

Ambest Group Berhad (0391)

Built on Precision. Trusted by Global Leaders.

Bloomberg Ticker: AMBEST MK | Investment Horizon: 12 Months

Recommendation

We recommend a **Subscribe** rating for Ambest Group Berhad with a **Target Price** of **RM0.330**, representing a **32.0% upside**. Ambest is a high-precision metal components manufacturer supplying mission-critical parts to semiconductor equipment OEMs, supported by long-standing customer relationships and expanding manufacturing capabilities. We favour Ambest for its (i) best-in-class precision manufacturing that entrenches Tier-1 OEM clients, (ii) structural upside from China+1 semiconductor relocation to SEA, and (iii) capacity expansion and integrated manufacturing that drive operating leverage, revenue growth, and margin accretion.

Investment Highlights

Best-in-Class Precision Attracts Tier-1 Semiconductor Clients. Ambest's 8-year relationship with Customer B, a leading vacuum valve OEM contributing RM22.3mn in FY24 (47.2% of total revenue), provides stable recurring orders. High switching costs arising from lengthy qualification processes (e.g. stress testing, copy-exact validation, wear assessment) deter clients from changing suppliers. Customer B relies on only 1–2 external vendors besides in-house manufacturing, with Ambest supplying high-tolerance, wear-and-tear components. This flagship relationship creates a halo effect, enabling rapid approvals from other front-end semiconductor OEMs. We expect ~50% of First Articles (FA) drawings (primarily from localisation of existing designs) to convert into mass production in FY26F, contributing RM25.0–30.0mn of higher-margin revenue. Together with management's guidance of a higher budget from Customer B, we forecast revenue to grow 48.2% to RM70.1mn in FY26F from RM47.3mn in FY24.

China+1 Relocation to Malaysia Broadens Ambest's Addressable Market. According to the SEMI World Fab Forecast, global semiconductor equipment sales are projected to reach US\$145.0bn in 2026 (+9.0% YoY), driven by AI demand and the consumer electronics upgrade cycle. Against elevated US–China trade tensions and higher tariffs on Chinese exports relative to Malaysia, U.S. MNCs are accelerating a "China+1" strategy, shifting supply chains into Southeast Asia. This creates opportunities for Ambest, whose foreign customers accounted for 76.0% of FY24 revenue and maintain established operations in Malaysia. This trend is further evidenced by Ambest securing FA orders from customers localising production to Malaysia, positioning Ambest to capture market share from China-based suppliers.

Capacity Expansion Fuels Revenue and Margin Upside. Ambest plans to renovate its 42A factory, expanding built-up space to accommodate additional machines and a new cleanroom for sub-modular assembly, which supports higher-margin services and enhances customer stickiness via a one-stop solution, although sub-modular contributions are expected to remain minimal in the near term. Ambest will add two CNC machines in FY26 using IPO proceeds, alongside steady annual investments in top-tier machines to manufacture higher-precision and larger components. As mass production ramps up for key customers from FY26, GP margin is expected to exceed 30% and core PAT margin to reach 13%–16% over FY25F–FY27F, driven by higher-ASP orders from new customer and operating leverage from a low FY24 utilisation rate of 53.0%.

FY Dec (RM'mn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RM'mn)	45.8	47.3	52.0	70.1	91.2
EBITDA (RM'mn)	12.0	12.9	16.3	15.9	25.9
Pretax profit (RM'mn)	9.0	8.2	9.0	8.2	17.8
Net profit (RM'mn)	6.8	7.1	6.9	6.3	13.6
EPS (sen)	1.3	1.4	1.3	1.2	2.7
PE ratio (x)	18.7	18.1	18.6	20.3	9.4
Core net profit (RM'mn)	6.8	7.1	6.9	11.1	13.6
Core EPS (sen)	1.3	1.4	1.3	2.2	2.7
Core EPS growth (%)	(5.2)	3.7	(2.7)	61.1	22.6
Core PE ratio (x)	18.7	18.1	18.6	11.5	9.4
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	31.6	23.9	10.7	8.9	16.2
P/BV (x)	5.9	4.3	2.0	1.8	1.5

Subscribe

Target Price: RM0.330 (+32.0%)

Current Share Price: RM0.250

Ace Market
Industrial Products & Services

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Valuation

Our target price is based on:

FY26F PE of 15.4x, in line with the simple average forward PE of its domestic precision machining peers, justified by Ambest's similar margin performance and exposure to semiconductor cyclicality.

Listing Timeline

Subscription Start Date	21 January 2026
Subscription Deadline	27 January 2026
Ballot Result	29 January 2026
Listing date	6 February 2026

Listing Details

Shariah Compliant	Yes
New Shares (mn)	110.0
Fund Raised (RM'mn)	27.5
Offer for Sale (mn)	41.0
Offer for Sale (RM'mn)	10.2
Market Capitalization (RM'mn)	127.5

Offering	Total (mn)	Total (%)
Eligible Persons	12.75	2.5
Malaysia Public (Bumi)	12.75	2.5
Malaysia Public (Non- Bumi)	12.75	2.5
MITI	63.75	12.5
Selected Investors	48.95	9.6
Total	150.95	29.6

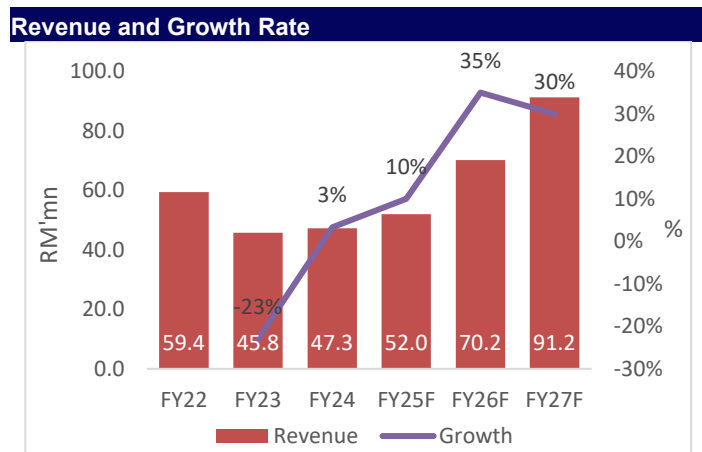
Investment Thesis

Entrenched Tier-1 OEM Relationships Underpinned by Superior Precision

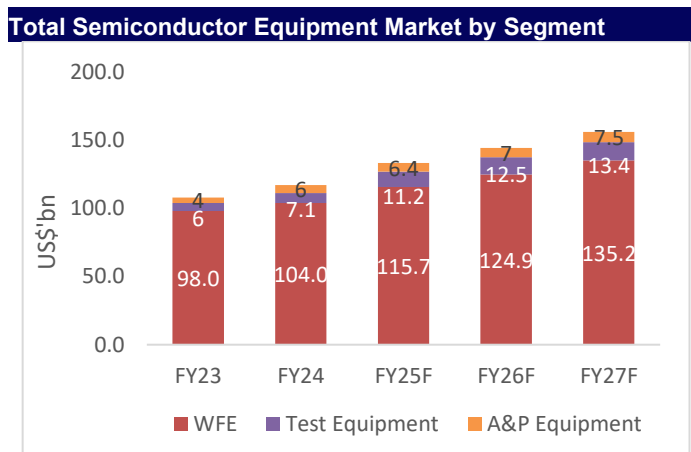
Ambest has maintained an 8-year relationship with Customer B, a global leader in the development of high vacuum solutions, contributing RM22.3mn of revenue in FY24 (47.2% of total revenue). The strength of this relationship stems from high switching costs, primarily due to lengthy qualification cycles involving rigorous stress testing, copy-exact validation, and cyclical wear assessments, which make Tier-1 OEMs reluctant to change suppliers once qualified. Customer B typically relies on just one or two suppliers, often one in-house and one or two external with Ambest serving as one of them. This setup ensures recurring revenue for Ambest, as the high tolerance moving parts it produces for semiconductor equipment wear out after a certain number of cycles and require regular replacements.

This partnership creates a halo effect, enabling Ambest to secure orders from a few major front-end semiconductor OEMs based on the management. For instance, Ambest gained approval from one such front-end leading manufacturer in just one year, which we attribute to the positive reputation derived from its ties with Customer B, granting preferred supplier status and validating Ambest's quality standards. Ambest has begun first article (FA) development with several new customers, involving parts for clients with existing manufacturing facilities in Malaysia that are localising their supply chains, as well as new designs of critical components that require longer qualification processes.

We expect approximately 50% of these FA drawings (primarily from localisation of existing component designs) to convert into mass production orders in FY26. This conversion is expected to contribute around RM25.0–30.0mn to Ambest's FY26F revenue and carry higher margins, supported by higher ASPs from new customers due to higher-complexity. On top of that, management guided that Customer B is expected to increase its budget in 2026, further supporting Ambest's growth. Collectively, we forecast overall revenue to grow 48.2% to RM70.1mn in FY26F from RM47.3mn in FY24.



Source: Company Prospectus, Tradeview Research



Source: Company Prospectus, Tradeview Research

China+1 Semiconductor Relocation Expands Ambest's Addressable Market

According to the SEMI World Fab Forecast, global semiconductor equipment sales are projected to reach US\$145.0bn in 2026, representing a 9.0% growth from 2025, driven by AI-led demand and consumer electronics upgrade cycle. Against the backdrop of rising equipment spending, US–China trade tensions remain elevated. Product-specific tariffs on Chinese exports are meaningfully higher than those imposed on Malaysia, accelerating U.S. MNCs' adoption of a "China+1" strategy.

The supply chain shift and localisation of MNCs' supply chain in Malaysia expands opportunities for Ambest as a proven domestic supplier to overseas MNCs who are diversifying their supply chain away from China into Southeast Asia countries. Notably, Ambest existing customer base

comprising three US MNCs contributing 29.0% of FY24 revenue and one Swiss MNC accounting for 47.0%, all of which maintain established operational and supply chain presence in Malaysia. On top of that, this is further evidenced by Ambest securing FA orders from clients that are localising their supply chains to Malaysia.

We believe that tariffs imposed by the US on China will structurally remain higher than those on Malaysia, given the long history of trade frictions between the two countries. This represents a structural tailwind for SEA countries, as MNCs continue to roll out “China +1” strategy, shifting their supply chain out of China, companies like Ambest are well positioned to capture market share previously served by China-based suppliers.

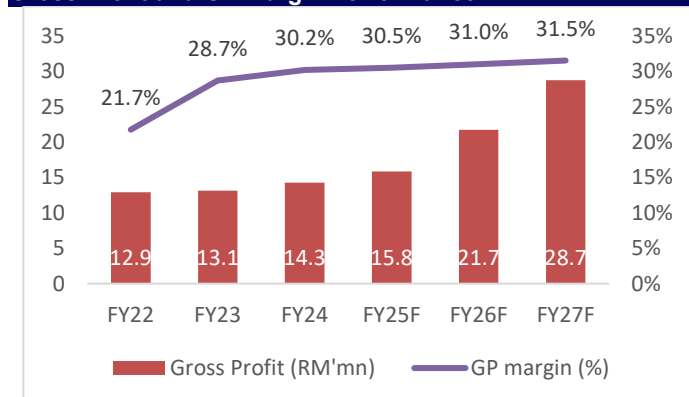
Capacity Expansion and Integrated Manufacturing Drive Operating Leverage and Margin Upside

Ambest is set to boost production capacity and revenue through the renovation of its 42A factory, adding an extra level to increase built-up space from 2,010 sq m to 2,910 sq m. The renovated space is expected to be operational by 4Q 2027 and will include a new cleanroom to support expanded sub-modular assembly. This enables higher-margin services and strengthens customer relationships by offering a one-stop solution that is preferable by clients. However, we expect the sub-modular assembly segment to contribute minimally to the near future, as it is established primarily to enhance service to existing customers, while the company's core focus remains on precision machining.

Currently, with 55 CNC machines including few top-tier 5-axis models (Mazak and DMG) that achieve 5-micron tolerance, Ambest plans to add one 5-axis CNC machine and one horizontal CNC machine in FY26 using its IPO proceed. By making steady annual investments in top-tier machining equipment with some of them are higher specification and capable of handling larger component size, Ambest can attract more customers that require high-precision machines to manufacture complex components. At the same time, these investments increase production capacity, enabling the group to accommodate buffer stock requirements, which are typically maintained to fulfil short-lead-time purchase orders.

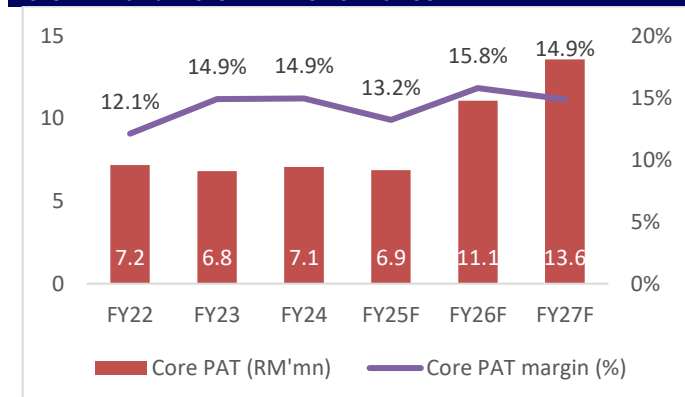
With CNC milling machine utilisation at 53.0% in FY24, we forecast Ambest's GP margin to surpass 30%, while its core PAT margin is expected to reach 13%–16% over FY25F–FY27F. This is driven by a higher proportion of higher-ASP orders secured from new customer. In addition, operating leverage improves as fixed overheads (depreciation, utilities, and maintenance) are spread over higher production volumes, follow the ramp-up of mass production for few key customers from FY26.

Gross Profit and GP Margin Performance



Source: Company Prospectus, Tradeview Research

Core PAT and Core PAT Performance



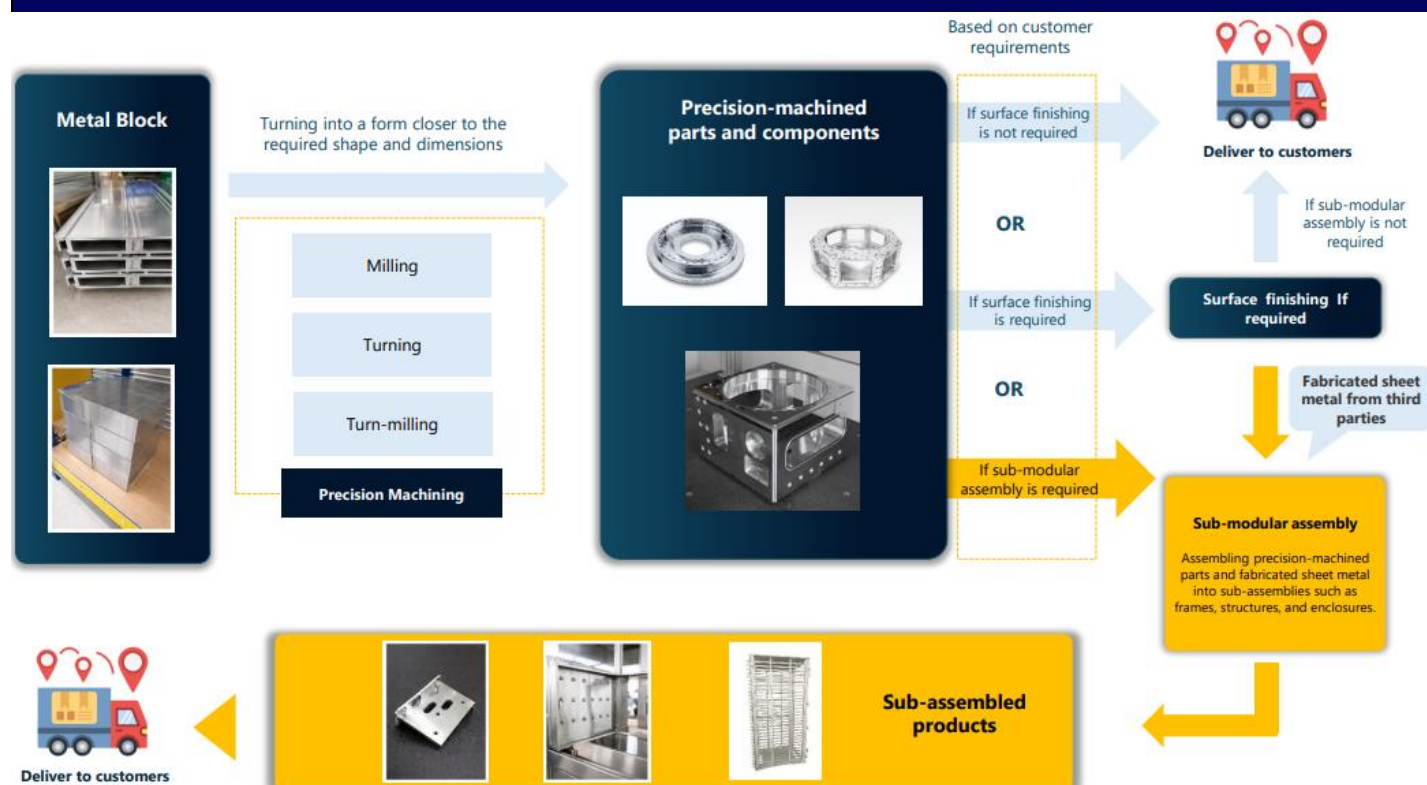
Source: Company Prospectus, Tradeview Research

Company Overview

Ambest Group Berhad traces its roots to promoters Tan Beng Beng and Lim Eng Guan, who started in precision engineering with Tan's sole proprietorship Yomax Engineering in 2000 and their partnership Adtech Precision Engineering in 2006, focusing on CNC machining for the electrical and electronics sector until its dissolution in December 2014. Operations continued through Amco Technology Sdn Bhd, incorporated on December 31, 2015, to assume Adtech's activities. The core subsidiary, Ambest Technology Sdn Bhd, was established on May 11, 2011 (over 14 years as of January 2026) by the promoters' relatives, with Tan and Lim providing initial support. They acquired full control in March 2020. In 2022, Ambest Technology purchased key assets (CNC machinery and vehicles) from Amco, consolidating high-end operations, while Amco ceased fabrication in December 2024 and shifted to property holding and leasing facilities.

Headquartered in Penang, Ambest specializes in CNC precision machining (milling, turning, and turn-milling with tolerances as tight as 5-micron), sub-modular assembly, sheet metal fabrication, and subcontracted surface finishing, primarily serving the semiconductor industry (100% of revenue). It supplies domestic MNCs in Malaysia (83-100% of sales) and minor exports to Singapore, leveraging a decade-plus track record, ISO 9001:2015 certification, seasoned leadership with 25-29 years of experience, and investments in advanced machinery, with plans for facility expansions into sectors like aerospace and healthcare.

Business Operations Process Flow



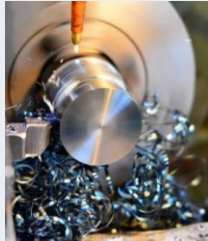
Source: Company presentation slide

Utilisation of the RM27.5mn from the IPO Proceeds

Purposes	RM'mn	%	Estimated timeframe for utilisation from the listing date
Repayment of borrowings	12.0	43.64	3 months
Purchase of new machineries	3.9	14.18	24 months
General working capital	6.8	24.73	18 months
Estimated listing expenses	4.8	17.45	1 month

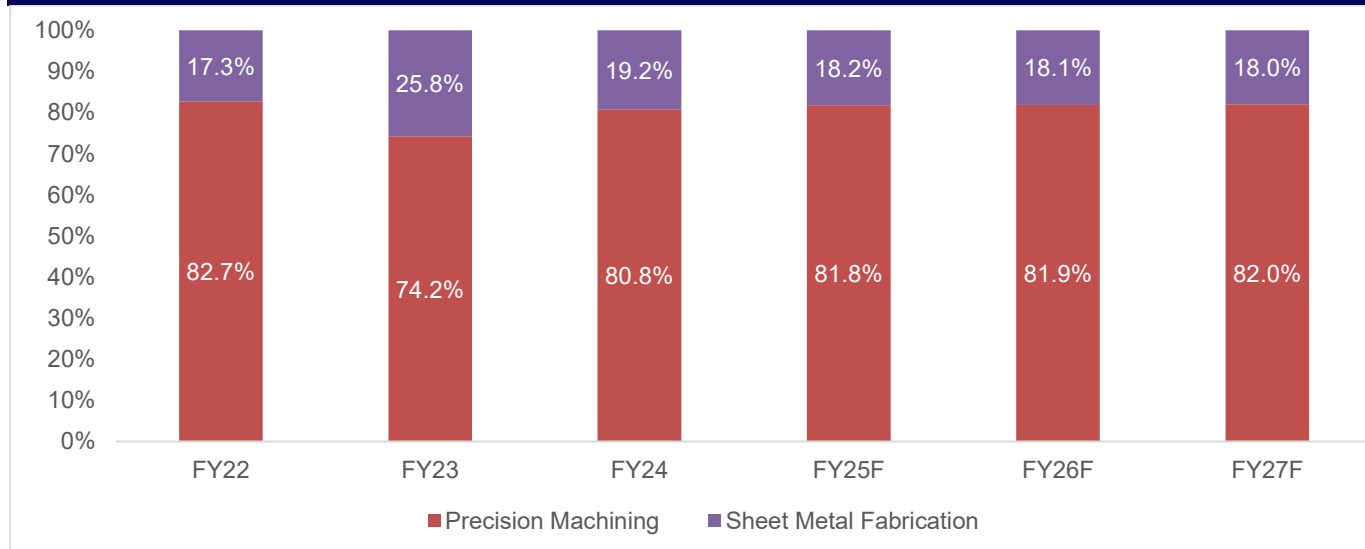
Source: Company Prospectus, Tradeview Research

Business Segments

Segments	Description	Visualization / Services		
Precision Machining	- Precision Machining Precision CNC machining (milling, turning and turn-milling) - Fabrication of customised, close-tolerance metal components - Prototype and first article (FA) development - Mass production of precision components - Sub-modular assembly and related value-added services - Sheet Metal Fabrication Metal sheet cutting, bending and forming - Fabrication of sheet metal parts and structures - Assembly and finishing services			
Sheet Metal Fabrication (Outsourced)	- Metal sheet cutting, bending and forming - Fabrication of sheet metal parts and structures - Assembly and finishing services			

Source: Company Prospectus, Tradeview Research

Revenue by Business Segments

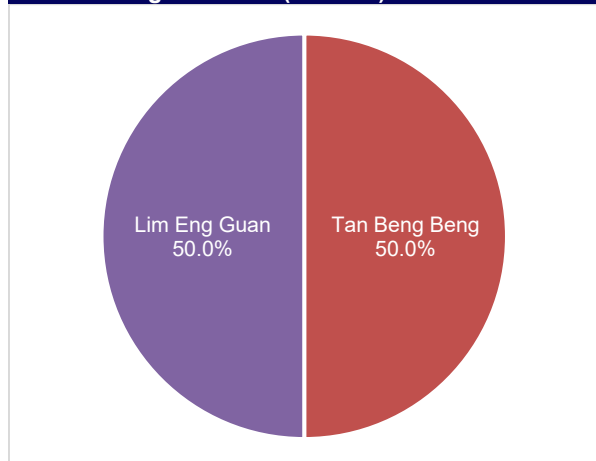


Source: Company Prospectus, Tradeview Research

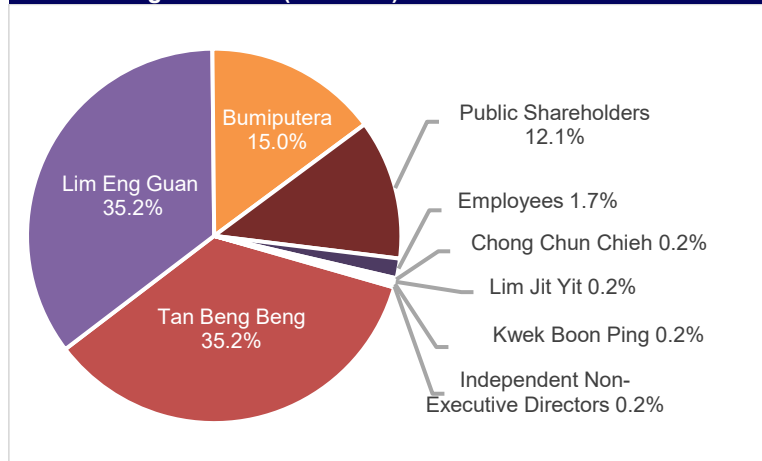
Management Team

Name and Designation	Profile
Tan Sri Dato' Samshuri Bin Arshad Independent Non-executive chairman	He was appointed 16 June 2025. He holds Cambridge certificates (1960, 1967) and completed Harvard's Advanced Management Program (1996). After 34 years in Royal Malaysia Police, retiring as Deputy Inspector General in 1997, he excelled in operations, management, investigations, and international roles. Post-retirement, he held board positions at Aokam Perdana Berhad (1997-2004), Avenue Capital (1999-2006), and others. Currently, Non-Independent Non-Executive Chairman at Binastra Corporation Berhad (redesignated Feb 2025), emphasizing governance, compliance, and shareholder interests.
Tan Beng Beng Promoter Managing Director	He was appointed on 16 February 2023. He oversees business strategy, corporate development, sales, marketing, and growth. With over 25 years in CNC machining, he began as a machinist after his 1995 Advanced CNC Machining certification. He founded Yomax Engineering in 2000, incorporated Yomax in 2007, co-established Adtech Precision Engineering in 2006 and Amco Technology in 2015 and acquired 50% of Ambest Technology in 2020. His leadership expanded the Group from local to multinational clients, excelling in opportunities, expansion, and negotiations. No family ties with other Directors or Key Senior Management.
Lim Eng Guan Promoter Executive Director	He was appointed on 16 February 2023. He manages overall operations. With a 1995 Certificate in Advanced CNC Machining, he started as a machinist at Ever Technologies in 1995, advanced at Paradigm Precision Components, rejoined EverTech as CNC section head in 1998, and was Senior Production Engineer at Prodelcon from 2001-2010. He co-founded Adtech Precision Engineering in 2006 (brief withdrawal in 2007), rejoined in 2011 as Production Lead, contributed to Ambest Technology part-time, co-established Amco Technology in 2015 (ceased in December 2024 after asset sale to Ambest), and fully joined Ambest in March 2020 after acquiring 50%.
Chong Chun Chieh CFO	He oversees accounting, finance, strategic planning, and corporate finance. He holds a Bachelor of Accountancy (1993) and MBA (2001) from Universiti Utara Malaysia, and MIA membership since 1996. Career: Account Executive at Singatronics (1993), Finance Manager at Hiroshima Precision (1994-1997), Financial Controller at Chin Well Fasteners (1997-2002), senior roles at Texchem (2002-2008), Group CFO and Executive Director at Boon Koon Group Berhad (2008-2015), Independent Non-Executive Director at Comintel Corporation (2018-2021). Joined the Group in June 2022.

Shareholding Structure (Pre-IPO)



Shareholding Structure (Post-IPO)



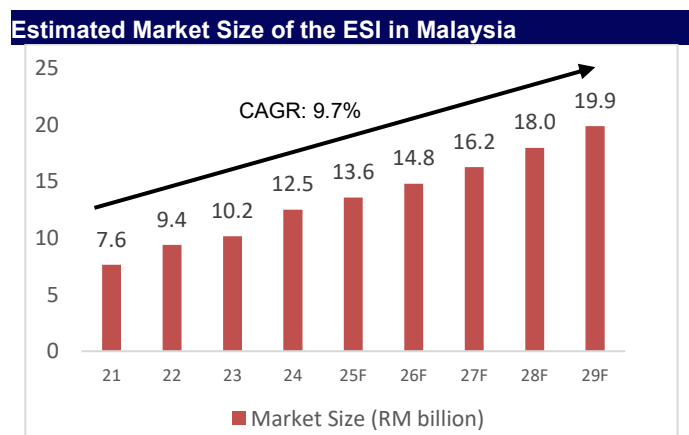
Industry Outlook

Engineering Supporting Industry (ESI) Outlook in Malaysia. Malaysia's Engineering Supporting Industry (ESI), including metal fabrication and ancillary services for semiconductors, machinery and equipment (M&E), and infrastructure, is set for robust growth amid AI advancements, supply chain shifts, and government support. As of January 2026, it aligns with the New Industrial Master Plan 2030 (NIMP 2030), aiding a 3% manufacturing growth forecast for 2026, driven by exports and high-tech investments. The global semiconductor market, a core driver, is projected at US\$772.0bn in 2025 and US\$976.0bn in 2026 (26% YoY growth), fueled by AI, data centers, memory/logic chips, and automotive electrification.

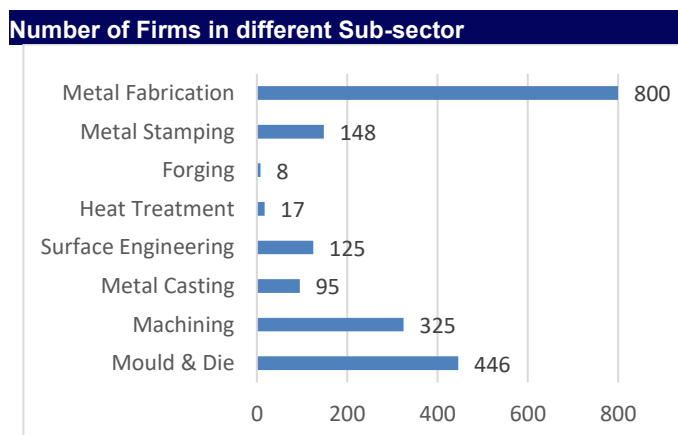
Market Size, Growth Forecast, and Key Drivers. Malaysia's ESI, valued at RM12.5bn in 2024, is forecast to reach RM13.6bn in 2025, RM14.9bn in 2026, and RM19.9bn by 2029 at a 9.7% CAGR, supported by M&E and semiconductor demand. The local semiconductor market is expected at US\$19.4bn in 2025, growing to US\$32.3bn by 2030 at 10.8% CAGR, with 10.0% average revenue growth over 2025-2027 in OSAT, EMS, and ATE sub-sectors. Drivers include rising chip needs from AI, 5G/IoT, EVs, AR/VR, big data, and medical wearables, offsetting downturns amid aging population healthcare demands. Investments exceeded RM70.7bn (Jan 2024-Jun 2025), bolstered by the RM2.0bn MADANI Submarine Cable. US-China tensions and the CHIPS Act redirect supply chains to Malaysia, promoting advanced fabrication.

Competitive Landscape. Malaysia's ESI is competitive and fragmented, with over 1,000 firms competing across sub-sectors: mould and die (446), machining (325), metal casting (95), surface engineering (125), heat treatment (17), forging (8), metal stamping (148), and metal fabrication (800). High entry barriers include capital for facilities, machinery, materials, and manpower, plus tech upgrade costs. Customers prefer established suppliers with expertise and vetted products, requiring lengthy approvals that benefit incumbents. Mid-level concentration enables consolidation; multinationals like Intel, Infineon, and ASE lead in assembly/test, while locals like Vitrox, Greatech, and Inari Amertron thrive in niches. Ambest's FY24 revenue of RM47.3mn (0.4% market share) highlights growth potential via innovation, partnerships, and Malaysia's cost and talent advantages.

Government Support and Initiatives. Budget 2026 allocates RM550.0mn via Khazanah and KWAP for semiconductor partnerships, RM200.0mn co-investment fund, RM500.0mn loans for mid-stream like advanced packaging, and RM5.9bn for AI/digital RDCI to build "Made by Malaysia" leaders. The NSS targets RM500.0bn investments, RM250.0bn incentives, 60,000 engineers, and 110 expansions by 2030, with SemiconStart, IC Design Park 2, ASEAN Summit, NIMP 2030 (RM100.0+mn startups), and clusters for SME digitalization/green growth in Kerian, Perak. Additional support includes RM180.0mn for AI/digital, plus 12MP, NIP, and Budgets 2024/2025 incentives for high-value E&E and resilience.



Source: Company Prospectus, Tradeview Research



Source: Company Prospectus, Tradeview Research

Valuation

Recommending a **Subscribe** rating and a **Target Price of RM0.33** based on FY26F PE of 15.4x, in line with the simple average forward PE of 15.4x for its domestic precision machining peers. Although Ambest serves Tier-1 front-end semiconductor equipment players directly, unlike its peers that primarily serve these customers indirectly via EMS providers, we do not apply a premium PE due to its smaller market capitalisation, similar margin performance and exposure to the semiconductor cyclicality. Meanwhile, the 4.3% discount to the simple average forward PE of its foreign precision machining peers of 16.1x is also justified by Ambest's significantly smaller market capitalisation.

We like Ambest for its entrenched Tier-1 OEM relationships with Customer B (47% of FY24 total revenue), and recent qualification with few key customers. Key growth drivers include (i) Sticky Tier-1 OEM relationships, (ii) China+1 semiconductor relocation expanding its addressable market, and (iii) First article to mass production conversion and increase in Customer B's budget.

Peer Comparison

Name	Last Price	Market Cap (RM'mn)	FYE	Earnings Growth		P/E (x)			Div. Yield	ROE	GP Margin	EBITDA Margin
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.	Hist.	Hist.
Domestic Precision Machining Peers		MYR										
CORAZA INTEGRATED TECHNOLOGY BHD	0.66	326.2	12/2024	21.4	20.6	21.1	19.4	16.1	0.0	11.7	19.3	10.4
CPE TECHNOLOGY BHD	0.53	355.8	06/2025	8.1	22.4	14.5	15.8	12.9	1.6	7.6	30.9	27.9
NORTHEAST GROUP SDN BHD	0.65	477.3	09/2025	37.2	9.9	23.2	15.0	13.7	N/A	9.9	33.7	27.3
WENTEL ENGINEERING HOLDINGS BHD	0.28	322	12/2024	19.0	20.0	13.4	11.2	9.3	0.0	12.5	28.1	20.2
Simple Average				21.4	18.2	18.1	15.4	13.0	0.5	10.4	28.0	21.4
Foreign Precision Machining Peers												
Singapore		SGD										
UMS INTEGRATION LTD	1.29	3589.3	12/2024	24.5	18.0	27.4	21.1	17.9	3.4	10.0	51.0	25.7
Taiwan		TWD										
FOXSEMICON INTEGRATED TECHNOLOGY INC	281.5	3922.5	12/2024	13.2	22.7	11.9	11.4	9.3	5.0	17.3	26.1	19.5
Hong Kong		HKD										
IMPRO PRECISION INDUSTRIES LTD	6.9	6690.9	12/2024	13.0	16.1	19.0	15.9	13.7	3.2	13.6	27.1	26.8
Simple Average				16.9	18.9	19.4	16.1	13.6	3.9	13.6	34.7	24.0
		MYR										
AMBEST GROUP BHD	0.25	127.5	12/2024	-2.7	61.1	18.1	18.6	11.5	0.0	23.9	30.2	27.4

Source: Bloomberg estimates, Tradeview Research (As of 23rd January 2026)

SWOT Analysis

Strengths - Continuous investment in advanced 4-axis and 5-axis machines - High customer switching costs due to stringent qualification processes - Long-standing relationships with top EMS and OEM players, giving recurring orders	Weakness - Heavy reliance on top 3 customers (82.0 – 90.0% revenue). - Heavy reliance on semiconductor industry (100% revenue). - Limited product diversification
Opportunities - Rising global semiconductor equipment spending driven by AI boom. - Trade diversification shifting supply chains from China to Southeast Asia. - Semiconductors upcycle	Threats - Geopolitical tensions disrupt global supply chains may lead to reduction in overseas orders - Semiconductor cyclical risks revenue drops from industry-wide downturns. - Fluctuation in exchange currency

Investment Risk

- Customer dependency risk.** Ambest relies heavily on a small number of major customers, with its top three accounting for 82.0-90.0% of revenue during FY22-24, including Customer B which contributed 47.0% in FY24. These relationships are subject to ongoing qualification and performance standards set by the OEMs. Any termination, reduction in orders, or shift to alternative suppliers due to changing business needs or geopolitical factors could result in significant revenue loss, less favourable terms, or inability to replace the business promptly, materially impacting operations and financial performance.
- Exposure to foreign exchange risk.** Ambest has no hedging mechanisms in place, foreign currency fluctuations affect transactions, as sales denominated in USD and SGD contributed approximately 55.9%, 66.2%, and 38.3% to Ambest total revenue for FY22, FY23, and FY24 respectively. Adverse movements in exchange rates or sustained raw material inflation could erode profit margins, increase operational costs, and adversely affect financial stability.
- Over-reliance on semiconductor industry risk.** Ambest's business is predominantly tied to the semiconductor sector, which accounted for 74.0-83.0% of revenue in recent years, making it susceptible to industry downturns, cyclical demand, or technological shifts. Diversification into other sectors like aerospace is projected to take at least three years, as the company currently lacks necessary licenses and certifications such as AS9100. Any prolonged semiconductor slowdown or failure to diversify could limit growth opportunities, heighten competitive pressures, and materially impair revenue and profitability.

Financial Overview

Financial Review

Ambest revenue recorded a -10.8% CAGR from FY22 to FY24, primarily due to the global semiconductor industry's cyclical slowdown impacting its core precision machining segment, which accounts for over 90% of sales. In FY23, total revenue fell 22.9% to RM45.8mn from RM59.4mn in FY22, driven by a RM15.1mn drop in precision machining from reduced orders at two major customers (Customer A and Customer B) which contributes 72.5% of its total revenue in FY22, amid weakened end-user demand. In FY24, revenue rebounded modestly by 3.3%, fuelled by semiconductor recovery boosting precision machining by RM4.2mn attributed to an increased 87.4% order volume of RM11.9mn in FY23 to RM22.3mn in FY24 from Customer B.

Earnings in FY24 increased 3.7% YoY as the GP margin for precision machining services increased from 21.0% in FY23 to 26.3% in FY24 due to some first articles (FA) developments were turned into mass production, coupled with an abnormal effective tax rate of 13.6% in FY24 versus a slightly high 24.7% in FY23 due to provision of deferred tax and reinvestment allowance claimed.

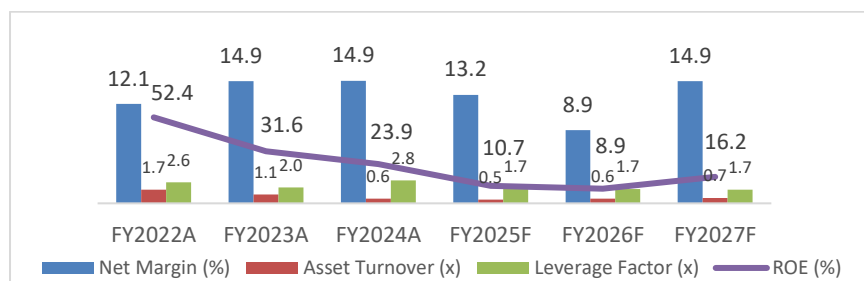
Financial Forecast

We're projecting Ambest's core earnings to be RM7.3mn in FY25F and RM14.9mn in FY26F, driven by (i) Expected first article to mass production conversion, (ii) China+1 relocation expanding its addressable market, and (iii) Budget increase from Customer B.

FYE 31 Dec	FY2023A	FY2024A	FY2025F #	FY2026F	FY2027F
Revenue (RM'mn)	45.8	47.3	52.0	70.1	91.2
EBITDA (RM'mn)	12.0	12.9	16.3	15.9	25.9
Pretax profit (RM'mn)	9.0	8.2	9.0	8.2	17.8
Net profit (RM'mn)	6.8	7.1	6.9	6.3	13.6
EPS (sen)	1.3	1.4	1.3	1.2	2.7
PE ratio (x)	18.7	18.1	18.6	20.3	9.4
Core net profit (RM'mn)	6.8	7.1	6.9	11.1	13.6
Core EPS (sen)	1.3	1.4	1.3	2.2	2.7
Core EPS growth (%)	(5.2)	3.7	(2.7)	61.1	22.6
Core PE ratio (x)	18.7	18.1	18.6	11.5	9.4
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	31.6	23.9	10.7	8.9	16.2
P/BV (x)	5.9	4.3	2.0	1.8	1.5

EPS and DPS are divided by the enlarged issued shares of 510,000,002 upon listing

Dupont Analysis



We project healthy ROE from FY25F to FY27F, as the company continues to generate good profits. The dip in FY25F is mainly attributed to an increase in shareholders' equity following the IPO exercise and a temporarily lower net margin due to a one-off listing expense and a normalized effective tax rate.

Key Assumptions

Revenue growth	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Precision Machining Segment	-30.8%	12.4%	7.9%	39.8%	33.8%
Sheet Metal Fabrication Segment	14.8%	-22.9%	18.6%	16.5%	12.8%
GP Margin	28.7%	30.2%	30.5%	31.0%	31.5%
EBITDA Margin	26.2%	27.4%	31.4%	22.7%	28.4%

Sensitivity Analysis

Case 1: Changes in Precision Machining Segment Growth Rate against Sheet Metal Fabrication Segment Growth Rate to derive core earnings

Precision Machining Segment Growth Rate in FY26F: 39.8%

Sheet Metal Fabrication Segment Growth Rate in FY26F: 16.5%

Precision Machining Segment Growth Rate (%) / Sheet Metal Fabrication Segment Growth Rate (%)	29.8	34.8	39.8	44.8	49.8	54.8
6.5	10.3	10.6	10.9	11.2	11.5	11.9
11.5	10.3	10.7	11.0	11.3	11.6	12.0
16.5	10.4	10.7	11.1	11.4	11.7	12.0
21.5	10.5	10.8	11.2	11.5	11.8	12.1
26.5	10.6	10.9	11.2	11.6	11.9	12.2
31.5	10.7	11.0	11.3	11.6	12.0	12.3

Case 2: Changes in net profit against PE to derive target price

Core Net Profit in FY26F: RM11.1mn

PE in FY26F: 15.4x

Net Profit (RM'mn) / PE (x)	9.1	10.1	11.1	12.1	13.1	14.1
13.4	0.24	0.26	0.29	0.32	0.34	0.37
14.4	0.26	0.28	0.31	0.34	0.37	0.40
15.4	0.27	0.30	0.33	0.36	0.39	0.42
16.4	0.29	0.32	0.36	0.39	0.42	0.45
17.4	0.31	0.34	0.38	0.41	0.45	0.48
18.4	0.33	0.36	0.40	0.44	0.47	0.51

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue	59.4	45.8	47.3	52.0	70.1	91.2
Operating expenses	(48.7)	(33.8)	(34.3)	(35.7)	(54.2)	(65.3)
EBITDA	10.7	12.0	12.9	16.3	15.9	25.9
Depreciation & amortisation	(1.1)	(2.5)	(3.6)	(5.8)	(6.2)	(6.6)
EBIT	9.6	9.4	9.4	10.5	9.7	19.3
Net int income/(expense)	(0.1)	(0.4)	(1.2)	(1.4)	(1.4)	(1.4)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	(4.8)	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0	0.0
Pretax profit	9.5	9.0	8.2	9.0	8.2	17.8
Tax	(2.3)	(2.2)	(1.1)	(2.2)	(2.0)	(4.3)
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	7.2	6.8	7.1	6.9	6.3	13.6
Core net profit	7.2	6.8	7.1	6.9	11.1	13.6

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Fixed assets	14.5	19.3	51.6	53.5	57.8	64.9
Other long term assets	0.3	0.3	0.3	0.3	0.3	0.3
Total non-current assets	14.8	19.6	51.9	53.8	58.1	65.2
Cash and equivalents	3.0	4.9	0.8	33.3	30.5	31.5
Inventories	1.9	1.7	5.4	5.9	8.0	10.3
Receivables	15.7	15.8	23.4	18.2	24.5	31.9
Other current assets	0.0	0.0	0.6	0.6	0.6	0.6
Total current assets	20.6	22.4	30.3	58.0	63.6	74.3
Payables	11.4	7.0	12.5	10.8	14.5	18.7
Short term borrowings	1.8	2.2	4.4	4.4	4.4	4.4
Other current liabilities	0.5	0.5	3.4	0.4	0.4	0.4
Total current liabilities	13.7	9.8	20.3	15.6	19.3	23.5
Long term borrowings	7.7	9.5	31.6	31.6	31.6	31.6
Other long term liabilities	0.2	1.2	0.7	0.7	0.7	0.7
Total long term liab.	7.9	10.7	32.2	32.2	32.2	32.2
Shareholders' Funds	13.7	21.5	29.6	64.0	70.2	83.8
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Pretax Profit	9.5	9.0	8.2	9.0	8.2	17.8
Depreciation & amortisation	1.1	2.5	3.6	5.8	6.2	6.6
Working capital changes	(4.8)	(2.0)	(8.5)	3.0	(4.7)	(5.5)
Cash tax paid	(2.2)	(2.5)	(2.0)	(2.2)	(2.0)	(4.3)
Others	0.4	0.9	2.1	1.4	1.4	1.4
C/F from operation	4.0	7.9	3.3	17.2	9.2	16.1
Capex	(2.5)	(3.2)	(7.4)	(7.8)	(10.5)	(13.7)
Others	(0.2)	(3.4)	0.6	0.0	0.0	0.0
C/F from investing	(2.7)	(6.5)	(6.8)	(7.8)	(10.5)	(13.7)
Debt raised/(repaid)	1.0	(1.5)	(4.5)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	1.0	4.9	23.1	(1.4)	(1.4)
C/F from financing	1.0	(0.5)	0.4	23.1	(1.4)	(1.4)
Net change in cash flow	2.3	0.9	(3.1)	32.4	(2.7)	1.0
Free Cash Flow	1.5	4.8	(4.0)	9.4	(1.3)	2.4



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TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

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