

SMALL/MID CAP HIGHLIGHTS

LMS Compliance (LMS SP)

The Future Of Laboratory Testing

LMS Compliance is involved in the laboratory testing and assessment for its customers and also helps them to meet the regulatory requirements of their respective industries. This allows LMS to boast a steady growth profile and recurring revenue. The group's conformity assessment technology has elevated revenues through the digitalisation of laboratory and certification processes. Importantly, LMS is trading at about 14x 2021 PE and intends to achieve 20% dividend payout ratio for 2022-24.

WHAT'S NEW

- Established testing and certification provider with an impressive operational track record.** LMS Compliance (LMS) has been providing laboratory testing and management services to corporates in Malaysia for the last 15 years. The group has three accredited laboratories and one sales office across Malaysia, and has helped businesses across various industries, including food, healthcare and industrial, to achieve compliance with regulatory and industry standards, on both local and international accreditation levels.
- Highly recurring revenue backed by regulatory requirements.** The group's testing and assessment segment has made up more than 95% of its total revenue in the past three years, and more than 80% of this segmental revenue can be traced to repeat customers in the same period. The group attributes its robust customer retention rate to the lasting relationships it has nurtured with many of its customers over the years. As LMS' clients need to meet the group's stringent regulatory requirements as part of industry standards, LMS has earned a reputation of being a credible service provider. To date, LMS' tests cover a variety of sectors including food packaging materials testing, toy safety testing and scheduled waste analysis.
- Distribution of conformity assessment technology to add new stream of highly scalable revenue.** The group's proprietary online cloud-based applications, "aikinz-LIMS" and "aizenz", help streamline and digitalise laboratory operations and act as a one-stop ISO certification platform. In 2020, the group commercialised aikinz-LIMS and has amassed approximately 24,000 online users across 41 countries to date. The group has since monetised the platform, which contributed RM38,000 to 1Q22's revenue. We believe this segment has the potential to scale exponentially by cross-selling the service to its existing customer base.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2019	2020	2021
Net turnover	14.5	15.8	17.0
EBITDA	6.0	7.3	7.8
Operating profit	5.3	6.5	6.8
Net profit (rep./act.)	3.9	4.7	4.9
Net profit (adj.)	3.9	4.7	4.9
EPS (US cents)	5.4	6.5	6.8
PE (x)	16.2	13.6	12.9
P/B (x)	5.8	4.0	4.5
EV/EBITDA (x)	12.8	10.4	9.9
Dividend yield (%)	0.0	0.0	0.0
Net margin (%)	27.2	29.6	29.1
Net debt/(cash) to equity (%)	15.4	9.3	6.7
Interest cover (x)	34.6	27.7	33.7
ROE (%)	71.2	34.8	32.8

Source: LMS Compliance, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	S\$0.27
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

LMS Compliance Ltd. provides analytical testing services. The Company offers laboratory testing and certification services for food, feed, fertilizer, pharmaceutical, and medical devices. LMS Compliance serves customers in.

STOCK DATA

GICS sector	N/A
Bloomberg ticker	LMS SP
Shares issued (m)	87.4
Market cap (S\$ m)	23.6
Market cap (US\$ m)	17.4
3-mth avg t'over (US\$ m)	0.1

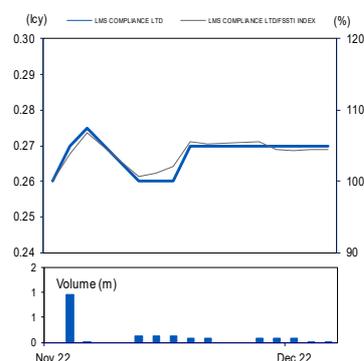
Price Performance (%)

52-week high/low	S\$0.275/S\$0.25			
1mth	3mth	6mth	1yr	YTD
3.8	n.a.	n.a.	n.a.	n.a.

Major Shareholders

Louis May P/L	75.52
Fitcorp Value P/L	7.47
NAV/Share (US\$)	0.08
Net Cash/Share (US\$)	0.006

PRICE CHART



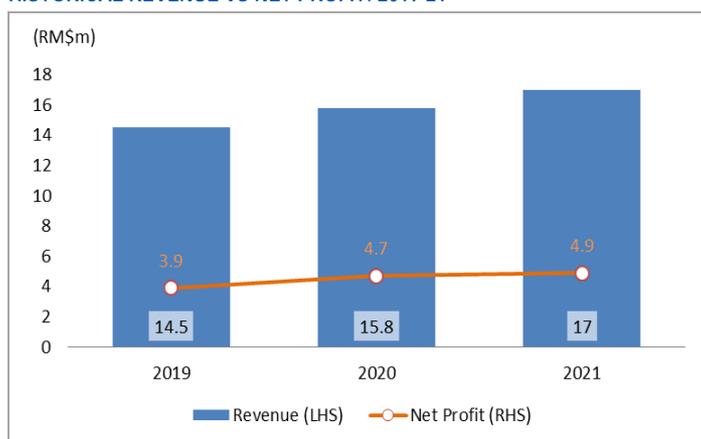
Source: Bloomberg

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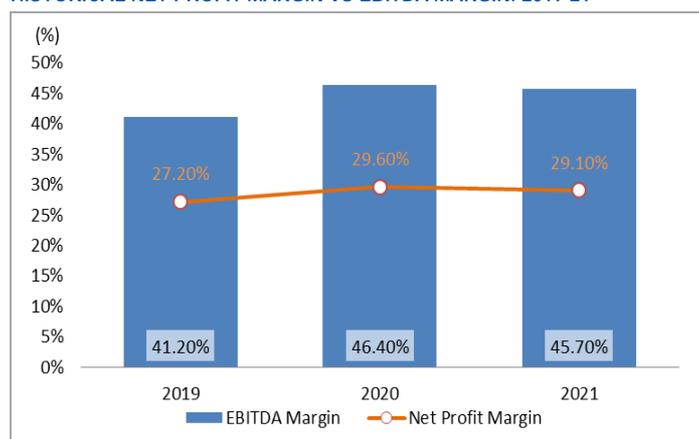
- Net profit grew 25.4% from 2019-21, on the back of a steady increase in revenue.** The group's net profit grew from RM3.9m in 2019 to RM4.9m in 2021, on the back of an 8.1% 2019-21 CAGR in revenue and an expansion in net margin from 27.2% in 2019 to 29.1% in 2021. This was mainly due to a surge in demand for the group's laboratory testing service. As of end-1Q22, the group continued to benefit from positive signs of economic recovery following the easing of COVID-19 restrictions. This is in line with the climb in revenue from RM4.0m in 1Q21 to RM4.4m in 1Q22 (+10.4% yoy). Along with further expansion in net margin, 1Q22 net profit grew 32.4% yoy to RM1.4m.

HISTORICAL REVENUE VS NET PROFIT: 2019-21



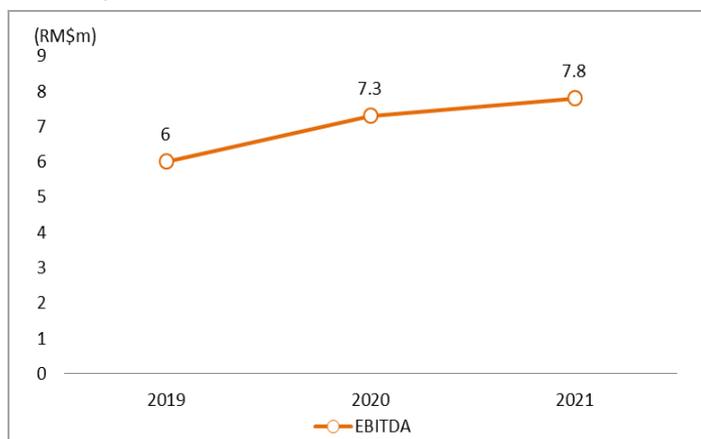
Source: LMS Compliance, UOB Kay Hian

HISTORICAL NET PROFIT MARGIN VS EBITDA MARGIN: 2019-21



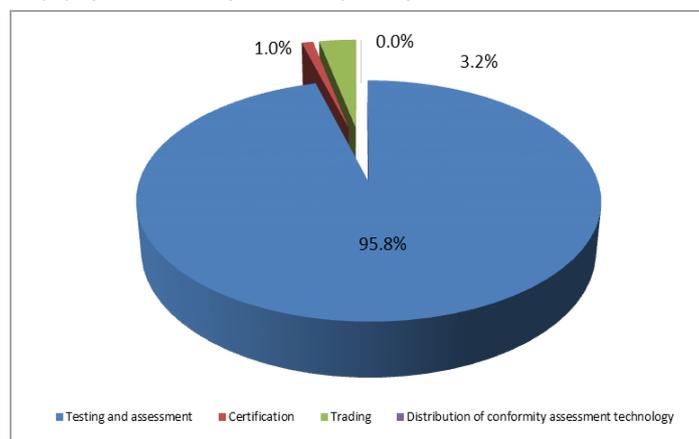
Source: LMS Compliance, UOB Kay Hian

EBITDA: 2019-21



Source: LMS Compliance, UOB Kay Hian

LMS' SEGMENT REVENUE BREAKDOWN: 2021



Source: LMS Compliance, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 8 Dec 22 (lcy)	Market Cap (US\$m)	PE			P/B			Net Margin		
					2021 (x)	2022 (x)	2023 (x)	2021 (x)	2022 (x)	2023 (x)	2021 (%)	2022 (%)	2023 (%)
Bureau Veritas Sa	BVI FP	€	25.06	12,033	26.9	21.4	20.3	13.0	11.4	10.8	8.4	9.5	9.5
Eurofins Scientific	ERF FP	€	65.86	13,463	16.1	17.8	18.2	9.4	10.1	10.1	11.6	11.2	11.2
Genetic Technologies Ltd	GTG AU	A\$	0.00	16	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(104.9)	n.a.
Psychomedics Corp	PMD US	US\$	5.04	28	n.a.	n.a.	n.a.	9.7	n.a.	n.a.	(2.7)	n.a.	n.a.
Prenetics Global Ltd-CI A	PRE US	US\$	2.00	222	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(68.2)	(74.1)	(1.7)
Sd Biosensor Inc	137310 KS	Won	31300.00	2,480	2.9	2.9	6.7	1.1	1.2	2.5	36.3	38.5	31.7
Average					15.3	14.0	15.1	8.8	7.6	7.8	2.5	(24.0)	12.6
Lms Compliance Ltd	LMS SP	S\$	0.27	17	0.9	n.a.	n.a.	10.6	n.a.	n.a.	29.1	n.a.	n.a.

Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (US\$m)	2019	2020	2021
Net turnover	14.5	15.8	17.0
EBITDA	6.0	7.3	7.8
Deprec. & amort.	0.7	0.9	0.9
EBIT	5.3	6.5	6.8
Total other non-operating income	0.0	0.0	(0.0)
Associate contributions	0.0	0.0	0.0
Net interest income/(expense)	(0.2)	(0.3)	(0.2)
Pre-tax profit	5.1	6.2	6.6
Tax	(1.2)	(1.5)	(1.7)
Minorities	0.0	0.0	0.0
Net profit	3.9	4.7	4.9
Net profit (adj.)	3.9	4.7	4.9

BALANCE SHEET

Year to 31 Dec (US\$m)	2019	2020	2021
Fixed assets	9.0	9.5	9.3
Other LT assets	0.0	0.0	0.0
Cash/ST investment	0.6	0.7	1.1
Other current assets	7.6	12.8	10.6
Total assets	17.2	23.1	21.0
ST debt	2.3	2.2	2.1
Other current liabilities	1.2	2.3	2.2
LT debt	0.0	0.0	0.0
Other LT liabilities	2.6	2.7	2.4
Shareholders' equity	11.1	15.9	14.3
Minority interest	0.0	0.0	0.0
Total liabilities & equity	17.2	23.1	21.0

CASH FLOW

Year to 31 Dec (US\$m)	2019	2020	2021
Operating	5.8	6.9	5.2
Profit for the year	5.1	6.2	6.6
Tax	(1.2)	(1.5)	(1.7)
Deprec. & amort.	0.7	0.9	0.9
Associates	0.0	0.0	0.0
Working capital changes	0.7	0.9	(0.7)
Non-cash items	(0.0)	0.0	(0.0)
Other operating cashflows	0.4	0.4	0.0
Investing	(4.0)	(6.2)	2.3
Capex (growth)	(1.2)	(1.1)	(0.7)
Investment	0.0	0.0	0.0
Others	(2.8)	(5.1)	3.0
Financing	(3.5)	(0.5)	(7.2)
Dividend payments	(3.0)	0.0	(6.5)
Proceeds from borrowings	0.0	0.0	0.0
Loan repayment	(0.5)	(0.6)	(0.7)
Others/interest paid	0.0	0.1	0.0
Net cash inflow (outflow)	(1.7)	0.1	0.4
Beginning cash & cash equivalent	2.3	0.6	0.7
Changes due to forex impact	0.0	0.0	0.0
Ending cash & cash equivalent	0.6	0.7	1.1

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021
Profitability			
EBITDA margin	41.2	46.4	45.7
Pre-tax margin	35.2	39.1	38.9
Net margin	27.2	29.6	29.1
ROA	45.9	23.3	22.5
ROE	71.2	34.8	32.8
Growth			
Turnover	n.a.	9.0	7.3
EBITDA	n.a.	22.7	5.7
Pre-tax profit	n.a.	21.0	6.7
Net profit	n.a.	18.8	5.5
Net profit (adj.)	n.a.	18.8	5.5
EPS	n.a.	18.8	5.5
Leverage			
Debt to total capital	13.4	9.6	9.9
Debt to equity	20.8	13.9	14.5
Net debt/(cash) to equity	15.4	9.3	6.7
Interest cover (x)	34.6	27.7	33.7

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