A Leading IC Design & Silicon IP Specialist

SKYECHIP BERHAD — Fair Value: RM1.38 (56.82%)

Company Description

SkyeChip Berhad ("SkyeChip") is an integrated circuits ("ICs") design company specialising in standard and custom silicon intellectual properties ("IPs"), application-specific integrated circuit ("ASIC"), with multiple patents registered in Malaysia, China and the US.

Investment Highlight

- **Pure-Play on the AI, HBM and Advanced Packaging Super-Cycle:** Global IC design industry revenue reached USD235.9 billion ("bn") in 2024, growing at a 28.0% CAGR over 2020-2024 driven by AI, HBM, and 2.5D/3D adoption. SkyeChip's commercialised HBM3/3E and HBM4 in development position it directly into these growth pockets.

- **Robust Revenue Growth and Customer Diversification:** Revenue grew at a 3-year CAGR of 44.6% from RM57.16 million ("mn") in (FYE2023) to RM119.50mn (FYE2025). Customer count expanded from 4 in FYE23 to 18 in FPE Oct 2025, with top-customer concentration easing from 89.6% to 60.5%. Unbilled order book of RM130.3mn latest practicable date ("LPD") provides forward visibility.

- **Tier-1 Foundry & Electronic Design Automation ("EDA") Partnerships – Scarcity Value:** Member of Intel Foundry Accelerator IP Alliance (Jan 2025) and Samsung Foundry CONNECT (Feb 2026); conditional approval (Apr 2026) for ARM CSS and AFA platforms under the Malaysia-ARM Silicon Vision (USD250mn) initiative. The company also holds 36 registered patents (77 pending) and 3nm foundry access.

- **High-Margin, Capital-Light Fabless Model:** Fabless IP-licensing and custom ASIC design model delivered FYE2025 gross margin of 42.2% and EBITDA margin of 36.3%. The Group owns no fabrication plants, carries no finished-goods inventory and holds ~21% of assets in plant, property and equipment ("PPE") mainly computing/lab infrastructure — substantially lighter than IDMs/foundries. Operating leverage is evident in the 36.7% incremental pre-tax drop-through achieved between FYE2024 and FYE2025, which positions the Group to scale FYE2027F-FYE2028F earnings faster than revenue

Valuation / Recommendation

We derive a fair value of RM1.38 based on a 40x P/E multiple applied to FY2027F EPS of 3.45sen. The initial public offering ("IPO") raised approximately RM352.00 million ("mn") through the issuance of new shares. A total of 60.08% of proceeds is allocated for R&D of IC products and silicon IP, 16.22% for expansion of operational facilities and resources, 10.43% for the EDA development tools, 9.20% for working capital, while the remaining 4.06% is utilised for listing expenses.

The current ratio remains healthy at 23.1x (FYE2025), indicating the Group's strong ability to meet short-term obligations. In view of global AI-driven super cycle, Malaysia's National Semiconductor Strategy and the NIMP 2030 IC design ambition, we maintain a **positive outlook** on the Group's earnings growth trajectory going forward.

IPO TIMELINE	
Opening Date	29 Apr 2026
Closing Date	6 May 2026
Listing Date	20 May 2026
IPO Price (RM)	1.38
Expected Return	57.00%
Market/ Sector	Technology
Bursa Code	5357

IPO Details	Shares(mn)
Offer for Sale	0.00
Public Issue	400.00
Enlarged share	1796.00
	RM(mn)
Market Cap	1580.50
Shariah compliant	Yes

Substantial Shareholders	Shares(mn)	(%)
Dato' Fong Swee Kiang	500.04	24.00
Teh Chee Hak	500.12	24.00
SKC Team 2 Sdn Bhd	142.11	7.90

Utilisation of IPO Proceeds	RM(mn)	(%)
R&D of IC Products	155.10	44.06
R&D of silicon IP	56.40	16.02
Computing infra & lab	38.10	10.82
EDA & Development	36.70	10.43
Working capital	32.40	9.20
Operational facilities	19.00	5.40
Estimated listing expenses	14.30	4.06
Total	**352.00**	**100.00**

Allocation	Shares(mn)	(%)
Public Issue		
Malaysian Public via balloting process:		
• Public investors	17.96	1.00
• Bumiputera public investors	17.96	1.00
Eligible Persons	99.41	5.53
Private placement to selected investors	264.67	14.74
Subtotal	400.00	22.27
Offer for sale		
Private placement to selected investors	0.00	0.00
Subtotal	0.00	0.00
Total	**400.00**	**22.27**
Total enlarged share capital upon listing	**1796.00**	

Key Financial Summary

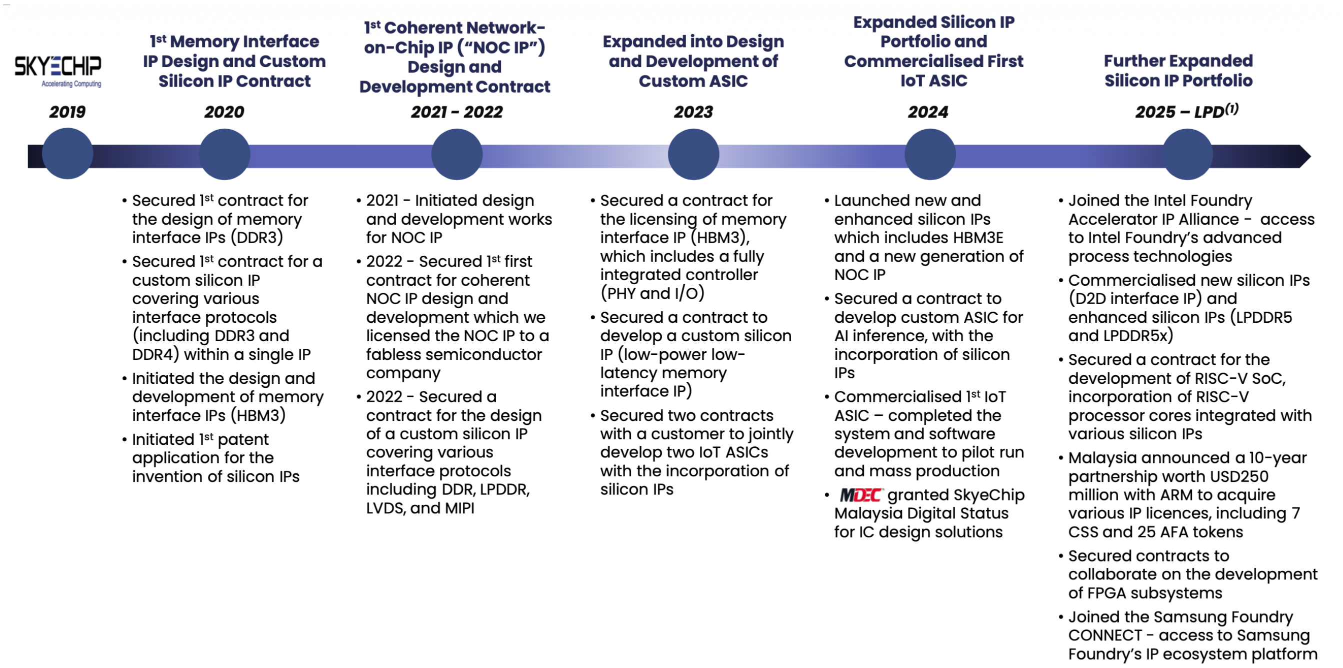
FYE Dec (RMmn)	2024A	2025A	2026F	2027F	2028F
Revenue	77.06	119.50	155.02	201.50	**241.80**
Gross Profit	36.03	50.45	69.90	91.00	**111.20**
Pre-tax Profit	34.56	37.00	50.05	65.20	**80.80**
Core Net Profit	33.71	35.94	48.54	61.95	**75.22**
Core EPS (Sen)	1.88	2.00	2.70	3.45	4.19
P/E (x)	46.80	44.00	32.60	25.50	**21.00**
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

The Group was incorporated in Malaysia on 23 September 2019 as a private limited company under the name of SkyeChip Sdn Bhd. Subsequently, it was converted to a public limited company on 17 October 2025. Below are the key milestones in SkyeChip history and development.

Key Milestones



Source: Company Prospectus

Business activities

The Group revenue model is through three main areas:

1. **Standard and Custom Silicon IP:** Off-the-shelf silicon IPs licensed to semiconductor customers for integration into their own ICs. Key product families include memory interface IPs (DDR3 through HBM3E commercialised, HBM4 in development; LPDDR5/5x, D2D commercialised in 2025) and Network-on-Chip IP. Revenue is recognised on a licence-fee basis and may include royalties.

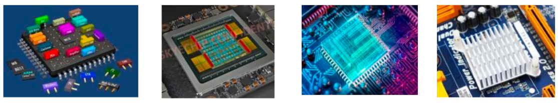
2. **Custom ASIC:** Engagements where SkyeChip designs customize full ASIC products to a customer's specifications. The Group has secured contracts spanning IoT ASICs, AI inference ASIC and FPGA subsystems.

3. **Others:** Turnkey design services and memory test systems supporting customers in chip qualification and bring-up. Smaller in revenue contribution but supports customer stickiness and unlocks broader IP/ASIC engagements.

The Group business model for its solutions and services is illustrated below:

Silicon IP Design

- Standard silicon IPs integrate into customers' IC products in accordance with industry standards ensures compatibility across various memory suppliers
- Custom silicon IPs designed based on individual customer specifications and requirements
- Pre-designed and pre-verified building blocks/modules that can be integrated into larger IC designs
- Reusable and customisable solutions helps to accelerate development and reduce design risk



Standard Silicon IP	Custom Silicon IP
Memory interface IP ✓ Manages data communications between the computing core and memory **Network-on-Chip IP ("NOC IP")** ✓ Communication pathway connecting multiple components within a SoC **D2D Interface IP** ✓ Facilitate high-speed communication between different functional blocks within a multi-die package (e.g. CPU, GPU and FPGA)	✓ Designed based on individual customer specifications and requirements to be integrated into customers' IC products ✓ Multi-interface protocol IPs that support different standards and communication protocols

Silicon Products

We also design and develop custom ASIC products tailored to meet specific customer requirements or specific application

Custom ASICs

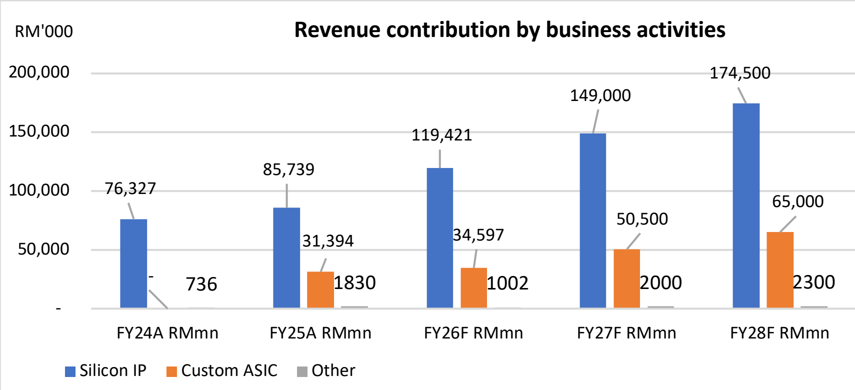
Search documents and filenames for text

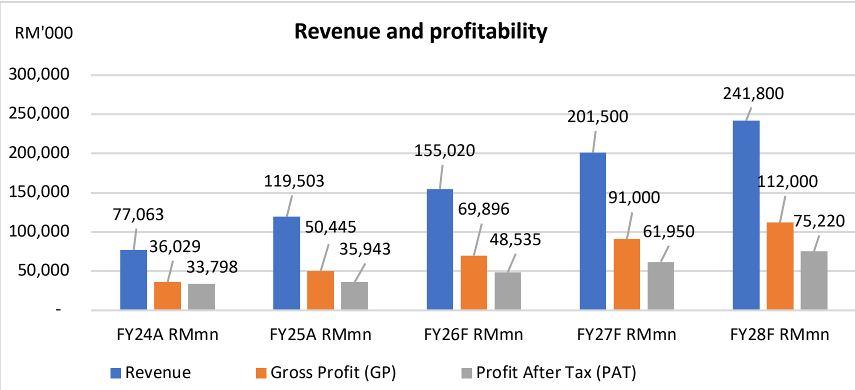
- ✓ Designed to perform targeted functions with enhanced efficiency in power consumption and performance
- ✓ Reduced physical footprint
- ✓ Ability to execute proprietary algorithms
- ✓ Improved IP protection – functionality embedded in hardware level to safeguard proprietary technology and processes from reverse engineering

Source: Company Prospectus

Revenue and Profitability

The Group's revenue from FYE2024 to FYE2025 was mainly derived from the standard and custom silicon IP segment, which accounted around 71.80% of its total revenue (as of FYE2025). The following shows revenue contributions by business activities as well as the revenue and profitability from FYE2024A to FYE2025A, FYE2026F, FYE2027F and FYE2028F:





Future Plans and Strategies

1) Expand Silicon IP Portfolio: RM56.43mn (16.0% of IPO proceeds) is allocated to broaden the silicon IP portfolio over 36 months. Priority programmes include next-generation memory interface IPs – LPDDR6 and HBM4 – a new generation of NoC IP, and ISO 26262-compliant automotive silicon IPs targeted for commercialisation in 2026-2027.

2) Develop Compute & AI Silicon and 2.5D/3D Products: RM155.10mn (44.1%) is earmarked for R&D of new IC products, focused on custom compute and AI hardware accelerators (data preprocessing, security ASICs), high-performance CPU & AI platforms leveraging ARM CSS and AFA access under Silicon Vision, and 2.5D/3D advanced packaging silicon products.

3) Expand Operational Facilities, Computing Infrastructure and EDA Capacity: RM57.1mn (16.2%) is allocated to operational facilities, computing infrastructure and labs, while a further RM36.71mn (10.4%) is earmarked for the subscription, licensing and purchase of EDA and development tools – critical inputs to support concurrent silicon programmes and shorten time-to-tape-out for sub-7nm and 3nm design flows.

4) International Expansion of R&D & Sales Footprint: SkyeChip plans to scale its technical headcount with the recruitment of 231+ additional personnel by 2029 (current: 365). New R&D offices are planned in Vietnam (SkyeChip HCMC operational by Q4 2026, SkyeChip Da Nang in development), as well as Japan and the USA – broadening proximity to global Tier-1 customers and tapping into international engineering talent pools.

Key Risks

Key Person Dependence: The Group is highly reliant on CEO Dato' Fong Swee Kiang and CTO Teh Chee Hak for strategic direction, customer relationships and technology leadership. The loss of either – the Group does not maintain key-person insurance – could disrupt operations, customer continuity and product roadmap execution.

Foundry & EDA Provider Dependency: SkyeChip is dependent on advanced Process Design Kit from a limited pool of foundries (with access down to 3nm secured; 2nm access subject to capacity allocation and commercial terms) and on a concentrated set of EDA vendors (Synopsys, Cadence, Siemens, Ansys). Custom ASIC production is dependent on a single foundry supplier. Loss of access or unfavourable commercial terms could disrupt operations.

Customer Concentration: Top customers contributed 89.6% (FYE2023), 81.7% (FYE2024), 60.5% (FYE2025) and 72.1% (FPE October 2025) of revenue. Loss of any major customer, project cancellation or delay in milestone acceptance could materially affect revenue recognition. The growth in customer count from 4 in FYE2023 to 18 in FPE October 2025 partially mitigates this risk but concentration remains elevated.

Tax Exemption Status: SkyeChip's effective tax rate benefitted from a pioneer-status tax exemption under Section 127(3A) ITA 1967, which expired on 9 September 2025. A new application was resubmitted to MIDA on 9 June 2025 and remains under review. Non-renewal would expose post-exemption profits to the statutory rate of 24%, which could reduce net profit by more than 20%.

Technological Obsolescence & Talent Risk: The IC design industry is characterised by rapid innovation cycles, shrinking process geometries and frequent shifts in customer architectures. Failure to keep pace with technology evolution, secure timely access to advanced EDA tools or recruit/retain skilled IC design engineers (a globally scarce resource) could erode SkyeChip's competitive position and trigger penalty/refund clauses under milestone-based contracts.

Order Book Replenishment Risk: Revenue is non-recurring after contract completion. The Group is dependent on continuously securing new contracts to replenish its order book (RM130.3mn unbilled as at LPD), and the absence of long-term recurring revenue commitments may result in lumpy quarterly results.

Foreign Currency Risk: A significant portion of revenue is invoiced in USD, while operating expenses (EDA licences, foundry/IP partners) are also denominated in USD, SGD, RMB and VND. The Group recorded a net FX loss of RM2.31mn in FPE October 2025. Adverse currency movements between billing and receipt may impact reported margins.

Industry Outlook

The global IC design industry is in a structural up-cycle, with industry revenue reaching USD235.9bn in 2024, having grown at a CAGR of 28.0% over 2020-2024 (and 29.3% YoY in 2024). ICs represented 85.6% of global semiconductor sales in 2024, with memory and logic segments growing at CAGRs of 8.9% and 16.2% respectively over 2020-2024. AI accelerator silicon and high-bandwidth memory (HBM) are projected to expand at over 35% CAGR through 2029, while data centre, automotive electrification and edge AI applications underpin sustained design-services demand.

Malaysia's E&E exports reached RM711.6bn in 2025, of which ICs represented 54.7% (~RM389bn). The Malaysian government's New Industrial Master Plan 2030 ("NIMP 2030") targets the elevation of Malaysia from back-end packaging toward front-end IC design, supported by the Silicon Vision initiative – a USD250mn (~RM1.1bn) 10-year partnership with ARM. SkyeChip received conditional approval in April 2026 for ARM CSS and AFA platform access under this programme, positioning it as a flagship beneficiary of Malaysia's IC design ambitions.

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.

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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