A Precision Engineering Specialist

AMBEST GROUP BERHAD

Fair Value: RM0.27 (8.00%)

Company Description

Ambest Group Berhad ("Ambest") is an engineering supporting services provider principally involved in the manufacturing of precision-machined parts and components, complemented by sheet metal fabrication solutions, primarily serving customers in the semiconductor industry.

Investment Highlight

- **Positioned to Benefit from Semiconductor Industry Recovery:** Following the global semiconductor slowdown in 2023, customer orders began recovering in 2024, driving higher demand for precision-machined components. As semiconductor investments resume to support artificial intelligence, data centre expansion, and advanced electronics demand, Ambest is well positioned to benefit from increased production requirements across the semiconductor equipment supply chain.
- **Proven Track Record with Established Semiconductor Customers:** The Group has maintained long-term relationships with several major customers within the semiconductor supply chain, reflecting its ability to consistently meet stringent quality and delivery requirements. Qualification as an approved vendor for multinational customers typically involves rigorous audits and technical assessments, creating high switching costs and strengthening the Group's competitive positioning and order visibility.
- **Improving Profitability Driven by Better Product Mix:** Gross profit margin improved significantly from 21.74% in FYE2022 to 30.18% in FYE2024, primarily due to higher contribution from precision machining activities and improved product mix involving more complex and higher-margin components. Continued focus on higher value-added machining projects is expected to support margin sustainability over the medium term.
- **Asset-Light Expansion Strategy Enhancing Operational Flexibility:** By outsourcing sheet metal fabrication and surface finishing processes to subcontractors, Ambest focuses capital investment on its core precision machining operations. As at post-expansion, the Group operates 55 CNC machines with total estimated annual production capacity of 232k machining hours. This asset-light model allows it to scale operations flexibly while optimising capital allocation towards higher value-added machining activities.

Valuation / Recommendation

We derive a fair value of RM0.39 based on a 20x multiple applied to its FYE2026F EPS of 1.96 sen. The initial public offering ("IPO") raised approximately RM27.50 million ("mn") through the issuance of new shares. A total of 43.64% of proceeds is allocated for repayment of borrowings, 14.18% for purchase of new machineries, 24.73% for working capital, while the remaining 17.45% is utilised for listing expenses.

The current ratio remains healthy at 1.49.x (FYE2024), indicating the Ambest's strong ability to meet short-term obligations. In view of recovering semiconductor demand, ongoing capacity expansion, and strengthening profitability outlook, we maintain a **positive outlook** on the Group's earnings growth trajectory going forward.

IPO TIMELINE	
Opening Date	21 Jan 2026
Closing Date	27 Jan 2026
Listing Date	6 Feb 2026
IPO Price (RM)	0.25
Expected Return	8.00%
Market/ Sector	Industrial Product & Services
Bursa Code	0391

IPO Details	Shares(mn)
Offer for Sale	40.95
Public Issue	110.00
Enlarged share	510.00
	RM(mn)
Market Cap	127.50
Shariah compliant	Yes

Substantial Shareholders	Shares(mn)	(%)
Tan Beng Beng	179.52	35.20
Lim Eng Guan	179.52	35.20

Utilisation of IPO Proceeds	RM(mn)	(%)
Repayment of borrowings	12.00	43.64
Purchase of new machineries	3.90	14.18
Working capital	6.80	24.73
Estimated listing expenses	4.80	17.45
Total	**27.50**	**100.00**

Allocation	Shares(mn)	(%)
Public Issue		
Malaysian Public via balloting process:		
• Public investors	12.75	2.50
• Bumiputera public investors	12.75	2.50
Eligible person	12.75	2.50
Private placement to selected investors	8.00	1.57
Private placement to Bumiputera investors approved by MITI	63.75	12.50
Subtotal	110.00	21.57
Offer for sale		
Private placement to selected investors	40.95	8.03
Subtotal	40.95	8.03
Total	**150.95**	**29.60**
Total enlarged share capital upon listing	**510.00**	

Key Financial Summary

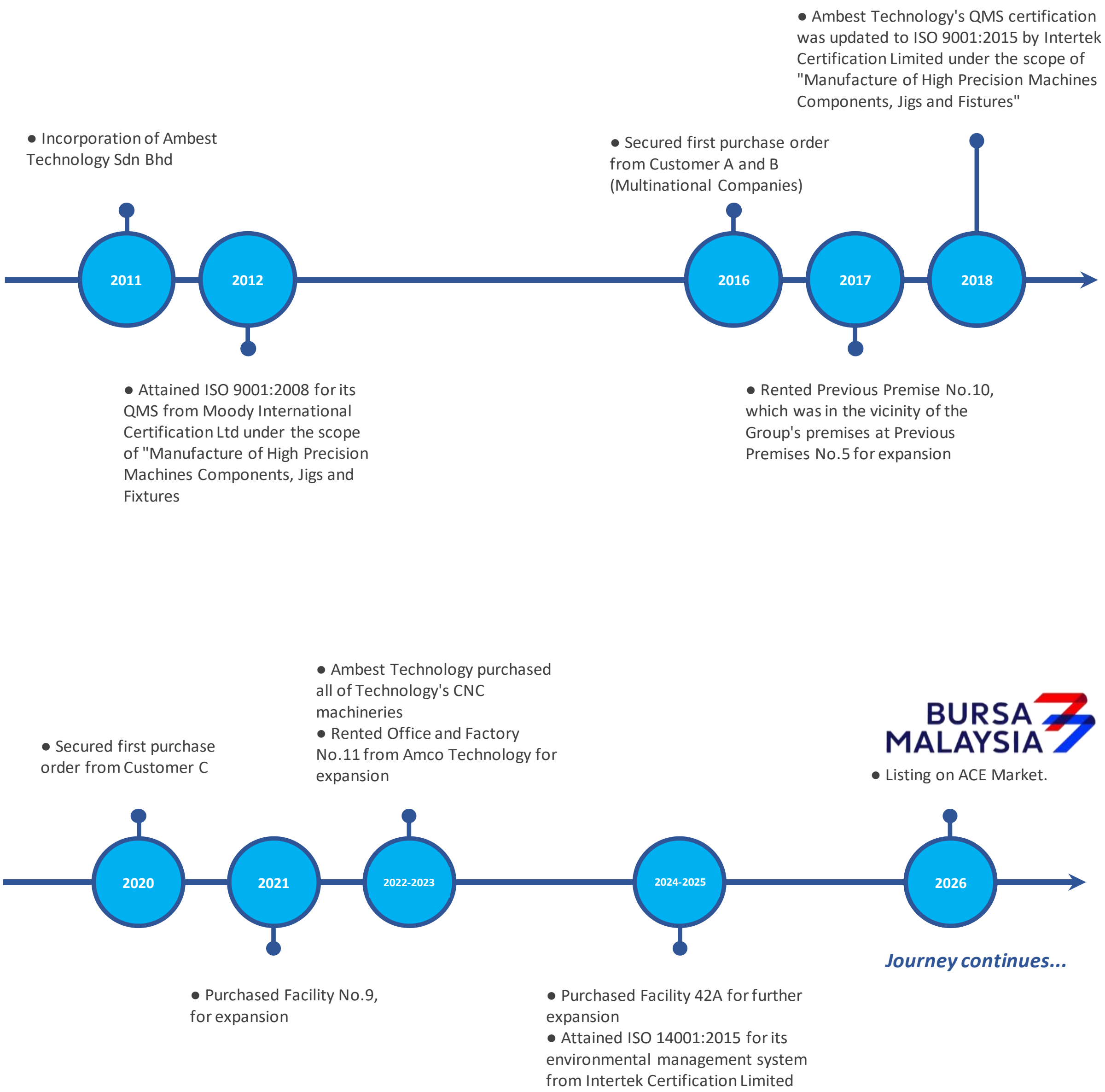
FYE Dec (RMmn)	2023A	2024A	2025F	2026F	2027F
Revenue	45.76	47.26	54.26	76.09	**83.70**
Gross Profit	13.12	14.26	15.22	21.31	**23.10**
Pre-tax Profit	9.04	8.17	9.51	13.13	**14.44**
Core Net Profit	6.81	7.06	7.23	9.98	**10.97**
Core EPS (Sen)	1.34	1.38	1.42	1.96	**2.15**
P/E (x)	18.66	18.22	17.64	12.78	**12.26**
DPS (Sen)	0.00	0.00	0.00	0.00	**0.00**
Dividend Yield (%)	0.00	0.00	0.00	0.00	**0.00**

Source: Company Prospectus, S&P Global, Eco Asia Research Estimates
EPS, P/E and DPS from 2023A to 2024A (pre-IPO) are on pro-forma basis for comparative purposes only.

Company Background

Ambest was incorporated in Malaysia on 16 February 2023 under the Act as a private limited company under the name of Ambest Group Sdn Bhd. Subsequently, it was converted to a public limited company on 12 June 2025. Below are the key milestones in its history and development.

Key Milestones



Source: Company Prospectus

Business activities

The Group revenue model is through two main areas:

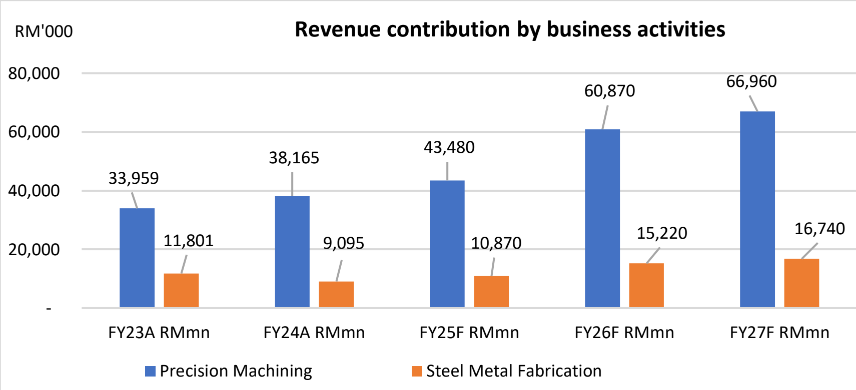
1. **Precision Machining:** Ambest undertakes CNC machining processes such as milling, turning, and turn-milling to produce precision-machined parts and components according to customers' specifications.
2. **Steel Metal Fabrication:** The Group provides sheet metal fabrication services involving stamping, bending, and welding processes. This segment is outsourced to sub-contractors.

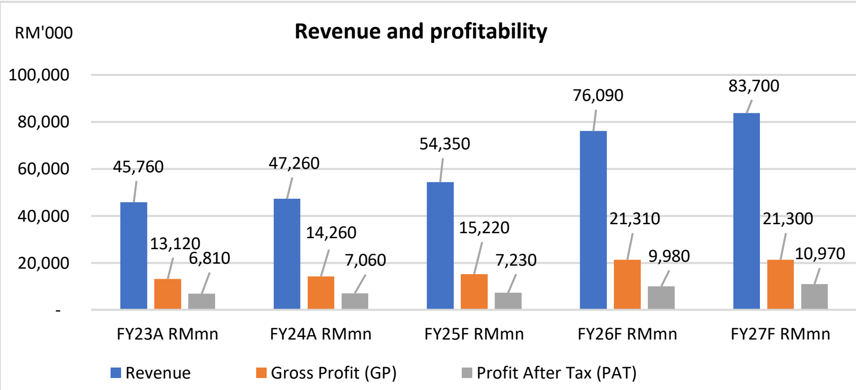
Ambest business model for its solutions and services is illustrated below:

Source: Company Prospectus

Revenue and Profitability

The Group's revenue from FYE2022 to FYE2024 was mainly derived from the precision machining segment, which accounted around 80.76% of its total revenue (as of FYE2024). The following shows revenue contributions by business activities as well as the revenue and profitability from FYE2023A to FYE2024A, FYE2025F, FYE2026F and FYE2027F:





Future Plans and Strategies

1) **Renovation of Facility 42A:** Ambest intends to expand its manufacturing capacity by adding an additional storey to Facility 42A, increasing built-up area from 2,010 sq.m. to 2,910 sq.m. The Group also plans to construct a new cleanroom (Class 10,000 and Class 100,000) to increase packaging capabilities under cleanroom conditions. The facility is expected to be fully operational by Q1 2028.
2) **Purchase of New Machinery:** Ambest also plans to invest RM3.90mn from IPO proceeds to purchase 2 new CNC machines (1 unit 5-axis CNC machine and 1 unit CNC horizontal machine). These advanced machines will enhance manufacturing capabilities for complex precision-machined parts requiring machining from multiple angles with intricate designs, increasing operating capacity by approximately 3.85%.

Key Risks

Dependence on Major Customers: The Group is dependent on two major customers – Customer A and Customer B – which have cumulatively contributed approximately 82.28%, 72.55%, 69.31% and 82.84% of total revenue for FYE2022 to FPE2025 respectively. Although these customers include recurring clients with relationships of more than 9 years and no disputes have arisen to date, any reduction or cessation of purchases could adversely affect the Group's financial performance if not promptly replaced.

Lack of Long-Term Customer Contracts: Ambest does not have long-term contracts with customers, as sales are project-based and driven by customers' operational needs. This absence may result in fluctuating sales and uncertainty in revenue visibility, as customers are not obligated to provide repeat business. The Group's future performance depends on its ability to secure new projects from existing and new customers, with no assurance of sustained demand.

Foreign Currency Risk: The Group is exposed to foreign exchange gains or losses in the conversion of foreign currencies into RM, mainly arising from timing differences between billings and actual receipt of payments from customers and/or conversion for transactions conducted in currencies other than RM. Any unfavourable fluctuations in foreign exchange rates may have an adverse impact on financial performance and profitability.

Interest Rate Risk: As at FPE2025, the Group's total outstanding interest-bearing borrowings stood at RM37.61mn, of which approximately RM29.21mn or 77.67% are floating rate borrowings. Any significant increase in interest rates would increase finance costs and may have an adverse impact on financial performance and cash flows.

Foreign Worker Dependency: As at LPD, 37.66% of the Group's workforce are foreign workers. The Group currently has 62.34% local workers versus the 80% local workforce requirement in its manufacturing licenses. While MITI has suspended enforcement pending implementation of the Multi-Tier Levy Mechanism (MTLM), operating costs may increase due to potential levies for employing foreign workers once MTLM is fully implemented.

Industry Outlook

The global semiconductor industry is experiencing unprecedented expansion driven by artificial intelligence, data centres, and automotive electronics. The industry is projected to grow from USD 700.87 billion in 2025 to USD 962.70 billion by 2029, representing a CAGR of 8.8%. This structural upgrade reflects fundamental shifts in technology adoption, with logic and memory chips forecast to expand by more than 30% year-on-year, creating sustained demand for precision-engineered components critical to chip production and assembly operations.

Meanwhile, Malaysia's position as a key player in global semiconductor back-end processes also drives demand for precision engineering services. Technology advancement in AI, IoT, and 5G requires increasingly complex and precise components with tighter tolerances. Global supply chain restructuring benefits Malaysian manufacturers as the "China Plus One" strategy by multinational corporations creates opportunities for local precision engineering providers. Malaysia Plan (12MP) and the National Semiconductor Strategy provide targeted support for industrial development, creating a conducive environment for ESI companies to expand operations.

DEFINITION OF RATINGS

Eco Asia Investment Advice uses the following rating system:

STOCK RECOMMENDATION

BUY Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL Share price may fall by more than 15% in the next 3 months.
SELL Share price may fall by more than 10% over the next 12 months.
NOT RATED Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Published and printed by:

ECO ASIA CAPITAL ADVISORY SDN BHD
Lot 1904, 19th Floor
Tower 1, Faber Towers
Jalan Desa Bahagia, Taman Desa
58100 Kuala Lumpur

Research Office:

ECO ASIA CAPITAL ADVISORY SDN BHD
Lot 1904, 19th Floor
Tower 1, Faber Towers
Jalan Desa Bahagia, Taman Desa
58100 Kuala Lumpur

Jayden Pang
Research Analyst

Rijel Sid
Head, Investment Advice

Phone: +60 3 7971 1822
Fax: +60 3 7972 1821
Email: research@ecoasia-my.com