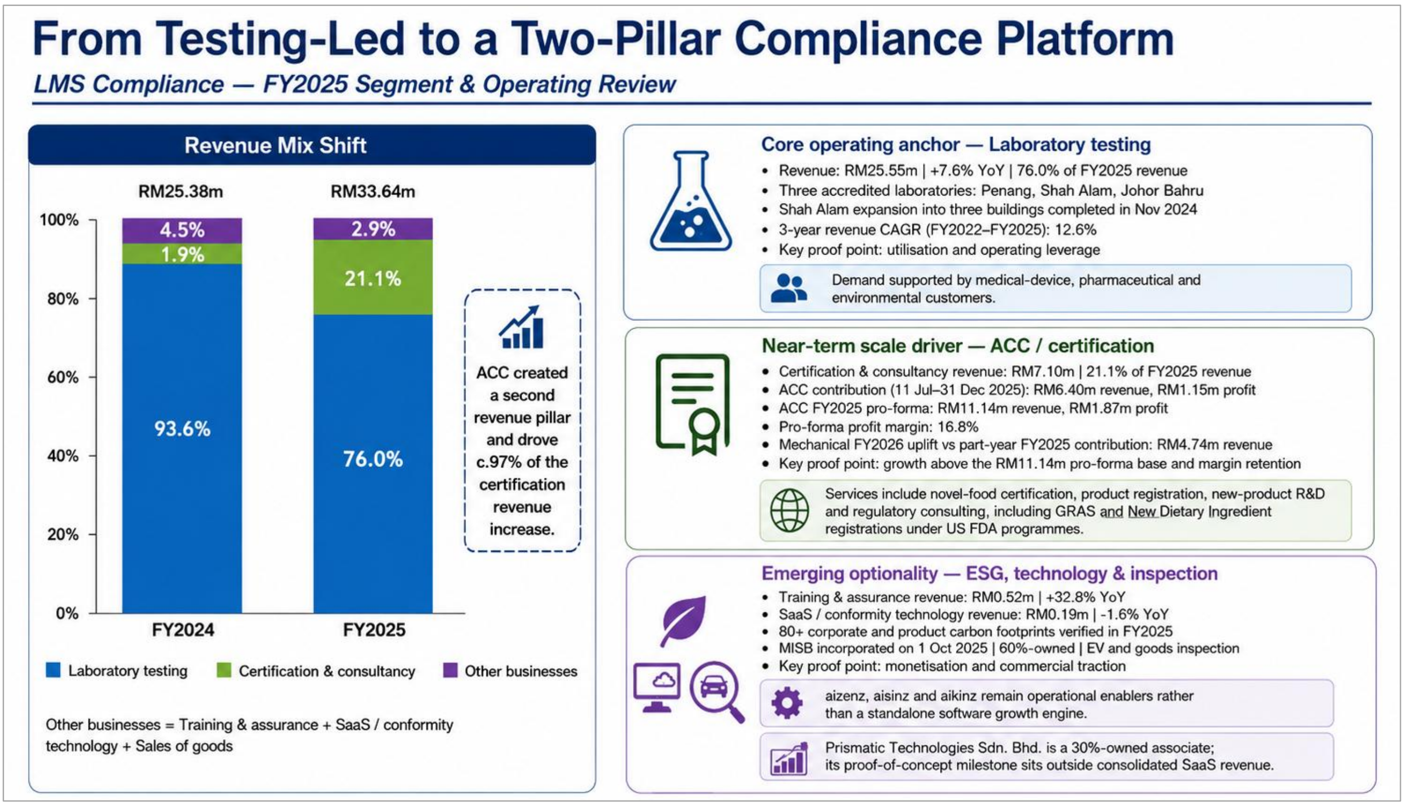

Exhibit 1 From Testing-Led to a Two-Pillar Compliance Platform

Source: LMS FY2025 Annual Report released on SGXNet on 9 Apr 2026; LMS 1H FY2025 results announcement and press release dated 13 Aug 2025; LMS FY2024 Annual Report; uSMART Research estimates and assessment as at 15 Jul 2026.

Laboratory testing remains the operating anchor; capacity is available, but utilisation visibility is limited.

Testing revenue rose 7.6% in FY2025, following 18.6% growth in FY2024, and recorded a three-year CAGR of 12.6% from FY2022. Demand was supported by customers in the medical-device, pharmaceutical and environmental industries. The moderation in growth therefore appears more consistent with a higher revenue base than with weakening demand.

Underlying momentum appears to have strengthened in 2H FY2025. Excluding ACC's RM6.40m contribution, the pre-ACC operating base generated approximately RM14.28m of revenue in 2H, compared with RM12.95m in 1H, implying c.10% sequential growth. This is directionally constructive, although seasonality, pricing and business-mix effects cannot be separated without half-year segment disclosure.

ACC is the immediate earnings driver; FY2026 should be assessed against its pro-forma base.

ACC contributed RM6.40m of revenue and RM1.15m of profit from completion to year-end. On a full-year pro-forma basis, it would have generated RM11.14m of revenue and RM1.87m of profit, implying a 16.8% margin. These figures provide the more relevant benchmark for assessing FY2026 performance.

Even without underlying growth, full-year consolidation would add approximately RM4.74m of revenue compared with ACC's part-year FY2025 contribution. A meaningful portion of FY2026 Group growth will therefore be mechanical. The more important operating tests are whether ACC can grow above its RM11.14m pro-forma base, maintain margins and establish recurring customer and cross-selling relationships.

ACC broadens LMS's capabilities into novel-food certification, product registration, new-product R&D and regulatory consulting, including GRAS and New Dietary Ingredient programmes under the US FDA. The strategic fit is credible, but LMS has not disclosed cross-selling revenue, customer overlap, retention or order visibility. The commercial benefits of the combined platform therefore remain to be demonstrated beyond the initial consolidation uplift.

ESG capability is established, while technology and inspection remain early-stage optionality.

LMS's VVB accreditation in Singapore and Malaysia and completion of more than 80 corporate and product carbon-footprint verifications demonstrate that its ESG assurance capability is operational. However, training and assurance revenue remained small, while assurance-only revenue, contract values, repeat rates and backlog were not disclosed. Accreditation has improved commercial credibility, but earnings scale remains unproven.

SaaS revenue was broadly unchanged, supporting our view that aizenz, aisinz and aikinz are currently better regarded as workflow, productivity and customer-retention tools than as a standalone software growth engine. Separately, Prismatic Technologies is a 30%-owned associate; its slope-monitoring proof of concept is therefore outside consolidated SaaS revenue and remains early-stage technology optionality.

MY CO2 Inspection Sdn. Bhd. (MISB) extends the Group into EV and goods inspection, but no material revenue, licences, contracts, inspection volumes or utilisation data have been disclosed. We therefore exclude any meaningful MISB contribution from the base forecasts until commercial readiness and customer adoption become visible.

Overall, testing and ACC are the two operating drivers that matter for the current forecast period. The emerging ESG, technology and inspection activities broaden the longer-term opportunity set, but should not support material earnings or valuation assumptions until commercial traction is disclosed.

Forecast Revision & Valuation Update

Forecasts reset to ACC's full-year base; underlying growth remains measured.

We forecast FY2026E revenue of RM41.08m, representing 22.1% reported growth but 7.0% against the RM38.38m FY2025 pro-forma base. The difference mainly reflects ACC's first full year of consolidation. EBITDA is projected to rise to RM14.58m, with margin expanding to 35.5%, while adjusted PATMI increases to RM8.38m after recurring NCI. Our base case assumes 6% growth in laboratory testing, 9% for ACC, 4% for legacy certification, 25% for training and assurance and 5% for SaaS. We assign no growth to sales of goods and no material MISB contribution pending evidence of licences, contracts and utilisation. Group revenue growth normalises to approximately 7% from FY2027E.

Figure 3 Forecast and Assumption Reference Table

RM m unless stated	FY2025A	FY2025PF[1]	FY2026E	FY2027E
Revenue	33.64	38.38	41.08	44.00
EBITDA	11.77	13.04	14.58	15.62
EBITDA margin	35.0%	34.0%	35.5%	35.5%
PATMI	6.48	7.14	7.99	8.67
Adjusted PATMI[2]	6.72	7.54	8.38	9.01
EPS, RM cents	4.89	5.20	5.82	6.32

Note [1]: FY2025 pro forma assumes ACC was consolidated from 1 Jan 2025.
Note [2]: Adjusted PATMI adds back LMS's 75% share of the after-tax ACC-related intangible amortisation while retaining NCI.
Source: LMS FY2025 Annual Report released on SGXNet on 9 Apr 2026; uSMART Research estimates as at 15 Jul 2026.

TP raised to S$0.495 on higher earnings and updated peer multiples.

We raise our TP to S$0.495 from S$0.44, implying 16.5% upside from the 15 Jul 2026 closing price of S$0.425. Our valuation blends P/E, EV/EBITDA and DCF at weights of 60%, 25% and 15%, respectively. We use FY2027E as the primary valuation year to capture a cleaner post-integration earnings base. Our target P/E of 25.17x and EV/EBITDA of 13.18x represent a 5% discount to peer medians of 26.49x and 13.87x. The discount reflects LMS's substantially smaller market capitalisation, lower liquidity, concentrated ownership and remaining ACC integration risk. LMS's superior growth, profitability and net cash-like asset position support a narrower discount than its size alone would imply.

Figure 4 Blended Valuation

Method	Valuation basis	Implied TP	Weight	Weighted TP
P/E	25.17x FY2027E adjusted PATMI	S$0.523	60%	S$0.314
EV/EBITDA	13.18x FY2027E EBITDA	S$0.512	25%	S$0.128
DCF	9.62% WACC; 1.5% terminal growth	S$0.352	15%	S$0.053
Blended value			**100%**	**S$0.4948**
Rounded TP				**S$0.495**

Note: Target multiples derived from TTM peer medians, applied to FY2027E normalised earnings as a market-relative valuation anchor. The EV/EBITDA and DCF valuations include RM21.43m of net cash-like assets and deduct RM5.55m for ACC's estimated NCI value. NCI is capitalised at 10x; an 8x–12x range changes the blended TP by c.S$0.002. The P/E valuation already uses parent-attributable adjusted PATMI after NCI.
Source: uSMART Research estimates as at 15 Jul 2026.

LMS currently trades at 26.9x TTM P/E, broadly in line with the 26.5x selected-peer median. We retain a 5% target discount to reflect LMS's micro-cap scale, limited liquidity, concentrated ownership and remaining ACC execution risk, while its stronger growth, profitability, net cash-like asset position and cash conversion support a narrower discount than size alone would imply. The TP therefore depends on FY2027E earnings delivery rather than current relative undervaluation.

Figure 5 Selected TIC Peer Comparison

Company	Market cap, S$m	P/E (TTM)	EV/EBITDA (TTM)	3Y revenue CAGR	EBITDA margin (TTM)
LMS Compliance[1]	**58**	**26.9x**	**14.1x**	**20.6%**	**37.4%**
ALS Ltd	10,180	35.2x	16.5x	9.7%	23.2%
SGS SA	30,178	27.3x	14.5x	4.5%	21.3%
Bureau Veritas SA	18,279	20.7x	10.9x	5.2%	20.0%

Company	Market cap, S$m	P/E (TTM)	EV/EBITDA (TTM)	3Y revenue CAGR	EBITDA margin (TTM)
Intertek Group plc	15,655	26.7x	13.9x	2.8%	21.7%
Eurofins Scientific SE	17,999	26.3x	11.9x	3.4%	19.4%
Centre Testing International	4,428	21.9x	n.a.	4.6%	23.5%
Peer median, ex-LMS	**16,827**	**26.5x**	**13.9x**	**4.5%**	**21.5%**

Note [1]: LMS P/E uses Bloomberg adjusted TTM P/E without share-count scaling. LMS EV/EBITDA is recomputed using the corrected market capitalisation based on 137.254m shares and Bloomberg net cash, while retaining Bloomberg's implied TTM EBITDA denominator. LMS's 37.4% EBITDA margin in Figure 5 is based on Bloomberg's adjusted TTM definition and differs from the 35.0% FY2025 EBITDA margin calculated using the financial-statement presentation elsewhere in this report. LMS is excluded from the peer median.
Source: Bloomberg peer and market data as at 15 Jul 2026

Under wider peer discounts of 10%, 15%, 20% and 25%, the blended TP declines to S$0.472, S$0.449, S$0.426 and S$0.404, respectively. The valuation remains marginally above the current price at a 20% discount, with breakeven at c.20%. **Our S$0.495 TP supports an OUTPERFORM rating.**

Figure 6 Peer Discount Sensitivity

Discount to peer median	5%	10%	15%	20%	25%
Unrounded blended TP, S$	0.495	0.472	0.449	0.426	0.404
Upside / downside from S$0.425	+16.5%	+11.1%	+5.7%	+0.3%	−5.0%

Note: Headline upside of 16.5% is based on the TP of S$0.495, rounded to the SGX S$0.005 minimum bid size; sensitivity figures use unrounded blended values
Source: uSMART Research estimates as at 15 Jul 2026.

Thesis Update, Catalysts, Risks & Watchpoints

Operating thesis strengthened; valuation now limits the rating.

The initiation thesis rested on recurring testing demand, a shift into higher-value certification and assurance, ACC-led regional expansion and a strong balance sheet. FY2025 strengthened the operating case: laboratory testing remained resilient, ACC established a meaningful second revenue pillar, VVB capability became operational and cash conversion remained strong. The rating moves from BUY to **OUTPERFORM** despite the TP increase to S$0.495. This does not reflect a weaker company view; share-price appreciation has reduced potential upside to 16.5%, while further re-rating now requires consistent execution against a near-peer valuation.

FY2026 must convert expanded capabilities into attributable earnings.

ACC's first full-year contribution will support headline FY2026 growth, but part of the uplift is mechanical. The more important tests are growth above its RM11.14m FY2025 pro-forma revenue base, retention of its c.17% pro-forma profit margin and conversion into PATMI after NCI. For the remaining businesses, the next proof points are sustained laboratory growth, measurable ESG-assurance revenue, MISB commercialisation and continued cash conversion. ESG, technology and inspection provide upside optionality but remain excluded from material earnings assumptions until commercial traction is disclosed.

Figure 7 Catalyst and Watchpoint Tracker

Watchpoint	Current evidence / base case	Positive trigger	Downside signal
ACC integration	FY2025 pro-forma revenue RM11.14m and profit RM1.87m; FY2026E assumes 9% growth	Revenue above RM12.5m–RM13.0m, with c.17% pro-forma profit margin retention and stable cash conversion	Revenue below the pro-forma base, margin compression, weak PATMI flow-through or indicators of goodwill impairment
Laboratory testing	FY2025 revenue RM25.55m, +7.6%; FY2026E assumes 6% growth	Growth above 6% with visible operating leverage	Material growth slowdown or additional capacity spending without revenue conversion
ESG and VVB	Dual accreditation and more than 80 carbon-footprint verifications; segment revenue remains small	Repeat mandates and training/assurance revenue materially above the c.RM0.65m FY2026E base case.	Verification activity fails to translate into recurring revenue
MY CO2 Inspection	60%-owned EV and goods-inspection subsidiary; no material contribution modelled	Regulatory approvals, first contracts and disclosed revenue	Prolonged delay in commercial launch
Cash and capital allocation	FY2025 OCF RM9.22m, FCF RM7.86m and DPS of 1.00 S cent	Strong FCF conversion, controlled receivables and sustainable distributions	Receivable build-up, weaker cash conversion or value-dilutive acquisition spending
Valuation and liquidity	TP applies a 5% discount to peer medians; valuation breakeven at c.20% discount	Earnings delivery and improved disclosure support the current discount	Wider small-cap discount, weaker liquidity or forecast misses

Source: LMS FY2025 Annual Report released on SGXNet on 9 Apr 2026; uSMART Research estimates as at 15 Jul 2026.

Risks remain concentrated around execution and valuation.

Key risks include slower ACC growth, limited visibility over customer retention and concentration, margin pressure from hiring and subcontracting, accreditation or reputational events, slower regulatory demand and rising receivables. ACC also carries RM13.44m of goodwill, equivalent to approximately 28% of FY2025 shareholders' equity. Sustained underperformance against the acquisition case—particularly weaker revenue growth, margins or cash generation—could trigger a non-cash impairment and reduce reported earnings and book value. As LMS reports earnings in RM but its shares and TP are quoted in SGD, RM/SGD movements can affect the SGD valuation without any change to underlying operating forecasts. With the target valuation set only 5% below peer medians, weaker execution could also result in a wider small-cap discount.

Appendix Table 1: Income Statement

RM millions	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Period ending	*31-Dec-21*	*31-Dec-22*	*31-Dec-23*	*31-Dec-24*	*31-Dec-25*
Total revenue	16.988	18.676	20.902	25.384	33.635
Employee benefits	(6.193)	(6.693)	(8.444)	(9.260)	(12.519)
Sub-contractor expenses	(1.515)	(1.902)	(1.823)	(2.585)	(4.548)
Depreciation	(0.920)	(1.078)	(1.137)	(1.280)	(1.642)
Amortisation of intangibles	-	-	-	-	(0.437)
Interest & other operating income	0.508	0.372	2.002	0.554	0.589
Other operating expenses / unallocated, net	(2.027)	(6.753)	(3.729)	(4.871)	(5.388)
Operating profit (EBIT)	**6.841**	**2.622**	**7.771**	**7.942**	**9.690**
Net finance costs	(0.231)	(0.210)	(0.178)	(0.194)	(0.221)
Share of results of associates	-	-	-	0.060	(0.037)
Profit before tax	**6.610**	**2.412**	**7.593**	**7.808**	**9.432**
Income tax	(1.662)	(1.692)	(2.112)	(2.600)	(2.671)
Profit after tax	**4.948**	**0.720**	**5.481**	**5.208**	**6.761**
Minority interest	-	-	-	-	(0.285)
Net income	**4.948**	**0.720**	**5.481**	**5.208**	**6.476**
Weighted avg shares (mn)	72.560	73.234	87.435	104.922	132.306
EPS (basic & diluted) (RM cents)	6.820	0.980	6.270	4.960	4.890

Source: LMS annual reports and Bloomberg data extracted on 15 Jul 2026; company-reported figures, reclassified by uSMART Research.

Note: Historical EPS in Appendix Table 1 is shown on the basis originally reported in each respective annual report and has not been retrospectively restated for subsequent bonus issues. Figure 2 uses the FY2025 results announcement's restated FY2024 comparative EPS of 4.08 sen.

Appendix Table 2: Balance Sheet

RM millions	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Period ending	*12/31/2021*	*12/31/2022*	*12/31/2023*	*12/31/2024*	*12/31/2025*
ASSETS					
Cash & cash equivalents	1.106	12.313	17.231	12.259	14.599
Accounts & notes receivable	2.656	2.905	3.206	4.510	6.500
Other current assets	7.956	7.398	7.636	10.665	12.148
Total current assets	**11.718**	**22.616**	**28.073**	**27.434**	**33.247**
Property, plant & equipment, net	7.328	7.287	7.580	9.358	9.745
Intangible assets, net	-	-	-	-	14.933
LT investments & associates	-	-	-	0.602	0.512
Other non-current assets	1.938	1.669	1.429	1.322	1.229
Total non-current assets	**9.266**	**8.956**	**9.009**	**11.282**	**26.419**
Total assets	**20.984**	**31.572**	**37.082**	**38.716**	**59.666**
LIABILITIES & EQUITY					
Trade & other payables	1.610	1.310	2.074	2.501	4.259
Short-term debt	2.069	0.087	0.089	0.093	0.097
Income tax payable	0.096	0.058	0.183	0.355	0.456
Other current liabilities	0.491	0.642	0.596	0.650	1.551
Total current liabilities	**4.266**	**2.097**	**2.942**	**3.599**	**6.363**
Long-term debt	-	1.052	0.970	0.883	0.791
Deferred tax liabilities	0.320	0.411	0.406	0.428	0.686
Other non-current liabilities	2.091	1.855	1.583	1.414	2.740
Total non-current liabilities	**2.411**	**3.318**	**2.959**	**2.725**	**4.217**
Total liabilities	**6.677**	**5.415**	**5.901**	**6.324**	**10.580**
Share capital	2.325	11.292	11.292	11.292	23.759
Reserves	0.012	2.176	2.170	2.216	1.984
Retained earnings	11.970	12.689	17.719	18.884	21.544
Equity attributable to owners	**14.307**	**26.157**	**31.181**	**32.392**	**47.287**
Minority interest	-	-	-	-	1.799
Total equity	**14.307**	**26.157**	**31.181**	**32.392**	**49.086**
Total liabilities & equity	**20.984**	**31.572**	**37.082**	**38.716**	**59.666**

Source: LMS annual reports and Bloomberg data extracted on 15 Jul 2026; company-reported figures, reclassified by uSMART Research.

Appendix Table 3: Cash Flow Statement

RM millions	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Period ending	*31-Dec-21*	*31-Dec-22*	*31-Dec-23*	*31-Dec-24*	*31-Dec-25*
OPERATING ACTIVITIES					
Profit for the year	4.948	0.720	5.481	5.208	6.761
Depreciation & amortisation	0.920	1.078	1.137	1.280	2.079
Non-cash items	(0.037)	0.745	(0.694)	0.588	0.344
Change in working capital	(0.636)	(0.055)	0.156	(0.757)	0.032
Cash from operating activities	**5.195**	**2.488**	**6.080**	**6.319**	**9.216**
INVESTING ACTIVITIES					
Change in fixed & intangible assets	(0.704)	(0.790)	(1.178)	(2.624)	(1.361)
Net change in LT investments	-	-	0.202	(6.409)	(1.156)
Other investing activities	3.031	0.371	0.011	2.966	0.371
Cash from investing activities	**2.327**	**(0.419)**	**(0.965)**	**(6.067)**	**(2.146)**
FINANCING ACTIVITIES					
Dividends paid	(6.500)	-	(0.451)	(4.043)	(3.816)
Cash from (repayment of) debt	(0.419)	(1.004)	(0.133)	-	(0.133)
Cash from issuance / (repurchase) of equity	-	10.523	-	-	-
Other financing activities	(0.231)	(0.381)	(0.364)	(0.532)	(0.554)
Cash from financing activities	**(7.150)**	**9.138**	**(0.948)**	**(4.575)**	**(4.503)**
Effect of foreign exchange rates	-	-	0.751	(0.649)	(0.065)
Net change in cash	**0.372**	**11.207**	**4.918**	**(4.972)**	**2.340**
Cash and cash equivalent (beginning of the year)	0.734	1.106	12.313	17.231	12.259
Cash and cash equivalent (year-end)	**1.106**	**12.313**	**17.231**	**12.259**	**14.599**

Source: LMS annual reports and Bloomberg data extracted on 15 Jul 2026; company-reported figures, reclassified by uSMART Research.

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- Buy: upside to analyst target price of ≥ 20%
- Outperform: upside to analyst target price of 5%–20%
- Hold: within ±5% of analyst target price
- Neutral: no concrete view on share price performance

Long-term Company Rating

- A: long-term growth potential above industry average
- B: long-term growth potential in line with industry average
- C: long-term growth potential below industry average

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