

Ambest Group Berhad (0246)

Full Throttle Ahead

Bloomberg Ticket: AMBEST MK | Investment Horizon: 12 Months

Recommendation

We maintain our BUY call and higher target price of RM0.85 (from RM0.72), based on FY27F PE of 20x (from 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 strong semiconductor cyclicality.

Results Review

Ambest's 1QFY26 core earnings of RM3.8mn came in within expectation at 24% of our full year forecast.

As Ambest is newly listed thus no YoY comparison.

1QFY26 revenue increased 58% QoQ, driven by stronger contributions from both the precision machining (+42% QoQ) and sheet metal fabrication (+156% QoQ) segments. Adjusting for RM3.6mn in listing expenses, core earnings rose 3.8x QoQ, attributable to a favorable product mix and enhanced operational efficiency.

Outlook

We remain constructive on Ambest, underpinned by the semiconductor industry's robust recovery and strengthening demand from key existing customers. Management reports strong order visibility extending through 3QFY26, driven by (i) substantial and sustained order flow from core customers A, B, and E, which collectively represent a significant portion of the revenue base, and (ii) successful new customer wins now entering the ramp-up phase. The timing of these new customer contributions aligns favorably with the ongoing semiconductor equipment upcycle, positioning Ambest to capture incremental market share during this expansionary period. Our channel checks indicate that customers are placing robust orders with suppliers for new product launches, driven by rapid technology advancement and the AI-driven semiconductor boom.

The demand environment is being further reinforced by structural shifts in global supply chains. Trade diversion strategies are accelerating the relocation of manufacturing capacity to Southeast Asia as customers pursue localization initiatives and supply chain resilience. This geographic reallocation is creating meaningful incremental demand for Ambest's solutions. Additionally, customer product roadmaps remain robust, with new product launches requiring ongoing equipment and tooling support. The strength of these trends is evidenced by Ambest's expanding first article (FA) order pipeline, which continues to build sequentially and provides tangible validation of sustainable demand momentum.

Consequently, we are confident that Ambest will deliver strong performance in subsequent quarters, supported by its solid order book. Notably, the company achieved these impressive results despite 1QFY26 having fewer operating days due to the festive season, underscoring the strength of underlying demand.

Forecast

We keep our FY26F-FY28F forecast number unchanged.

Investment Risk to our Call

(i) Downturn of semiconductor, (ii) exposure to foreign exchange, and (iii) customer dependency risk

BUY ↔

Target Price: RM0.85 (+21%) ↑

Current Share Price: RM0.70

**Ace Market
Industrial Products & Services**

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Company Overview

Ambest is a high-precision metal components manufacturer supplying mission-critical parts to semiconductor equipment OEMs

Stock Information

Market Cap (RM'mn)	357.0
Issued Shares (mn)	510.0
52W High (RM)	0.76
52W Low (RM)	0.26
Estimated Free Float (%)	28.9
Beta vs FBM KLCI	1.1
3-month Average Vol. (mn)	6.5
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	1.2	3.1	4.2
TP (RM)	High	Mean	Low
	0.72	0.72	0.72
Ratings	Buy	Hold	Sell
	1	0	0

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

Results Summary

FYE 31 Dec (RMm)	4QFY25	1QFY26	QoQ (%)
Revenue	12.9	20.4	58.1
Gross profit	4.0	6.9	72.5
EBITDA	3.1	6.3	103.2
Depreciation	(1.1)	(1.2)	9.1
EBIT	2.0	5.1	155.0
Pretax Profit	1.6	4.8	200.0
Taxation	(0.7)	(0.8)	14.3
Net Profit	1.0	3.9	290.0
Core PAT	1.0	3.8	280.0
Margin (%)			
GP	31.0	33.8	
EBITDA	24.0	30.9	
Pretax	12.4	23.5	
Core PAT	7.8	18.6	
Segmental			
Precision machining	11.1	15.8	42.3
Sheet metal fabrication	1.8	4.6	155.6

Key Assumption

Revenue Growth	Actual		Forecast		
	FY24	FY25	FY26F	FY27F	FY28F
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%

Key Financial Metrics

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
PER (x)	50.6	55.8	22.6	16.5	12.7
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 PER (x)	50.6	55.8	22.6	16.5	12.7
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)	12.1	9.9	4.7	3.7	2.9

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)	(62.4)	(77.1)	(99.4)
EBITDA	12.9	13.6	22.8	34.9	43.6
Depreciation	(3.6)	(4.4)	(6.2)	(6.9)	(7.6)
EBIT	9.4	9.2	16.6	28.1	36.0
Net int income/(expense)	(1.2)	(1.7)	(1.6)	(1.6)	(1.6)
Exceptional gains / (losses)	0.0	0.0	(3.6)	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	1.0
Pretax profit	8.2	7.5	14.9	26.4	34.3
Tax	(1.1)	(1.1)	(2.7)	(4.8)	(6.2)
Minority interest	0.0	0.0	0.0	0.0	1.0
Net profit	7.1	6.4	12.2	21.7	28.1
Core PATAMI	7.1	6.4	15.8	21.7	28.1

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
Total non-current assets	51.9	53.1	59.5	69.5	77.1
Cash and equivalents	0.8	2.1	75.1	78.3	90.0
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
Total current assets	30.3	28.8	120.4	137.2	164.9
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
Total current liabilities	20.3	13.2	22.1	27.2	33.4
Long term borrowings	31.6	31.7	31.7	31.7	31.7
Other long term liabilities	0.7	1.0	0.1	0.1	0.1
Total long term liab.	32.2	32.7	31.8	31.8	31.8
Shareholders' Funds	29.6	36.0	75.3	97.0	125.1
Minority Interest	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	8.2	7.5	14.9	26.4	34.3
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)	(6.2)
Others	2.1	2.8	1.6	1.6	1.6
C/F from operation	3.3	11.9	10.4	21.6	27.6
Capex	(7.4)	(3.4)	(12.8)	(16.8)	(14.3)
Others	0.6	(0.8)	0.0	0.0	0.0
C/F from investing	(6.8)	(4.2)	(12.8)	(16.8)	(14.3)
Debt raised/(repaid)	(4.5)	(3.3)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	4.9	(3.1)	75.4	(1.6)	(1.6)
C/F from financing	0.4	(6.5)	75.4	(1.6)	(1.6)
Net change in cash flow	(3.1)	1.3	73.0	3.2	11.7
Free Cash Flow	(4.0)	8.6	(2.4)	4.8	13.3



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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