

Estek Automation Sdn Bhd

Where Photons Meet Profit

Summary

Estek Automation is a specialized industrial automation company focused on vision inspection and die sorting solutions for the semiconductor, LED, and photonics industries. The company designs and manufactures high-precision equipment, with core strengths in delivering high-performance systems that enhance product quality and production yield. Its photonics inspection platforms are designed to meet the stringent precision and alignment demands of optical components and CMOS imaging sensors, while its die sorting solutions offer exceptional accuracy, flexibility, and high throughput, particularly in silicon capacitor applications.

Private Market
Consumer

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Investment Thesis

Leveraged to structural growth in automotive and photonics sectors. Estek's equipment division is strategically positioned to capitalize on the rapid expansion of photonics and AI infrastructure, while maintaining exposure to the long-term growth trajectory of the automotive sector. We believe photonics represents the company's most compelling growth opportunity, supported by rising demand for high-speed optical interconnects, data transmission solutions and next-generation AI computing infrastructure. Within photonics, Estek has developed specialized AOI capabilities for prism and lens components, which are critical elements in photonic systems used for AI-related data transmission and storage applications. Unlike conventional AOI platforms, Estek's solution incorporates differentiated handling and inspection mechanisms specifically designed for fragile and high-precision photonic components. This niche capability positions the company favourably within a rapidly expanding market, as hyperscale AI deployments drive exponential growth in photonic interconnect demand. Complementing this opportunity is the company's die sorter and handler platform for silicon capacitors that are increasingly used in Application Processors (APs). These applications are highly yield-sensitive and throughput-critical, where sorting accuracy directly impacts manufacturing efficiency, defect rates and production costs. As advanced semiconductor packaging and AI-related hardware continue to proliferate, demand for precision automation solutions is expected to remain robust. Beyond hardware, Estek has been developing proprietary AI-powered imaging software since early last year, one of its eight AI strategic growth pillars. The software targets automated defect detection and aims to replace labour intensive manual inspection processes. Although still in its early commercialization phase, management expects an initial RM2 million order book and ultimately targets a 20-30% revenue contribution from software solutions. Successful execution could enhance margins, create recurring revenue streams and support a higher valuation multiple over time.

In automotive, Estek's vision inspection systems are built on CMOS imaging sensor technology, serving both automotive and 3C markets. The proliferation of cameras and sensing modules across ADAS and autonomous vehicles underpins structural demand, while lengthy qualification cycles and high switching costs lend strong customer stickiness and recurring order visibility. Although the sector remains in a cyclical downturn, technology advancement and R&D spend continue to trend higher, positioning Estek to benefit as demand normalises.

Diversification into CM production. Estek has secured a significant contract manufacturing (CM) engagement with a US customer, with an initial order book of RM6–8mn, expected to scale materially in 2QCY26 as the customer has provided strong guidance citing positive AI sector tailwinds. The company is progressing through the qualification process, with mass production slated for 2QCY26 following the completion of factory audits in March and TUV certification in May 2026, with deliveries likely commencing in June. Management expects gross margins to improve, driven by higher production volumes and a more favourable product mix, as the company leverages its automation expertise to optimise production workflows. We view this development positively, as it represents a strategic diversification that reduces customer concentration risk while capitalising on global supply chain reconfiguration trends, positioning Estek as a second-source supplier to reduce the customer's single-source vendor risk. The contract should absorb unutilised floor space in the new plant, improving capacity utilisation and operational efficiency. Importantly, it provides a more stable, recurring revenue stream that helps offset cyclical volatility in the automotive segment, smoothing earnings going forward.

Plant expansion for stronger demand. To meet anticipated demand across both segments, Estek completed a 50,000 sq ft integrated facility (office, production and warehousing) on 1.5 acres in December 2025, at a RM20mn cost funded through bank borrowings and internal cash. The build relieves existing capacity constraints and positions the group to scale its core equipment business while onboarding the emerging contract manufacturing opportunity. The timing of the expansion ahead of the contract manufacturing ramp and during a growth phase in automotive CIS and photonics-related equipment demand demonstrates management's confidence in sustained order momentum, though it does introduce near-term balance sheet leverage and execution risk during the construction and commissioning phases.

Financial Overview

Estek recorded a strong financial performance in FY2025, underpinned by healthy revenue generation, robust profitability margins, and solid liquidity. We believe revenue growth was primarily attributable to deliveries of CMOS imaging sensor machines and die sorter equipment, notwithstanding the soft technology market environment in 2025. The company achieved total revenue of RM23.9mn and gross profit of RM12.1mn, representing a gross profit margin of approximately 50.6%, reflecting efficient cost management and relatively high value-added operations. We note that gross margins for ATE players in the industry typically range between 35%–55%, and as Estek's products are mostly customised, they command higher gross margins, which remain comfortably within industry levels. Net profit stood at RM5.12mn, translating into a net profit margin of 21.4%, reflecting healthy operational leverage despite rising administrative and employee-related expenses, aided by a favourable product mix given the niche nature and high complexity of its offerings.

The company's balance sheet remained robust, with total assets amounting to RM28.9mn. Fixed assets contributed RM17.0mn, mainly driven by factory construction, land, machinery, and software infrastructure, suggesting ongoing expansion and long-term operational investment. Meanwhile, current assets stood at RM11.6mn, supported by sizeable inventories of RM6.9mn and cash balances exceeding RM2.4mn. The group also maintained a strong net current asset position of RM11.3mn against relatively low current liabilities of RM0.3mn, highlighting healthy short-term liquidity. In 2024, the company raised capital through an equity crowdfunding platform from high-net-worth investors, with proceeds from the issuance of share capital amounting to RM4.6mn. The funds were primarily earmarked for working capital and production capacity expansion to support future growth. The pre-money valuation stood at RM35.7mn, with shares priced at RM23.00 per share, implying a post-money valuation of RM40.3mn. Management has delivered on its profit guarantee stipulated at the time of the FY2024 equity fundraising, achieving cumulative PATAMI of RM6.0mn across FY2024 and FY2025, a demonstration of execution discipline that, in our view, reinforces management's credibility with investors. With a proven track record of meeting financial commitments, underpinned by an expanding order book, growing customer diversification, and deepening technical capabilities, we believe Estek is well-positioned to sustain its growth trajectory over the medium term.

Although leverage remains manageable, the company still carries sizeable long-term borrowings related to its factory expansion. Nevertheless, the interest coverage ratio remained healthy, underpinned by robust profitability, indicating limited near-term solvency concerns. Any slowdown in revenue growth or project execution may affect debt servicing capability. As the company relies on bank borrowings and MIDF financing, rising interest rates could increase financing costs and reduce future profitability. While current interest expenses remain manageable, prolonged high-interest rate environments may pressure margins. Liquidity remained exceptionally strong in FY2025. The company possessed substantial cash reserves and working capital, enabling it to comfortably meet short-term obligations. The elevated current ratio of 47x in FY2025 (FY2024: 4.2x) reflects conservative working capital management and limited short-term financial pressure, though we note this is partly a function of minimal current liabilities rather than excess cash.

The cash conversion cycle of approximately 238 days in FY2025 continues to reflect the capital-intensive nature of custom equipment manufacturing. Inventory expanded rapidly, up 94% YoY to RM5.4mn in FY2024 and climbing further to RM6.9mn in FY2025, driven by contract manufacturing ramp-up, which will require sustained working capital support going forward. On the cash flow front, net operating cash flow turned marginally negative at RM0.1mn in FY2024, burdened by heavy capex that pushed free cash flow to approximately negative RM6.3mn, necessitating reliance on external financing. FY2025 saw a modest improvement, with operating cash flow turning marginally positive at RM49k, though free cash flow remained negative at approximately RM3.6mn as factory construction investment continued. Net cash position declined to RM2.4mn at FY2025 from RM3.7mn a year earlier, reflecting the ongoing investment phase. We view this as transitional as the new plant ramps to fuller utilisation and contract manufacturing volumes scale; we expect operating cash generation to improve materially from FY2026 onwards.

Sensitivity Analysis

Based on FY25 financial performance

- Revenue: RM23.9mn
- Net profit: RM5.1mn (21.4% net margin)

Scenario	Revenue (RM '000)	Gross Margin	Gross Profit (RM '000)	Operating Expenses (RM '000)	Net Profit/(Loss) (RM '000)	Key Financial Ratio Impact	Risk Interpretation
Bear Case (-20% Revenue)	19,090	50.6%	9,660	6,472	2,702	Net margin 14.2%; ROE 16.6%	Sharp order pull-back and weak project flow; fixed-cost deleverage compresses margins despite a stable gross margin
Downside Case (-10% Revenue)	21,476	50.6%	10,867	6,472	3,909	Net margin 18.2%; ROE 24.0%	Mild demand softness; profitability holds but operating leverage works in reverse
Base Case (FY2025 Actual)	23,862	50.6%	12,074	6,472	5,116	Net margin 21.4%; ROE 31.4%; Current Ratio 47.0x	FY25 actual; healthy profitability and liquidity on strong execution
Upside Case (+10% Revenue)	26,248	50.6%	13,282	6,472	6,324	Net margin 24.1%; ROE 38.8%	Higher utilisation and fixed-cost absorption lift margins above base
Bull Case (+20% Revenue)	28,634	50.6%	14,489	6,472	7,531	Net margin 26.3%; ROE 46.2%	Strong CM ramp and photonics demand drive pronounced operating leverage
Margin Compression Case	23,862	45.0%	10,738	6,472	3,780	Net margin 15.8%; ROE 23.2%	Raw-material/labour inflation or adverse mix erodes gross margin
Margin Expansion Case	23,862	55.0%	13,124	6,472	6,166	Net margin 25.8%; ROE 37.8%	Richer mix (software, photonics) and procurement gains strengthen margins
Opex Inflation (+15%)	23,862	50.6%	12,074	7,443	4,145	Net margin 17.4%; ROE 25.4%	Wage and overhead creep on the enlarged new-plant fixed base
Opex Reduction (-10%)	23,862	50.6%	12,074	5,825	5,763	Net margin 24.2%; ROE 35.4%	Cost discipline as the plant scales toward fuller utilisation
Interest Rate Shock (+100bps)	23,862	50.6%	12,074	6,472	4,987	Net margin 20.9%; ROE 30.6%	+RM129k finance cost on RM12.9mn borrowings; modest earnings drag

Company Overview

Estek Automation Sdn Bhd is a Penang-based industrial automation and vision inspection solutions provider specialising in semiconductor and high-technology manufacturing industries. The company was incorporated in 2015 and is headquartered in Bayan Lepas, Penang, with an expanding operational presence in Batu Kawan, Penang.

The company focuses on the design, development, and manufacturing of automated vision inspection systems, wafer inspection equipment, chip sorting systems, and customised automation solutions. Its core competencies include automated optical inspection (AOI), wafer-level inspection, die sorting, robotic handling systems, and AI-driven process optimisation solutions for semiconductor manufacturing.

Estek serves customers across multiple industries including semiconductor, photonics, medical devices, communication, automotive, LED, and advanced electronics manufacturing. The company has established sales and service support networks across Malaysia, Singapore, Thailand, Taiwan, China, Korea, Philippines, and the United States, strengthening its regional and global customer reach.

The group's product portfolio includes wafer inspection systems, microscopic vision inspection systems, die sorters, lens inspection systems, and customised pick-and-place automation equipment capable of handling semiconductor wafers up to 300mm. Estek also develops proprietary software and machine vision technologies to improve inspection precision, productivity, and manufacturing traceability.

Supported by ongoing factory expansion and increasing exposure to Industry 4.0 and semiconductor automation trends, Estek aims to strengthen its position as a regional high-tech automation solutions provider. The company continues to invest in technology development, engineering capabilities, and manufacturing capacity to support future growth opportunities within the global semiconductor ecosystem.

Figure 1: New plant



Source: Company website

Industry Outlook

The automotive imaging market represents one of the most structurally compelling subsegments within the broader semiconductor space, underpinned by regulatory mandates, electrification, and the autonomous driving technology roadmap. The automotive image sensors market is expanding from USD 25bn in 2025 to USD 30.5bn in 2026 and is projected to advance at a robust CAGR of 22.95%, ultimately reaching USD 106bn by 2032. Within this, CMOS technology dominates given its power efficiency and scalability. The global CMOS image sensor market was valued at USD 24.3bn in 2025 and is projected to grow from USD 26.6bn in 2026 to USD 54.3bn by 2034, at a CAGR of 9.34%, with the automotive sector expected to grow with the highest CAGR during the forecast period, according to Research And Markets and Fortune Business Insights.

The key demand driver is the proliferation of cameras per vehicle. The average camera content per vehicle is rising from 3.2 units in 2025 to over 6.8 units by 2034, driven by regulatory mandates for ADAS camera systems and the rapid scaling of autonomous vehicle development programs. The global automotive camera market is projected to require over 200 million image sensor units annually by 2026, driven by regulatory mandates for safety features. Critically, by 2030, Level 2+ autonomous vehicles are likely to account for around 70% of vehicles shipped, cementing CMOS imaging as a non-negotiable bill-of-materials item across all vehicle segments. Quality standards in automotive-grade imaging are materially more stringent than in consumer applications: requirements such as functional safety, extended temperature operating ranges and AEC-Q100 certification create significant barriers to entry and drive structural demand for high-precision AOI inspection equipment, directly addressing Estek's core value proposition. Near-term caution is warranted given the ongoing automotive production downcycle, though R&D spending and technology qualification pipelines remain active, supporting equipment procurement even in subdued production environments.

The photonics sector is undergoing a transformational moment, propelled by the urgent requirement for energy-efficient, high-bandwidth data transmission in AI data centres as electrical copper interconnects approach their physical bandwidth and power limitations. The global optical interconnect market in AI data centers reached USD 3.8bn in 2025 and is expected to reach USD 18.4bn by 2033, growing at a CAGR of 21.87%. The photonic IC market is similarly on a steep growth trajectory, valued at USD 10.8bn in 2025 and projected to reach approximately USD 24.5bn by 2033, driven by AI clusters, hyperscale data centres, and high-speed telecom systems that are increasingly adopting photonic integrated circuits for higher-throughput, lower-power platforms.

Silicon photonics is at the epicentre of this investment wave. The global silicon photonics market accounted for USD 2.9bn in 2025 and is predicted to grow from USD 3.7bn in 2026 to approximately USD 28.8bn by 2034, expanding at a CAGR of 29.25%. The industry's largest players are staking major capital on this theme, as evidenced by NVIDIA unveiling co-packaged silicon photonics switches at GTC 2025 and Marvell signing a USD 5.5bn deal to acquire Celestial AI in December 2025, signalling that optical interconnects are becoming standard infrastructure for AI data centres. For Estek, the prism and photonic component inspection opportunity sits directly in this value chain. As photonic ICs scale toward mass production, manufacturing yields and component-level quality assurance become mission-critical, driving structural demand for specialized AOI solutions that can inspect prisms and optical subcomponents with differentiated handling. The datacom optical market grew over 60% to exceed USD 16bn in 2025, with 800G transceiver shipments achieving 100% year-on-year growth and 1.6T transceivers entering production, a rate of technology transition that continuously refreshes the installed base and generates ongoing equipment qualification cycles that benefit specialist inspection tool providers.

Management Team

Name and Designation	Profile
Jacky Lee Founder Chief Executive Officer	He is responsible for driving the company's overall strategic direction and long-term vision. He brings over 25 years of experience in the semiconductor industry and possesses strong leadership and communication skills, which have been instrumental in the company's growth and business development initiatives.
Wyman Lim CTO	He leads the company's technology strategy and innovation roadmap. With over 15 years of experience in technology development and innovation, he has strong expertise in semiconductor technologies and automation solutions, supporting the company's technological advancement and product development efforts.
Teh Ley Yeen COO	She oversees the company's daily operations to ensure operational efficiency, product quality, and timely project delivery. She has more than 15 years of operational management experience within the semiconductor industry and specializes in leadership, process optimization, strategic execution, and quality management.
KL Tan Finance Manager	She is responsible for overseeing the daily operations of the finance department, including financial management, reporting, and budgeting activities. With over 15 years of experience in financial reporting, forecasting, cash flow management, and cost control, she plays a key role in maintaining the company's financial discipline and operational efficiency.

SWOT Analysis

Strengths - Exposure to automation and industry 4.0 trends - Technology advancement - Strong financial performance - Diversified product offerings	Weaknesses - High employee and labour costs - High inventory holdings - Earnings dependent on project flow
Opportunities - Capacity expansion supports growth - Tap into growing automotive and photonics sectors - Trade diversion - Geographical expansion	Threats - Intense industry competition - Economic slowdown affecting capex spending - Rising raw material and labour costs - Rapid technological changes

Investment Risk

- Customer Concentration.** The contract manufacturing segment is entirely reliant on a single US customer, making near-term revenue visibility fragile. Any qualification failure, demand softening, or geopolitical trade disruption could wipe out a meaningful portion of the guided orderbook.
- Execution Risk on Capacity Ramp.** The simultaneous ramp of a new 50,000 sqft facility, contract manufacturing mass production, and AI software commercialisation stretches management bandwidth across multiple critical milestones. Delays in TUV certification, factory commissioning, or customer delivery timelines could push revenue recognition into later periods and compress margins during the fixed-cost absorption phase.
- FX Volatility.** USD-denominated revenues and receivables expose reported earnings to MYR/USD swings, as evidenced by the RM378,345 realised FX loss in FY2024 that turned other income into a net charge. No hedging policy is disclosed.

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2022A (Audited)	FY2023A (Audited)	FY2024A (Audited)	FY2025A (Unaudited)
Revenue	5.7	7.3	13.6	23.9
Operating expenses	(7.0)	(6.8)	(11.8)	(18.4)
EBITDA	(1.3)	0.5	1.8	5.5
Depreciation	(0.2)	(0.2)	(0.2)	(0.4)
EBIT	(1.5)	0.2	1.6	5.1
Finance costs	(0.1)	(0.1)	(0.2)	0.0
Pretax profit	(1.6)	0.1	1.4	5.1
Tax	(0.0)	(0.0)	(0.3)	0.0
Minority interest	0.0	0.0	0.0	0.0
Net profit	(1.7)	0.1	1.0	5.1
Core net profit	(1.7)	0.1	1.0	5.1

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2022A (Audited)	FY2023A (Audited)	FY2024A (Audited)	FY2025A (Unaudited)
Fixed assets	3.8	3.6	9.6	17.0
Other long term assets	0.6	0.6	0.3	0.3
Total non-current assets	4.4	4.2	9.9	17.3
Cash and equivalents	0.4	1.2	3.7	2.4
Inventories	2.5	2.8	5.4	6.9
Receivables	1.5	2.7	3.2	2.3
Other current assets	0.2	1.0	1.8	-
Total current assets	4.6	7.7	14.1	11.6
Payables	0.9	0.9	2.4	(0.1)
Short term borrowings	0.1	0.4	1.0	-
Other current liabilities	0.7	0.7	-	0.4
Total current liabilities	1.7	2.0	3.4	0.3
Long term borrowings	3.1	4.6	9.2	12.9
Other long term liabilities	-	-	-	(0.6)
Total long term liab.	3.1	4.6	9.2	12.3
Shareholders' Funds	4.2	5.3	11.5	16.3
Minority Interest	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2022A (Audited)	FY2023A (Audited)	FY2024A (Audited)	FY2025A (Unaudited)
Pretax Profit	(1.6)	0.1	1.4	5.0
Depreciation & amortisation	0.2	0.2	0.2	0.4
Working capital changes	(0.8)	(1.5)	(1.6)	4.5
Cash tax paid	(0.1)	(0.0)	(0.1)	(0.1)
Others	(0.0)	0.0	(0.0)	(9.7)
C/F from operation	(2.2)	(1.1)	(0.1)	0.05
Capex	(0.2)	(0.0)	(6.2)	(3.7)
Others	0.0	0.0	0.0	0.0
C/F from investing	(0.2)	(0.0)	(6.2)	(3.7)
Debt raised/(repaid)	(0.1)	(0.2)	(0.5)	(0.5)
Dividends paid	0.0	0.0	(1.5)	0.0
Others	0.7	2.9	11.5	1.2
C/F from financing	0.6	2.7	9.6	0.7
Net change in cash flow	(1.8)	1.6	3.2	(2.9)
Free Cash Flow	(2.4)	(1.2)	(6.3)	(3.6)



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Tradeview Research Investment Rating System

Equity:

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

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

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

NEUTRAL: Total stock return expected to below +15% over 12-month period