

# Ambest Group Berhad (0391)

## From Backroom Supplier to Front-End Contender

Bloomberg Ticker: AMBEST MK | Investment Horizon: 12 Months

### Recommendation

We initiate coverage on Ambest Group Berhad with a **BUY** call with a **Target Price** of **RM0.72**, representing a **26.3% 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) a structurally defensive revenue base anchored by a preferred supplier position with Customer B, (ii) a direct and differentiated exposure to the semiconductor equipment upcycle, with customer diversification broadening meaningfully from FY27F as newly qualified front-end OEM accounts ramp into mass production, and (iii) trade diversion that expands Ambest's addressable market as supply chain localisation into Malaysia, and gaining market share.

### Investment Highlights

**Defensive Revenue Base, Expanding Growth Horizon.** Ambest's revenue base is anchored by Customer B (RM22.3m in FY24), a globally recognised high vacuum solutions developer. The relationship is structurally defensive, protected by multi-stage OEM qualification barriers and recurring wear-cycle replacement demand, with Ambest occupying a preferred position within Customer B's deliberately narrow vendor base. This affiliation has also served as a reputational catalyst, enabling accelerated front-end OEM penetration, evidenced by a leading OEM qualification achieved in short period. An active FA pipeline is expected to convert into RM10mn-30mn of incremental mass production revenue across FY26F-FY27F, with potential upside driven by higher-complexity, higher-ASP components. We forecast group revenue growth of 27%-61% over FY26F-FY28F, underpinned by a two-phase dynamic, (i) near-term contribution from Customers A, B, and E in FY26F, and (ii) broadening into new customer ramp-ups from FY27F, supported by an ongoing semiconductor equipment upcycle.

**China+1 Positioning ongoing.** Global semiconductor equipment sales are projected to reach US\$145.0bn in 2026 (~9% YoY), underpinned by AI infrastructure investment and a consumer electronics refresh cycle. Escalating US-China trade tensions have introduced a durable tariff asymmetry favourable to Malaysia, accelerating "China+1" supply chain diversification among US multinationals. Customer B's commissioning of a second Malaysian facility and Ambest's growing FA order pipeline from localising 2-3 MNCs are tangible validations of this trend. We view the tariff differential as structural, positioning Ambest as a natural beneficiary poised to capture share from China-based precision machining suppliers over the medium-to-long term.

**Expanding Capacity, Improving Mix.** Ambest is vertically extending its 42A facility, 25% of newly commissioned space started utilised and the balance earmarked for four additional high-specification machines with the IPO proceeds and warehousing. Underpinned by an orderbook of ~RM30mn as at March 2026 and forward visibility exceeding four months which above historical trend and we view this positively, driven by the semiconductor upcycle and trade diversion. Accordingly, we project GP margins above 30% and core net profit margins of 18%-20% across FY26F-FY28F. Key drivers include (i) FA-to-mass-production volume ramp, (ii) new front-end customer revenue contributions, (iii) a favourable mix shift towards higher-complexity, higher-margin components, and (iv) fixed cost absorption generating meaningful operating leverage.

FY Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	47.3	52.7	85.2	112.0	142.9
EBITDA (RM'mn)	12.9	13.6	22.8	34.9	43.6
Pretax profit (RM'mn)	8.2	7.5	14.9	26.4	34.3
Net profit (RM'mn)	7.1	6.4	12.2	21.7	28.1
EPS (sen)	1.4	1.3	2.4	4.2	5.5
PE ratio (x)	41.2	45.5	18.4	13.4	10.3
Core net profit (RM'mn)	7.1	6.4	15.8	21.7	28.1
Core EPS (sen)	1.4	1.3	3.1	4.2	5.5
Core EPS growth (%)	3.7	(9.4)	147.6	36.9	29.9
Core PE ratio (x)	41.2	45.5	18.4	13.4	10.3
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 (%)	23.9	17.8	16.2	22.3	22.5
P/BV (x)	9.8	8.1	3.9	3.0	2.3

**BUY**

Target Price: RM0.72 (+26.3%)

Current Share Price: RM0.57

Ace Market  
Industrial Products & Services

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### Valuation

**Our target price is based on:**

FY27F PE of 17x, 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.

### Stock Information

Market Cap (RM m)	290.7
Issued Shares (m)	510.0
52W High (RM)	0.585
52W Low (RM)	0.26
Estimated Free Float (%)	28.9
Beta vs FBM KLCI	2.3
3-month Average Vol. (m)	N/A
Shariah Compliant	Yes

Category	Score	Materiality	Weighted Score
Environmental	32	25%	1.7
Social	40	40%	3.2
Governance	38	35%	2.7
<b>Total</b>	<b>110</b>	<b>100%</b>	<b>7.6</b>

## Investment Thesis

### **Strong Foundation, Widening Customer Pipeline Drives Upcycle Optionality**

Ambest's relationship with Customer B, a globally recognised high vacuum solutions developer, constitutes the cornerstone of the group's revenue base, contributing RM22.3mn or 47.2% of total FY24 revenue. We view this relationship as structurally defensive, underpinned by prohibitively high switching costs inherent to Tier-1 OEM procurement, a multi-stage qualification process encompassing stress testing, copy-exact certification, and cyclical wear assessment that is both time-intensive and capital-consumptive. Customer B's external vendor base is deliberately narrow, typically limited to two or three qualified suppliers, with Ambest occupying a preferred position, affording the group a high degree of revenue predictability further reinforced by the recurring replacement demand for wear-prone, high-tolerance moving parts it manufactures.

#### **Major Customers**

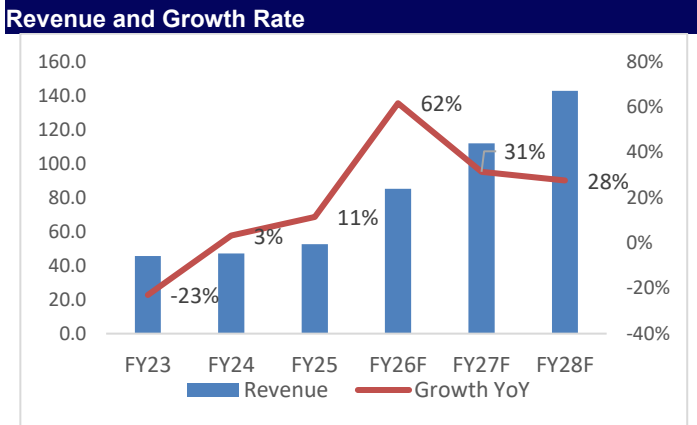
Customers	FY24 Revenue Contribution	Customer Type	Supply Chain
Customer A	RM10.5mn (22.2%)	EMS	Memory, ATE, Wafer Processing Equipment
Customer B	RM22.3mn (47.1%)	Component OEM	Up-stream WFE spending
Customer E	RM3.0mn (6.3%)	EMS	Memory
RT Supplies Pte Ltd	RM7.4mn (15.7%)		

Source: Company Prospectus, Tradeview Research

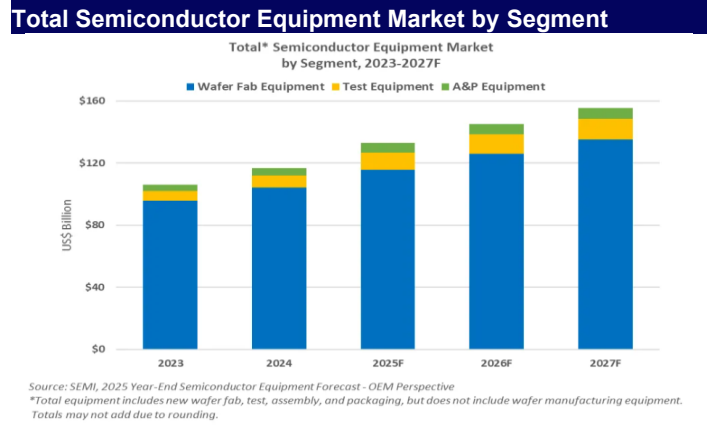
Beyond the direct commercial contribution, the Customer B relationship has served as a reputational anchor, materially enhancing Ambest's ability to penetrate adjacent front-end semiconductor OEM accounts within the wafer fabrication and electronics manufacturing ecosystem. Ambest's qualification by a leading front-end OEM within approximately twelve months, a significantly compressed timeline relative to industry norms. In our view, a direct function of the quality validation and preferred supplier status conferred by its association with Customer B.

First article (FA) development is currently progressing with a number of new customers, comprising both multinational manufacturers localising supply chains to existing Malaysian facilities and new accounts requiring longer qualification cycles for critical component designs. Management has indicated an accelerating conversion of FA engagements into mass production programmes in FY26 and FY27, with our expectation of incremental revenue contribution estimated in the range of RM10mn-30mn across those two fiscal years. We attribute the upper end of this range to a richer product mix, as newly introduced components carry higher average selling prices commensurate with their technical complexity.

We channel checks corroborate that Customer B's production volumes are expanding on the back of robust semiconductor equipment demand, from which Ambest is well-positioned to benefit on a proportional basis. We forecast group revenue growth of 27%–61% over FY26F–FY28F, reflecting a two-phase growth dynamic, (i) near-term momentum concentrated in Customers A, B, and E through FY26F, followed by (ii) a broadening of the revenue base from FY27F as newly onboarded customers scale into mass production, riding the tailwind of an ongoing semiconductor upcycle.



Source: Company Prospectus, Tradeview Research



Source: Company Prospectus, Tradeview Research

## Malaysia's China+1 Positioning — A Structural Tailwind

The macro backdrop remains constructive for semiconductor capital equipment. Per the SEMI World Fab Forecast, global equipment sales are projected to reach US\$145.0bn in 2026, representing approximately 9% year-on-year growth from 2025, driven by accelerating AI infrastructure investment and a consumer electronics upgrade cycle. Against this demand backdrop, the structural deterioration in US-China trade relations has introduced meaningful tariff differentials, with levies on Chinese-origin goods materially exceeding those applied to Malaysian exports, a divergence we view as durable given Malaysia's sustained geopolitical neutrality.

This asymmetry is catalysing an accelerated adoption of "China+1" supply chain diversification strategies among US-headquartered multinationals. For Ambest, as a qualified domestic precision manufacturer with an established track record serving global OEMs, this structural shift directly expands the addressable market. Customer B is commissioning of a second Malaysian manufacturing facility in 2024 is indicative of this broader trend, with the customer progressively migrating both existing and new product lines to its Malaysian operations. Corroborating this, Ambest has secured FA orders from additional customers actively executing localisation strategies into Malaysia.

In our view, the prevailing tariff differential between China and the US is unlikely to normalise in the near-to-medium term, constituting a persistent structural tailwind for regionally anchored manufacturers. Against this backdrop, Ambest's established supplier credentials and deepening MNC relationships position the group as a natural beneficiary of ongoing supply chain reorientation away from China-based precision machining sources.

## Capacity Expansion and Integrated Manufacturing Drive Operating Leverage and Margin Upside

Ambest is executing a disciplined capacity expansion programme at its 42A facility through vertical extension, increasing total built-up area from approximately 2,010 sq m to 2,910 sq m. The newly commissioned space is currently operating at approximately 25% utilisation, deploying new machinery to service incremental customer demand, with the remaining area earmarked for four additional machines and ancillary warehousing infrastructure.

The group's ongoing capital investment programme is focused on high-specification machining equipment, including assets capable of processing larger component geometries, enabling Ambest to address a broader spectrum of customer requirements and compete for higher-complexity, higher-value programmes. Incrementally, expanded capacity supports the maintenance of buffer inventory levels, a critical operational capability in servicing semiconductor supply chains characterised by short-lead-time purchase orders.

With an orderbook of approximately RM30mn as at March 2026 and forward order visibility extending beyond four months, we have confidence in our margin forecasts. We project gross profit margins to exceed 30% and core net profit margins to range between 18%–20% across FY26F–FY28F. The key drivers underpinning this margin trajectory are, (i) volume ramp from FAs transitioning into full mass production, (ii) initial revenue contribution from newly qualified front-end semiconductor customers, (iii) a favourable shift in product mix towards higher-complexity, higher-margin components, and (iv) the absorption of fixed overheads across a materially higher revenue base, generating meaningful operating leverage.

## Company Overview

Ambest Group Berhad was listed on the ACE Market of Bursa Malaysia on 6 February 2026. Ambest 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.


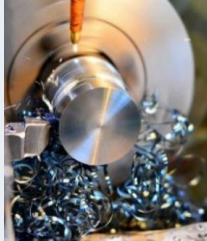


Headquartered in Penang, Ambest specializes in CNC precision machining (milling, turning, and turn-milling with tolerances as tight as 5-micron), sub-modular assembly, sheet metal fabrication, and subcontracted surface finishing, primarily serving the semiconductor industry (100% of revenue). It supplies 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



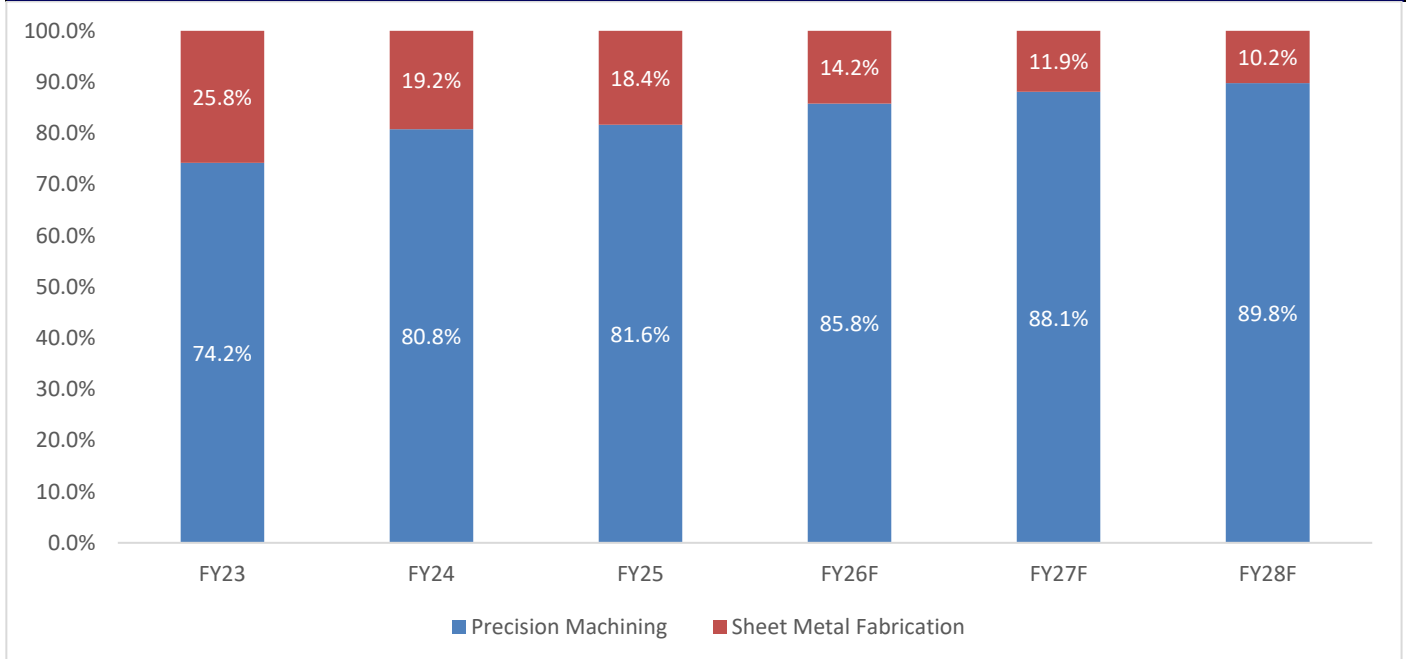
Source: Company

## Business Segments

Segments	Description	Visualization / Services		
Precision Machining	<ul style="list-style-type: none"> <li>Precision Machining Precision CNC machining (milling, turning and turn-milling)</li> <li>Fabrication of customised, close-tolerance metal components</li> <li>Prototype and first article (FA) development</li> <li>Mass production of precision components</li> <li>Sub-modular assembly and related value-added services</li> <li>Sheet Metal Fabrication Metal sheet cutting, bending and forming</li> <li>Fabrication of sheet metal parts and structures</li> <li>Assembly and finishing services</li> </ul>			
Sheet Metal Fabrication	<ul style="list-style-type: none"> <li>Metal sheet cutting, bending and forming</li> <li>Fabrication of sheet metal parts and structures</li> <li>Assembly and finishing services</li> </ul>			

Source: Company Prospectus, Tradeview Research

## Revenue by Business Segments

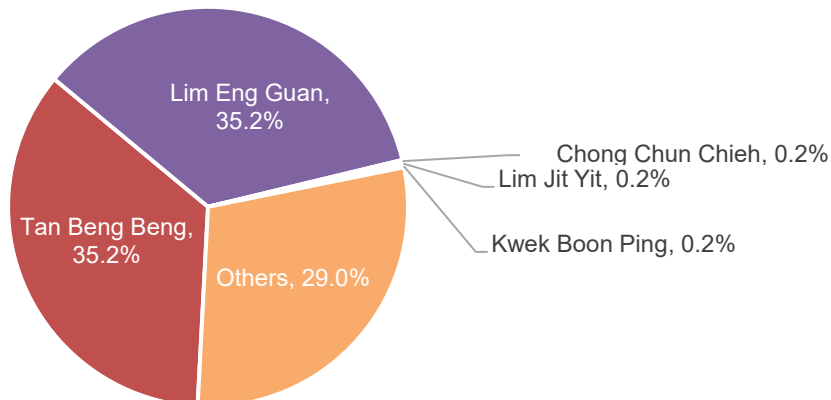


Source: Company Prospectus & Financial Reports, Tradeview Research

## Management Team

Name and Designation	Profile
<b>Tan Sri Dato' Samshuri Bin Arshad</b> 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.
<b>Tan Beng Beng</b> 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.
<b>Lim Eng Guan</b> 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%.
<b>Chong Chun Chieh</b> 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

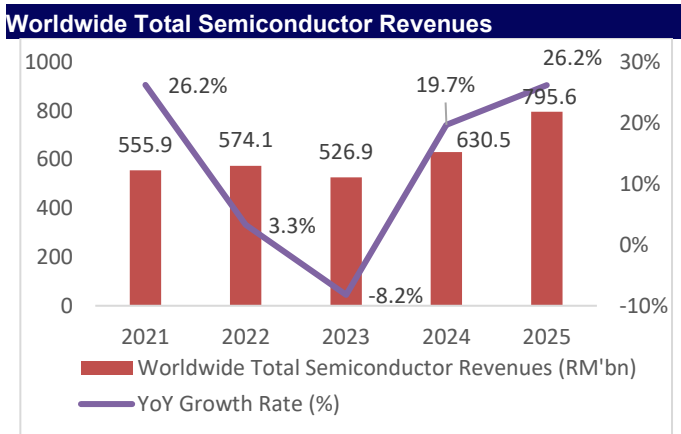


## Industry Outlook

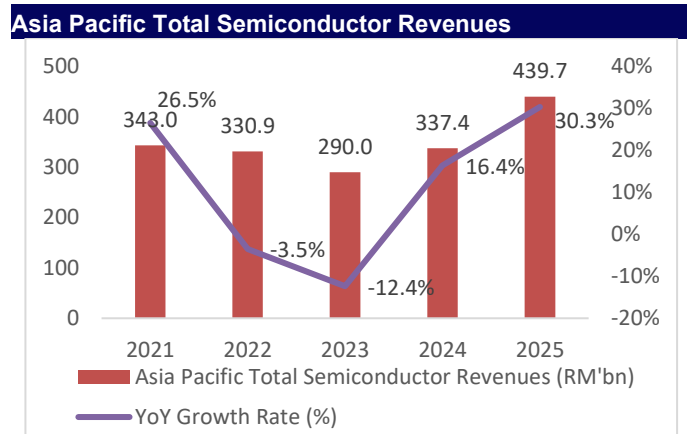
**Engineering Supporting Industry (ESI) Outlook in Malaysia.** Malaysia's Engineering Supporting Industry (ESI), which includes metal fabrication, precision machining, automation systems, cleanroom equipment, tooling, and ancillary services for semiconductors, machinery and equipment (M&E), and infrastructure, is set for robust growth amid AI advancements, supply chain shifts, and stronger government support. The ESI sector plays a critical role in supporting semiconductor fabrication, assembly, testing, packaging, industrial automation, and high-value manufacturing activities. MIDA guided that Malaysia contributes 13% of global Assembly, Testing, and Packaging (ATP) volume, ranks as the 6th-largest semiconductor exporter, and generates over 40% of exports from the E&E sector.

Domestically, MIDA also reported RM285.2bn of approved investments in 9M25, including RM22.0bn in E&E and RM93.8bn in manufacturing overall, mainly driven by US's MNCs adopting a China+1 strategy. As more MNCs diversify production bases away from China, Malaysia continues to benefit from its established semiconductor ecosystem, skilled workforce, strong logistics infrastructure, and supportive investment policies. These trends should continue to support demand for precision machining, factory automation, calibration, fabrication, cleanroom systems, and engineering support services across the semiconductor supply chain.

**Global Semiconductor Industry Upcycle.** According to World Semiconductor Trade Statistics (WSTS), the global semiconductor market surged 26.2% to US\$795.6bn in 2025 and is projected to reach US\$1.0tn in 2026, fueled by AI, data centers, memory and logic chips, and automotive electrification. The Asia Pacific semiconductor market grew 30.3%, outperforming the global growth rate, mainly driven by US MNCs increasingly adopting a China+1 strategy to mitigate geopolitical risks. The growth trajectory is expected to remain intact, led by AI, as upstream growth in wafer fabrication equipment, advanced packaging, and chip design gradually spreads to downstream semiconductor segments such as OSAT, EMS, industrial automation, and engineering support services. This should create broader opportunities for local ESI players involved in precision engineering, metal fabrication, automation systems, maintenance services, and custom equipment manufacturing.



Source: Company Prospectus, Tradeview Research



Source: Company Prospectus, Tradeview Research

**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. Apparently, the government is demonstrating strong long-term commitment to building Malaysia into a regional semiconductor and digital hub through substantial funding, targeted incentives, talent development, and ecosystem support across the full value chain.

## Valuation

Initiating coverage with a **BUY** rating and a **Target Price of RM0.72** based on FY27F PE of 17x, in line with the simple average forward PE for its domestic precision machining peers. Despite its modest market capitalisation, we believe the assigned multiple is well-supported by Ambest's direct supplier relationships with Tier-1 front-end semiconductor equipment OEMs, a margin structure broadly comparable to peers, and a growth profile underpinned by structural semiconductor upcycle tailwinds.

We like Ambest for its entrenched Tier-1 OEM relationships with various customers with recent qualification with few key customers. Key growth drivers include (i) Sticky Tier-1 OEM relationships, (ii) benefiting from trade diversion on reallocation of products and new customers, 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
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.
<b>Domestic Precision Machining Peers</b>										
	<b>MYR</b>									
CORAZA INTEGRATED TECHNOLOGY BHD	0.83	410.2	12/2026	75.4	20.0	26.3	16.6	13.8	N/A	10.3
CPE TECHNOLOGY BHD	0.765	513.6	06/2026	8.1	20.9	25.1	28.3	19.1	1.4	5.0
NORTHEAST GROUP SDN BHD	0.845	625.3	09/2026	37.2	9.9	27.7	20.1	18.4	N/A	9.9
<b>Simple Average</b>				<b>42.1</b>	<b>21.0</b>	<b>36.6</b>	<b>21.7</b>	<b>17.1</b>	<b>0.5</b>	<b>9.8</b>
<b>Foreign Precision Machining Peers</b>										
<b>Singapore</b>										
	<b>SGD</b>									
UMS INTEGRATION LTD	2.15	5,926.7	12/2026	41.0	24.2	41.4	32.6	25.9	2.5	9.8
<b>Taiwan</b>										
	<b>TWD</b>									
FOXSEMICON INTEGRATED TECHNOLOGY INC	309.00	4,292.8	12/2026	16.1	15.5	14.7	12.2	10.7	4.2	14.7
<b>Hong Kong</b>										
	<b>HKD</b>									
IMPRO PRECISION INDUSTRIES LTD	10.18	9,689.2	12/2026	17.6	20.9	25.0	23.7	19.6	2.1	14.1
<b>Simple Average</b>				<b>24.9</b>	<b>20.2</b>	<b>27.0</b>	<b>22.8</b>	<b>18.7</b>	<b>2.9</b>	<b>12.9</b>
<b>MYR</b>										
AMBEST GROUP BHD	0.57	290.7	12/2026	147.3	37.4	45.5	18.4	13.4	0.0	17.8

Source: Bloomberg estimates, Tradeview Research (As of 27 April 2026)

Name	Gross Margin (%)				EBITDA Margin (%)				Profit margin (%)			
	FY24	FY25	FY26F	FY27F	FY24	FY25	FY26F	FY27F	FY24	FY25	FY26F	FY27F
CORAZA INTEGRATED TECHNOLOGY BHD	20.8	29.7	29.0	28.5	17.3	13.0	22.7	22.1	2.5	8.8	9.5	10.0
CPE TECHNOLOGY BHD	25.7	30.9	N/A	N/A	23.1	20.8	23.1	30.1	12.3	18.3	14.7	19.9
NORTHEAST GROUP SDN BHD	38.5	33.7	N/A	N/A	36.7	21.1	33.5	33.1	18.3	17.2	20.1	19.8
UMS INTEGRATION LTD	51.0	54.3	55.1	55.5	28.2	20.1	32.0	32.5	16.9	16.6	19.1	20.5
FOXSEMICON INTEGRATED TECHNOLOGY INC	26.5	25.1	24.1	24.4	18.3	14.9	14.7	14.2	15.7	11.2	11.7	11.8
IMPRO PRECISION INDUSTRIES LTD	27.1	27.5	28.5	29.4	22.4	17.6	27.9	28.0	12.8	14.3	13.9	14.6
<b>Simple Avg</b>	<b>35.7</b>	<b>36.4</b>	<b>36.0</b>	<b>35.6</b>	<b>24.3</b>	<b>16.3</b>	<b>27.4</b>	<b>28.1</b>	<b>14.4</b>	<b>14.3</b>	<b>16.7</b>	<b>17.8</b>
AMBEST GROUP BHD	30.2	29.2	32.0	33.0	27.4	25.8	26.9	31.3	14.9	11.7	18.6	19.3

## 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 cyclicality risks revenue drops from industry-wide downturns.
- Fluctuation in exchange currency

## Investment Risk

1. **Customer dependency risk.** Ambest relies heavily on a small number of major customers, with its top three accounting for 80.0-90.0% of revenue during FY22-25. 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.
2. **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.
3. **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's revenue recorded a -3.9% CAGR from FY22 to FY25, 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. Revenue rebounded by 3.3% in FY24, followed by another 11.5% in FY25, fuelled by semiconductor recovery boosting precision machining, mainly attributed to an increased order volume from Customer B as well as starting of new conversion cycle of first articles (FA) into mass production.

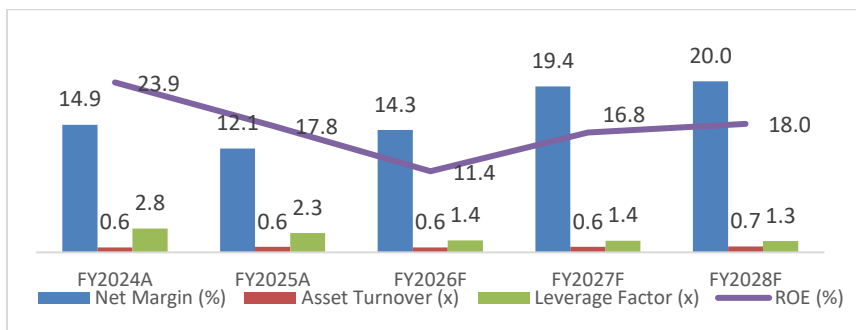
Earnings in FY25 dropped -12.5% YoY mainly driven by the compression of GP margin by 1 pp as FA developments limiting utilisation rate ramps. At the same time, effective tax rate partially normalized to 17.4% from 13.6% (provision of deferred tax and reinvestment allowance claimed) in FY24.

### Financial Forecast

We're projecting Ambest's earnings to be RM15.8mn in FY26F and RM21.7mn in FY27F, driven by (i) better product mix from customer A, B and E, riding on the strong demand, (ii) trade diversion as more orders from existing customers on reallocation and secured new customer, (iii) expected first article to mass production conversion, and (iv) operational efficiency with strong orders and better features and speed of new machineries.

FYE 31 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	47.3	52.7	85.2	112.0	142.9
EBITDA (RM'mn)	12.9	13.6	22.8	34.9	43.6
Pretax profit (RM'mn)	8.2	7.5	14.9	26.4	34.3
Net profit (RM'mn)	7.1	6.4	12.2	21.7	28.1
EPS (sen)	1.4	1.3	2.4	4.2	5.5
PE ratio (x)	41.2	45.5	18.4	13.4	10.3
Core net profit (RM'mn)	7.1	6.4	15.8	21.7	28.1
Core EPS (sen)	1.4	1.3	3.1	4.2	5.5
Core EPS growth (%)	3.7	(9.4)	147.6	36.9	29.9
Core PE ratio (x)	41.2	45.5	18.4	13.4	10.3
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 (%)	23.9	17.8	16.2	22.3	22.5
P/BV (x)	9.8	8.1	3.9	3.0	2.3

### Dupont Analysis



We project healthy ROE from FY26F to FY28F, 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	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Precision Machining Segment	12.4%	12.7%	70.0%	35.0%	30.0%
Sheet Metal Fabrication Segment	-22.9%	6.4%	25.0%	10.0%	10.0%
GP Margin	30.2%	29.2%	32.0%	33.0%	33.0%
EBITDA Margin	27.4%	25.8%	26.9%	31.3%	30.5%

## Sensitivity Analysis

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

**Precision Machining Segment Growth Rate in FY27F: 35%**  
**Sheet Metal Fabrication Segment Growth Rate in FY27F: 10%**

Precision Machining Segment Growth Rate (%) / Sheet Metal Fabrication Segment Growth Rate (%)	25.0	30.0	35.0	40.0	45.0	50.0
6.0	20.1	20.8	21.6	22.3	23.1	23.8
8.0	20.1	20.9	21.6	22.4	23.1	23.9
10.0	20.2	20.9	21.7	22.4	23.2	23.9
12.0	20.2	21.0	21.7	22.5	23.2	24.0
14.0	20.3	21.0	21.8	22.5	23.3	24.0
16.0	20.3	21.1	21.8	22.6	23.3	24.1

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

**Core Net Profit in FY27F: RM21.7mn**  
**PE in FY27F: 17x**

Net Profit (RM'mn) / PE (x)	17.6	19.5	21.7	23.9	26.3	28.9
15.0	0.52	0.57	0.64	0.70	0.77	0.85
16.0	0.55	0.61	0.68	0.75	0.82	0.91
17.0	0.59	0.65	0.72	0.80	0.88	0.96
18.0	0.62	0.69	0.77	0.84	0.93	1.02
19.0	0.65	0.73	0.81	0.89	0.98	1.08
20.0	0.69	0.77	0.85	0.94	1.03	1.13

## Financial Exhibits

### Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	47.3	52.7	85.2	112.0	142.9
Operating expenses	(34.3)	(39.1)	(63.0)	(77.6)	(99.4)
<b>EBITDA</b>	<b>12.9</b>	<b>13.6</b>	<b>22.2</b>	<b>34.4</b>	<b>43.6</b>
Depreciation & amortisation	(3.6)	(4.4)	(6.2)	(6.9)	(7.6)
<b>EBIT</b>	<b>9.4</b>	<b>9.2</b>	<b>16.0</b>	<b>27.6</b>	<b>36.0</b>
Net int income/(expense)	(1.2)	(1.7)	(1.1)	(1.1)	(1.1)
Exceptional gains / (losses)	0.0	0.0	(3.6)	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>8.2</b>	<b>7.5</b>	<b>14.9</b>	<b>26.5</b>	<b>34.9</b>
Tax	(1.1)	(1.1)	(2.7)	(4.8)	(6.3)
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>7.1</b>	<b>6.4</b>	<b>12.2</b>	<b>21.7</b>	<b>28.6</b>
<b>Core net profit</b>	<b>7.1</b>	<b>6.4</b>	<b>15.8</b>	<b>21.7</b>	<b>28.6</b>

### Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	51.6	52.5	59.1	69.0	76.7
Other long term assets	0.3	0.5	0.4	0.4	0.4
<b>Total non-current assets</b>	<b>51.9</b>	<b>53.1</b>	<b>59.5</b>	<b>69.5</b>	<b>77.1</b>
Cash and equivalents	0.8	2.1	43.6	46.8	59.0
Inventories	5.4	9.3	14.5	18.8	23.9
Receivables	23.4	16.4	29.8	39.2	50.0
Other current assets	0.6	1.0	1.0	1.0	1.0
<b>Total current assets</b>	<b>30.3</b>	<b>28.8</b>	<b>88.8</b>	<b>105.8</b>	<b>133.9</b>
Payables	12.5	8.5	17.4	22.5	28.7
Short term borrowings	4.4	4.2	4.2	4.2	4.2
Other current liabilities	3.4	0.5	0.5	0.5	0.5
<b>Total current liabilities</b>	<b>20.3</b>	<b>13.2</b>	<b>22.1</b>	<b>27.2</b>	<b>33.4</b>
Long term borrowings	31.6	31.7	18.9	18.9	18.9
Other long term liabilities	0.7	1.0	0.1	0.1	0.1
<b>Total long term liab.</b>	<b>32.2</b>	<b>32.7</b>	<b>19.0</b>	<b>19.0</b>	<b>19.0</b>
<b>Shareholders' Funds</b>	<b>29.6</b>	<b>36.0</b>	<b>107.3</b>	<b>129.0</b>	<b>158.6</b>
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	8.2	7.5	14.9	26.5	34.9
Depreciation & amortisation	3.6	4.4	6.2	6.9	7.6
Working capital changes	(8.5)	(1.1)	(9.7)	(8.5)	(9.8)
Cash tax paid	(2.0)	(1.7)	(2.7)	(4.8)	(6.3)
Others	2.1	2.8	1.1	1.1	1.1
<b>C/F from operation</b>	<b>3.3</b>	<b>11.9</b>	<b>9.8</b>	<b>21.1</b>	<b>27.5</b>
Capex	(7.4)	(3.4)	(12.8)	(16.8)	(14.3)
Others	0.6	(0.8)	0.0	0.0	0.0
<b>C/F from investing</b>	<b>(6.8)</b>	<b>(4.2)</b>	<b>(12.8)</b>	<b>(16.8)</b>	<b>(14.3)</b>
Debt raised/(repaid)	(4.5)	(3.3)	(12.8)	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	4.9	(3.1)	57.2	(1.1)	(1.1)
<b>C/F from financing</b>	<b>0.4</b>	<b>(6.5)</b>	<b>44.4</b>	<b>(1.1)</b>	<b>(1.1)</b>
<b>Net change in cash flow</b>	<b>(3.1)</b>	<b>1.3</b>	<b>41.5</b>	<b>3.3</b>	<b>12.1</b>
<b>Free Cash Flow</b>	<b>(4.0)</b>	<b>8.6</b>	<b>(3.0)</b>	<b>4.3</b>	<b>13.2</b>



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#### 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