AMS

"Aluminiuming" the Equipment Upcycle

NOT RATED

Current Price: RM0.415
Fair Value: RM0.620

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AMS offers an alternative way to participate in the semiconductor equipment upcycle as a preferred aluminium supplier to Malaysia's semiconductor precision engineering ecosystem. Backed by strong order momentum, capacity expansion and deepening semiconductor customer penetration, we expect the Group to deliver a multi-year earnings growth trajectory. Versus the c.90% average YTD rally among Malaysia-listed semiconductor precision engineering peers, AMS' c.43% gain since IPO still lag, despite its increasing semiconductor exposure. We believe the market has yet to fully price in this transformation, hence we see meaningful catch-up potential as AMS's semiconductor business continues to scale. We believe 2026 marks the inflection point for the WFE cycle, with ex-China WFE spending forecast to grow 36%/33% in 2026/2027 as new fabs commence production. As a pick-and-shovel beneficiary of this structural upcycle, AMS stands to benefit from rising aluminium demand from precision engineering companies serving leading global semiconductor equipment OEMs. We forecast revenue growth of 17%/20% and PAT growth of 49%/60% in FY26/FY27, underpinned by new customer wins, expanding semiconductor exposure, higher contribution from value-added processing services and continued margin expansion.

Pick and shovel play of WFE boom. Our bottom-up forecasts for WFE ex-China market growth are now 36% YoY for 2026 and 33% for 2027 (see exhibit 7). DRAM and TSMC are the main reasons for the upward revisions. We think the semiconductor industry is on the brink of a major WFE upcycle, driven by the explosive growth in hyperscalers' AI capex and foundries expansion. With the top four hyperscalers projected to increase their capex by 75%/11% in 2026/2027 to USD608b/USD680b, the demand for WFE is set to soar. Historically, there is a strong ~0.81 correlation between hyperscalers investment and WFE spending, meaning with every additional USD100b in AI-related capex translates to a ~USD8b increase in WFE spending, hence benefiting AMS as the key aluminium supplier to semiconductor equipment machining house with exposure to WFE. As the WFE upcycle gathers pace, AMS stands to benefit from stronger aluminium demand from semiconductor precision engineering customers.

Wide exposure to Penang's semiconductor precision engineering ecosystem. AMS has established long-standing relationships with many leading precision engineering companies in Penang, including both multinational corporations and local listed and unlisted players. These customers manufacture high-precision components and subsystems for leading wafer-fab equipment (WFE) OEMs, as well as assembly solutions for back-end semiconductor equipment, positioning AMS as an indirect beneficiary of the ongoing semiconductor capex cycle. Based on our channel checks, AMS is the preferred aluminium supplier to many of Penang's semiconductor equipment suppliers due to its broad semi-finished aluminium offering and value-added processing capabilities that allow customers to dedicate more capacity to complex precision machining. Notably, AMS commands over 80% market share among customers serving one of the leading U.S. WFE companies.

Stock Information

Shariah Compliant	YES
Stock Name	AMS Bhd
CAT Code	0399
Industry	Materials
Industry Sub-sector	Metal & Mining
Market Cap (RM m)	254.0
Share Outstanding (m)	612.0
52-week range (Hi)	0.440
52-week range (Low)	0.275
3-mth avg daily vol	NA
Free Float	38%
Beta	NA
Altman's Z-score	NA

Post-IPO Major Shareholders

Keh Teng Yang	41.3%
Tan Chee Yuen	15.1%

Summary Earnings Table

FYE Sep (RM m)	2025A	2026F	2027F
Turnover	129.7	154.3	186.8
EBIT	12.3	17.5	27.3
PBT	11.0	16.2	26.0
Net Profit	8.9	13.3	21.3
Core Net Profit	8.9	13.3	21.3
Core EPS (sen)	1.4	2.1	3.5
Core EPS Growth (%)	56	52	62
NDPS (sen)	-	0.8	0.8
BVPS (RM)	0.1	0.1	0.1
Core PER (x)	27.1	17.8	11.0
PBV (x)	5.4	4.2	3.2
Net Gearing (x)	0.6	0.4	0.4
Net Div. Yield (%)	-	2.0	2.0

Key updates after listing. Since its IPO on 23 Apr 2026, AMS has continued to execute well on its growth strategy, which has been to increase its mix into semiconductor space which has doubled since 2024. This has been fuelling its utilization growth, now seeing its Penang first shift booked till year-end, with a second shift commencing in July 2026, while its Johor facility is expected to hit full capacity by 4QCY26. Notably, WFE-related business typically carries higher margins in the mid-teens and order visibility is generally two quarters. In addition, AMS has been qualified by a leading global aluminium rolling mill, with commercial production expected from September 2026. As leading WFE OEMs typically require their vendors to procure aluminium from approved rolling mills, this qualification expands AMS's addressable market by enabling it to supply semiconductor precision engineering customers serving new WFE players, creating a new growth avenue beyond its existing customer base.

NOT RATED with a fair value of RM0.62. Reflecting AMS's favourable growth prospects, underpinned by a rising contribution from higher-margin semiconductor-related revenue (37% in FY25 to 55% in FY27), we ascribe a 19x FY27F PER, deriving a fair value of RM0.62. This represents a c.12% discount to local and regional operational peers to reflect AMS's smaller market capitalisation, lower earnings base and operating scale. Notably, AMS also trades at a c.61% discount to listed semiconductor equipment supply chain companies. While we are not suggesting that AMS should be valued in line with downstream semiconductor beneficiaries, our study of previous semiconductor cycles indicates that upstream suppliers have historically rerated alongside the sector during WFE upcycles (see Exhibit 19). Given the favourable semiconductor investment cycle and AMS's increasing exposure to this niche end-market, we believe its current valuation is attractive and undemanding, with scope for further rerating as its semiconductor business scales.

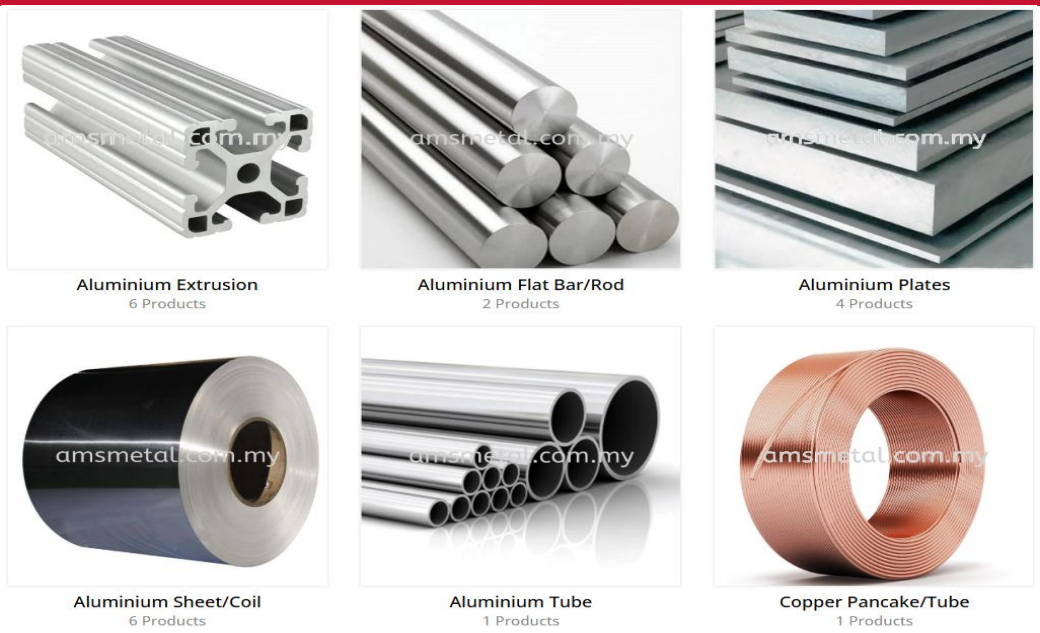
Risks to our calls include: (i) aluminium price volatility, which could affect customer purchasing behaviour and working capital requirements, although the Group generally passes through raw material price movements to customers; (ii) a slowdown in WFE spending, which could reduce demand from semiconductor precision engineering customers and, in turn, lower aluminium demand; (iii) slower-than-expected onboarding of new customers or project ramp-ups, which may delay revenue growth and margin expansion

Company Overview

AMS is principally involved in the trading of semi-finished aluminium and copper products, as well as the processing of semi-finished aluminium products. The Group serves a broad range of end markets, including semiconductor, aerospace, automotive and transportation, construction, consumer products and engineering support industries. Its product portfolio comprises semi-finished aluminium products such as extrusion profiles, sheets and coils, as well as plates and rods, alongside semi-finished copper products including copper tubes and sheets. AMS operates across two key subsegments:

- **Trading of Semi-Finished Aluminium and Copper Products. AMS** trades semi-finished aluminium products, including extrusion profiles, sheets and coils, and plates and rods, as well as semi-finished copper products such as copper tubes (pancakes) and sheets. This segment made up 47% of revenue in FY25.
- **Processing of Semi-Finished Aluminium Products.** AMS provides processing services for semi-finished aluminium products, comprising plates and coils, as well as plates and rods. The processing services offered by the Group include cutting and shearing. This segment made up 53% of revenue in FY25.

Exhibit 1: AMS's Business Segment



Source: Company Website, Kenanga Research

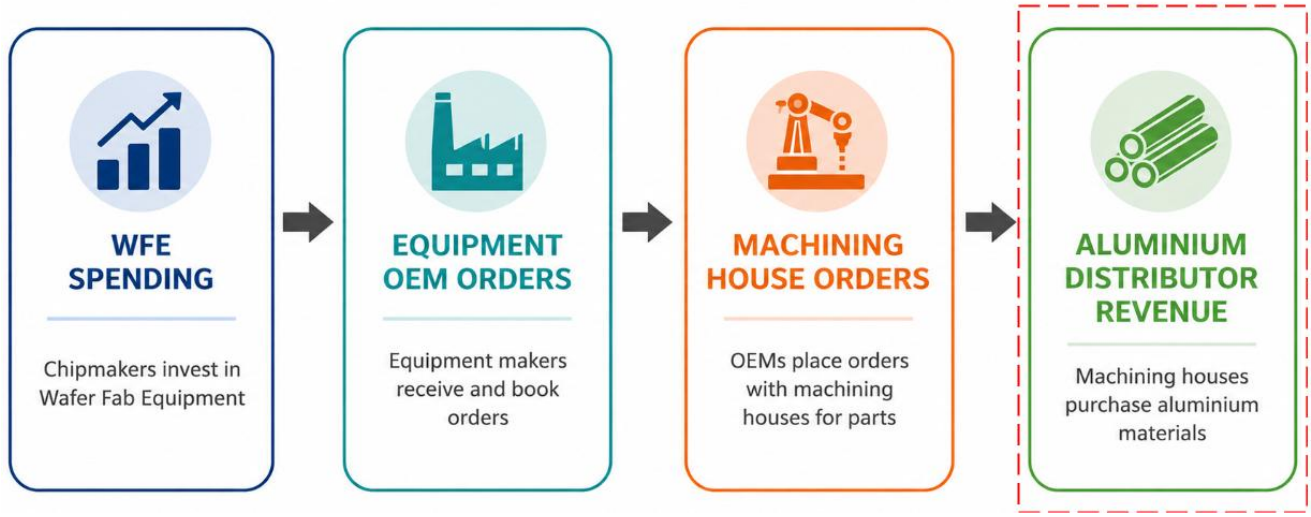
Key Management

Keh Teng Yang (Managing Director), Promoter and substantial shareholder of the Group, has over 20 years of experience in engineering, regional sales, business development and strategic management across the manufacturing and industrial sectors. He holds a First Class Bachelor of Engineering (Mechanical – Aeronautics) from Universiti Teknologi Malaysia and a Master of Science in Manufacturing Systems and Technology from a joint programme between Nanyang Technological University and Massachusetts Institute of Technology. He began his career with DaimlerChrysler SEA before taking regional sales and business management roles at Alcoa Singapore and Volvo East Asia, where he gained extensive international experience across Asia and Europe. He joined AMS SG as Executive Director in 2013 and became its Managing Director in 2015, playing a pivotal role in expanding the Group's operations, product offerings and customer base. Appointed to the Board in September 2023, he currently oversees the Group's overall strategy, business development and day-to-day operations.

Leoh Cheng Cheng (Chief Financial Officer), has over 20 years of experience in accounting, auditing and financial management. She holds a Bachelor of Accounting from Universiti Malaya and is a member of both the Malaysian Institute of Accountants (MIA) and Certified Practising Accountant Australia (CPA Australia). She began her career with KPMG in Malaysia before joining KPMG Singapore, where she advanced to Senior Manager, gaining extensive experience in auditing private and listed companies. She joined AMS SG as Finance Manager in 2016 and has since overseen the Group's accounting, financial reporting, treasury, taxation, budgeting, credit control and human resources functions. Appointed as Executive Director and Chief Financial Officer in 2025, she continues to lead the Group's financial management and corporate governance initiatives.

Where is AMS in the value chain?

Exhibit 2: AMS's Positioning in the Value Chain



Source: Kenanga Research

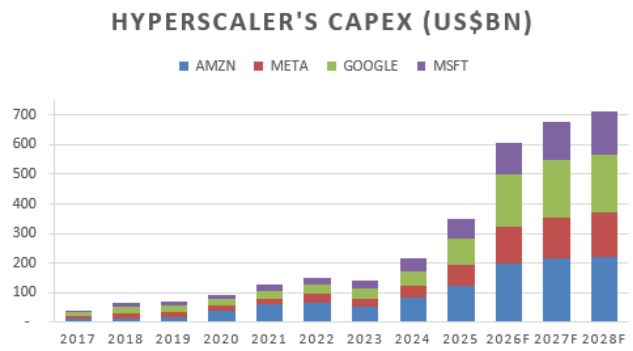
Note: Red dotted line indicates AMS's position in the value chain

- **AMS is an indirect beneficiary of WFE spending…** AMS sits upstream within the semiconductor equipment supply chain, supplying aluminium plates and bars to machining houses that manufacture precision components used in WFE (exhibit 2). When semiconductor manufacturers such as TSMC expand capacity, they purchase equipment from OEMs such as ASML, Applied Materials and Lam Research. These OEMs subsequently outsource the manufacturing of selected components to machining houses based in Penang, which in turn procure aluminium materials from suppliers such as AMS. As a result, AMS indirectly benefits from semiconductor capital expenditure and WFE demand growth.

- **…through a picks-and-shovels model.** While AMS is several steps removed from the end semiconductor product, its position in the supply chain allows it to participate in the broader semiconductor equipment upcycle. Importantly, AMS is not dependent on any single OEM or machining house, as it supplies materials across the ecosystem. This makes AMS a "picks-and-shovels" exposure to the semiconductor equipment industry, benefiting from rising equipment demand regardless of which OEM, technology node or customer ultimately secures the order.

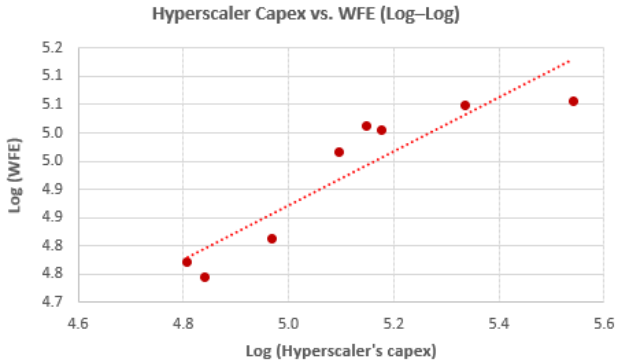
Top Down WFE Analysis

Exhibit 3: Top 4 Hyperscaler CAPEX to Rise 75%/11% In 2026/2027 To USD608b/USD680b



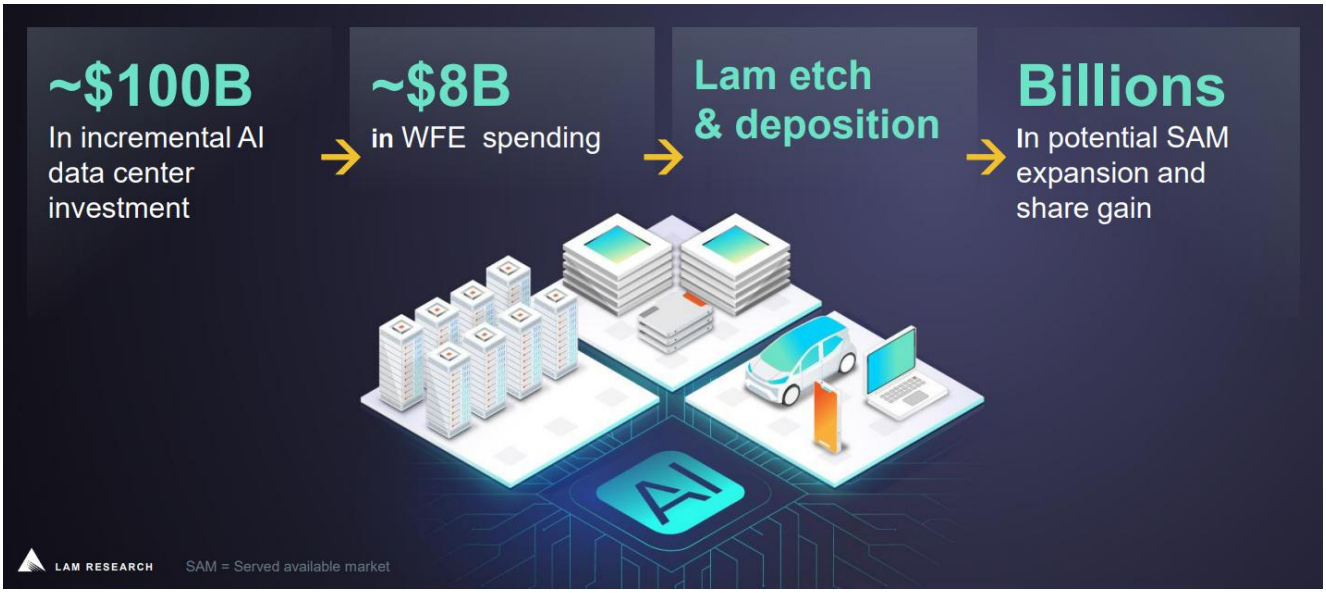
Source: Bloomberg, Kenanga Research

Exhibit 4: WFE Capex Closely Tracks Hyperscalers' Capex (Correlation ~0.81)



Source: Bloomberg, Kenanga Research

Exhibit 5: Every $100b of Incremental AI DC Investment Translate into USD8b in WFE spending



Source: LAM Research, Kenanga Research

- **Hyperscaler AI Capex Upcycle Drives WFE Demand.** The top four hyperscalers are entering a renewed investment upcycle, with aggregate capex projected to rise 75%/11% in 2026/2027 to USD608b/USD680b (exhibit 3), driven primarily by accelerating AI data-center buildouts. This surge in spending has a clear and quantifiable read-through to wafer-fab equipment (WFE), with historical data showing a strong correlation of ~0.81 between hyperscaler capex and WFE investment (exhibit 4). On a log-log basis, meaning percentage changes rather than absolute values are compared, WFE spending scales closely with hyperscaler capex, highlighting hyperscalers as a key demand driver for the semiconductor supply chain. As per LAM Research estimates, every incremental USD100b of AI data-center investment translates into ~US$D8b of WFE spending (exhibit 5), with etch and deposition most exposed. As AI capex continues to ramp, this dynamic supports a multi-year expansion in WFE demand and underpins meaningful SAM expansion and share-gain opportunities for leading equipment suppliers.

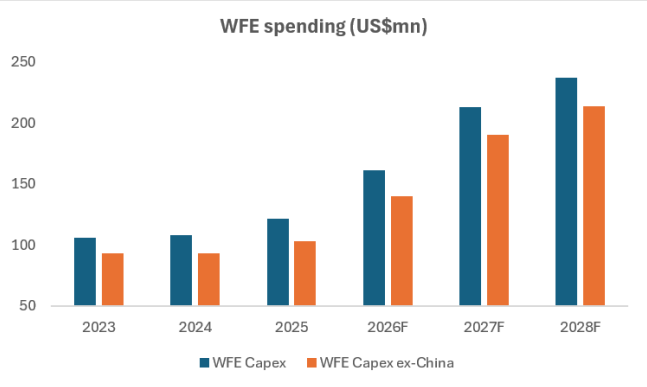
Bottom-Up WFE Analysis

Exhibit 6: Bottom-Up Derivation of WFE Capex(2026–2028F)

US$bn	2023	2024	2025	2026F	2027F	2028F
Foundry						
TSMC	30.5	29.8	40.9	55.8	64.3	73.7
UMC	2.9	2.8	1.536	1.5	1.6	1.6
Global Foundries	1.8	0.6	0.7	1.3	1.4	1.5
VIS	0.2	0.5	2	2.1	1.4	1.4
PSMC	1.5	0.7	0.6	0.2	0.4	0.5
Rapidus	0	0	0	1.0	2.0	2.0
DB Hitek	0.3	0.1	0.1	0.1	0.1	0.1
SMIC	7.6	7.7	8.4	7.9	7.8	7.7
Hua Hong	0.9	2.8	2.1	2.3	2.7	2.1
Tower Semi	0.4	0.4	0.4	0.7	0.5	0.4
Terafabs	0	0	0	0	18.0	37.0
Others	2.7	3.5	4.8	5.3	5.8	6.4
Total	**48.8**	**48.9**	**61.5**	**78.1**	**106.1**	**134.3**
Y/Y changes		*0%*	*26%*	*27%*	*36%*	*27%*
Logic						
Intel	25.8	23.9	14.6	15.1	16.8	19.3
Texas Instruments	5.1	4.8	4.9	2.5	2.6	3.0
Nexchip	1	1.8	1.4	1.3	1.3	1.3
Others	8	9	8	8.8	9.7	10.6
Total	**39.9**	**39.5**	**28.9**	**27.7**	**30.3**	**34.2**
Y/Y changes		*-1%*	*-27%*	*-4%*	*10%*	*13%*
Memory						
Micron	7.7	8.4	15.9	28.5	47.9	52.6
SK Hynix	6.4	11.7	19.4	29.7	36.1	42.1
Samsung	44.1	37.7	33.5	48.1	52.2	56.1
Sandisk	0	0	0.2	0.2	0.4	0.2
Nanya Tech	0.4	0.5	0.5	1.7	1.9	1.6
Kioxia	3.7	2.1	1.9	2.8	3.4	3.7
CXMT	3	3.5	4	5	6	7
YMTC	3	4	4.5	5.3	6.5	7.5
Others	6	7.4	8.9	9.8	10.8	11.8
Total	**74.3**	**75.3**	**88.7**	**131.1**	**165.1**	**182.6**
Y/Y changes		*1%*	*18%*	*48%*	*26%*	*11%*
Grand Total Capex	**163.0**	**163.7**	**179.2**	**236.9**	**301.5**	**351.0**
Y/Y changes		*0%*	*9%*	*32%*	*27%*	*16%*
Total Capex ex-China	**147.5**	**143.9**	**158.8**	**215.1**	**277.2**	**325.5**
Y/Y changes		*-2%*	*10%*	*36%*	*29%*	*17%*
WFE Capex	**106.0**	**108.0**	**121.8**	**161.1**	**208.0**	**242.2**
WFE% Total Capex	65%	66%	68%	68%	69%	69%
Y/Y changes		*2%*	*13%*	*32%*	*29%*	*16%*
WFE Capex ex-China	**92.9**	**93.5**	**103.2**	**139.8**	**185.7**	**218.1**
WFE% Total Capex ex-China	63%	65%	65%	65%	67%	67%
Y/Y changes		*1%*	*10%*	*36%*	*33%*	*17%*

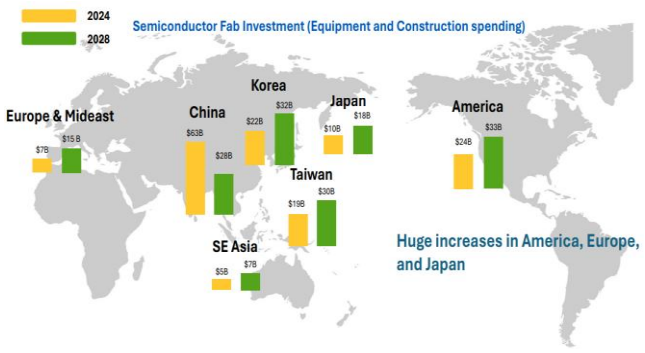
Source: Various news sources, Bloomberg, Kenanga Research

Exhibit 7: WFE Spending Expected to Grow 36%/33% In 2026/2027



Source: Various news sources, Bloomberg, Kenanga Research

Exhibit 8: …Driven by A Wave of New Fabs Scheduled for Ramp-up from 2026



Source: SEMI, Kenanga Research

WFE Recovery Still Lagging Fab Capex Announcements. Using a bottom-up approach, we expect the WFE Capex ex-China to grow 36%/33% in 2026/2027 respectively (exhibit 7), We think WFE spending continues to trail the large wave of global fab capex announcements, as much of the committed investment has so far been absorbed by land acquisition, site preparation, and building construction rather than equipment orders. Structural bottlenecks—such as permits delays, labour shortages, cost inflation, and slower-than-expected utility readiness—have further extended project timelines across the US, Europe, and Japan, pushing out the conversion of planned capex into meaningful WFE demand. As a result, the current WFE cycle likely understates the true magnitude of the coming upturn, with many fabs only entering the equipment installation phase from 2026 onward (exhibit 8). This provides a clear path for a stronger WFE upcycle ahead as new fab capacity begin to come online.

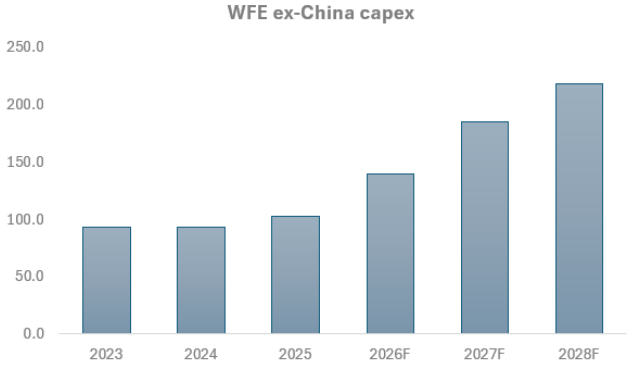
Upside revision is driven by memory…Compared with the beginning of the year, we have seen memory manufacturers meaningfully raise their capital expenditure plans for 2026–27, reinforcing our view that memory will lead the next WFE upcycle. According to our forecasts (Exhibit 5), memory WFE spending is expected to grow 48% in 2026 and a further 26% in 2027, making this one of the strongest memory investment cycles in decades. Collectively, Micron, SK Hynix and Samsung have increased their planned capex by 28% for 2026 and 52% for 2027 versus estimates at the start of the year. More importantly, after maintaining a disciplined investment approach and resisting capacity expansion for several quarters, memory players are now beginning to loosen spending constraints, signalling a more constructive outlook for front-end semiconductor investments. With memory accounting for roughly 65–70% of total WFE spending over 2024–27, both the capex trajectory and technology roadmap suggest that memory will be the primary engine of the next WFE cycle.

…and foundry. We are also seeing improving momentum in foundry spending compared with the beginning of the year. TSMC and Terafab are the key contributors to this upside revision. We expect TSMC to raise its 2026 capex by approximately 6% to USD56b, while Terafab is emerging as a meaningful incremental growth driver for WFE from 2027 onwards. Much of this investment is tied to continued migration towards 3nm and sub-3nm process technologies, where shrinking geometries significantly increase process complexity through tighter critical dimensions, greater process control and a higher number of patterning steps. The transition to gate-all-around (GAA) transistor architecture further amplifies equipment intensity, requiring advanced etch, epitaxy and deposition technologies. While the pace of growth is likely to remain below that of memory, these technology transitions should continue to underpin a multi-year expansion in logic WFE spending.

Investment Merits

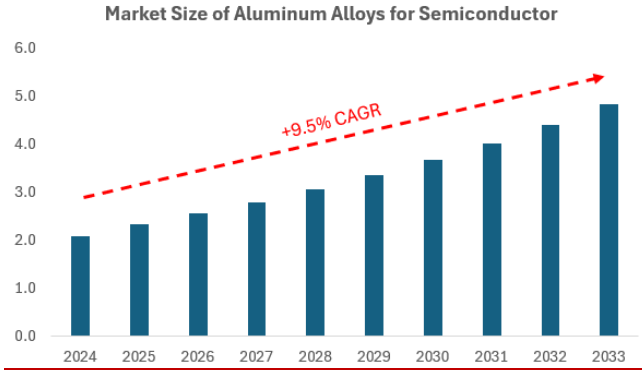
1. Benefiting from the WFE Upcycle...

Exhibit 9: WFE Ex-China Capex to Grow 36%/33% In FY26/FY27



Source: Various news sources, Bloomberg, Kenanga Research

Exhibit 10: Semiconductor Aluminium Market to Reach USD4.8b by 2033 (9.5% CAGR)

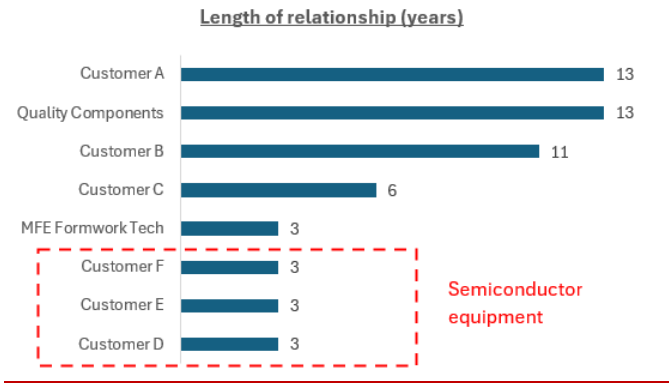


Source: Company, Kenanga Research

- **AI spending is fuelling WFE growth over the coming years…** As outlined in the earlier section, we forecast WFE capex ex-China to accelerate to 36%/33% in 2026/2027 (exhibit 8), following more modest growth of ~10% in 2025. We view the ex-China WFE market as the more relevant and sustainable TAM for Malaysia's WFE supply chain, given China's push toward equipment localisation. With domestic chipmakers mandated to source up to 50% of equipment from local suppliers, we expect multinational WFE players to continue ceding market share in China, effectively shifting incremental growth opportunities to ex-China regions. Structurally, growth is supported by rising equipment demand from fab expansions and the adoption of advanced technologies—including GAA transistors, backside power delivery and higher-layer 3D NAND—which significantly increase process complexity and equipment intensity.

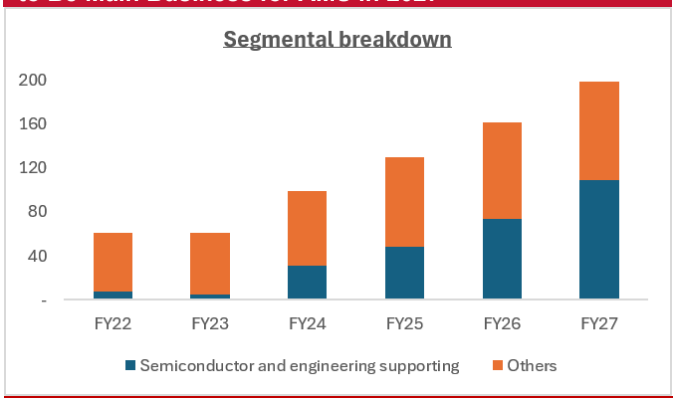
2. …through wide exposure to machining house in Penang

Exhibit 11: Effort To Penetrate Tech Supply Chain Bears Fruit.



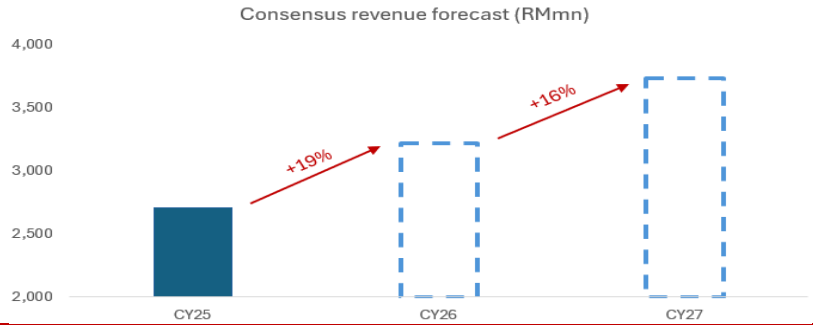
Source: Company Report, Kenanga Research

Exhibit 12: Semiconductor and Engineering Supporting to Be Main Business for AMS in 2027



Source: Company Report, Kenanga Research

Exhibit 13: Street Is Forecasting 19%/16% Revenue Growth For Major Precision Engineering House* In 2026/2027, Due to Strong Equipment Demand



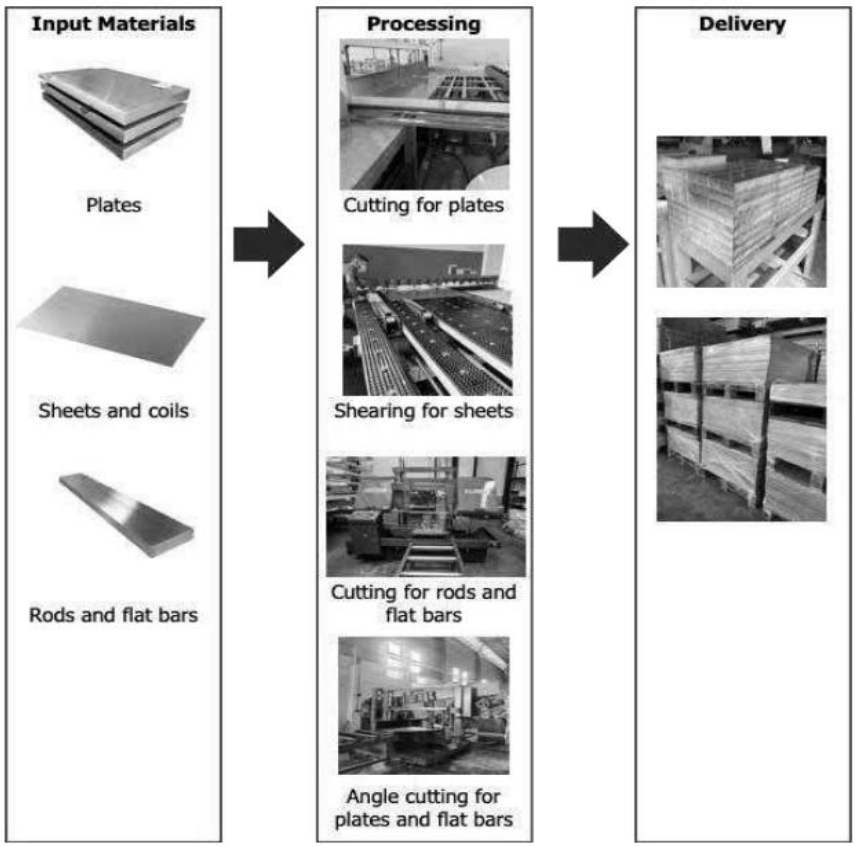
Source: Kenanga Research
**refers to UWC, Coraza, Ambest, Wentel, CPETECH, Cnergenz, Northeast, OXB, and Sam Engineering*

- **Efforts to penetrate the semiconductor supply chain are bearing fruit.** Historically, AMS's customer base was primarily concentrated in the aerospace and construction sectors. In 2023, the Group expanded into the semiconductor and engineering support industries by supplying semi-finished aluminium products to customers operating within these sectors. Today, AMS counts several major precision engineering and fabrication companies in Penang among its customers, both MNC and local listed and unlisted players. As a result, semiconductor-related revenue has grown from a single-digit contribution in FY23 to 37% of total revenue in FY25, and we forecast this to increase further to 46% and 55% in FY26 and FY27, respectively, underpinned by continued growth in semiconductor equipment demand from existing and new customers.

- **We believe this momentum remains sustainable, supported by strong demand from customers.** Consensus forecasts revenue growth of 9% in FY26 and 16% in FY27 for major listed precision engineering companies, referring to companies such as UWC, Coraza, Ambest, Wentel, CPETECH, Cnergenz, Northeast, OXB, and Sam Engineering, reflecting continued strength in semiconductor equipment demand. This is consistent with our on-the-ground checks, which indicate that many precision engineering houses are operating near full capacity and are actively expanding their manufacturing footprint to capture rising orders from semiconductor equipment customers. As a preferred aluminium supplier to many of these companies, we believe AMS is well positioned to benefit from the capacity expansion cycle through higher aluminium volume demand, further supported by its established customer relationships and value-added processing capabilities.

3. Value-added services differentiate AMS from traditional aluminium traders

Exhibit 14: More Than a Distributor: Value-Added Processing Services



Source: Company Report

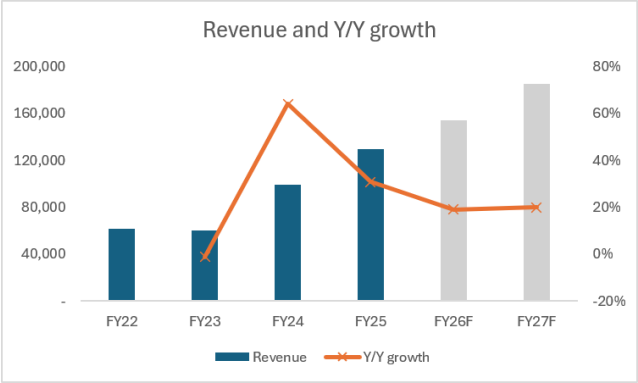
- **More than a distributor—a manufacturing partner.** In addition to trading semi-finished aluminium products, AMS provides value-added processing services such as cutting and shearing, enabling customers to procure materials according to their required dimensions and specifications. Notably, the Group is also capable of performing basic 3-axis machining services, allowing customers to receive materials that are closer to their production requirements. These value-added capabilities enable AMS to offer a more comprehensive solution to its customers, broadening its service offering and differentiating the Group from conventional aluminium distributors that focus primarily on trading activities.

Financial Highlights

Financial review. AMS delivered a strong earnings recovery following a temporary slowdown in FY23. Revenue declined marginally by 1.3% Y-o-Y to RM60.5m in FY23, mainly due to lower gross profit and weaker profitability, before rebounding sharply to RM99.2m (+64%) in FY24 and RM129.7m (+31%) in FY25. The strong growth was primarily driven by higher sales across its core end markets, particularly the semiconductor and engineering support industries, as the Group expanded its customer base and benefited from stronger industry demand. Consequently, gross profit increased from RM7.2m in FY23 to RM20.2m in FY25, with gross margin improving from 12.0% to 15.6%, reflecting a more favourable product mix and greater contribution from value-added processing services. Profit after tax (PAT) followed a similar trajectory, declining from RM4.2m in FY22 to RM2.5m in FY23 before recovering strongly to RM6.2m in FY24 and RM8.9m in FY25. PAT margin also improved from 4.2% in FY23 to 6.2% in FY24 and 6.8% in FY25, demonstrating the Group's ability to translate stronger revenue growth into earnings despite higher administrative expenses associated with business expansion.

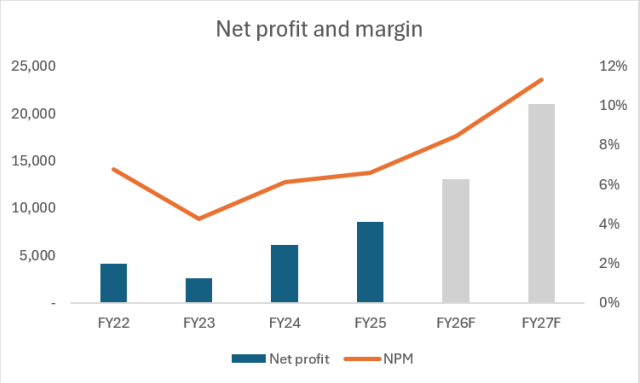
Financial forecasts. We forecast revenue to grow by 17%/20% YoY in FY26/FY27, driven by continued strength in semiconductor equipment demand and higher orders from both existing and new precision engineering customers. We expect the Semiconductor & Engineering Support segment to remain the key growth driver, with revenue projected to increase by 48%/43% in FY26/FY27, underpinned by the ongoing WFE upcycle and sustained demand for front-end and back-end semiconductor equipment. Consequently, we forecast PAT to grow by 49%/60% YoY in FY26/FY27, supported by continued margin expansion, with net margin improving from 6.8% in FY25 to 8.5%/11.3% in FY26/FY27. We expect profitability to benefit from a richer customer mix, higher contribution from value-added processing services, operating leverage as utilisation improves, and the maiden earnings contribution from the aluminium scrap recycling business. While AMS does not have a formal dividend payout policy, we forecast a DPS of 0.8 sen for both FY26 and FY27.

Exhibit 15: Revenue and Growth (RM m)



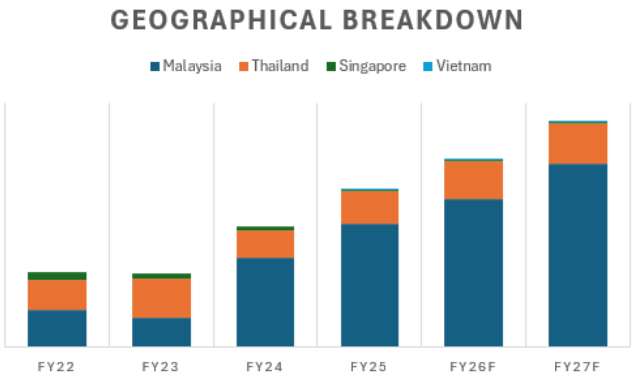
Source: Company, Kenanga Research

Exhibit 16: Net Profit and Margin (RM m)



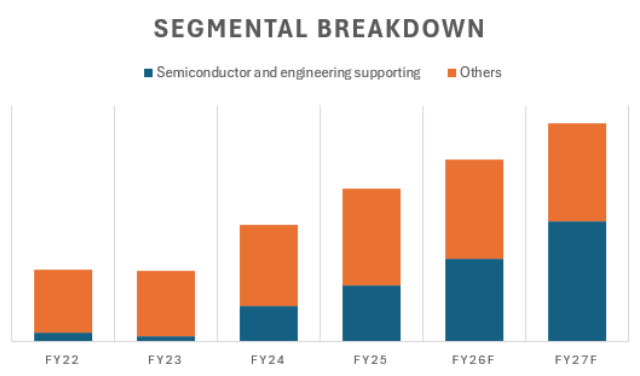
Source: Company, Kenanga Research

Exhibit 17: AMS's Revenue Breakdown by Geography



Source: Company, Kenanga Research

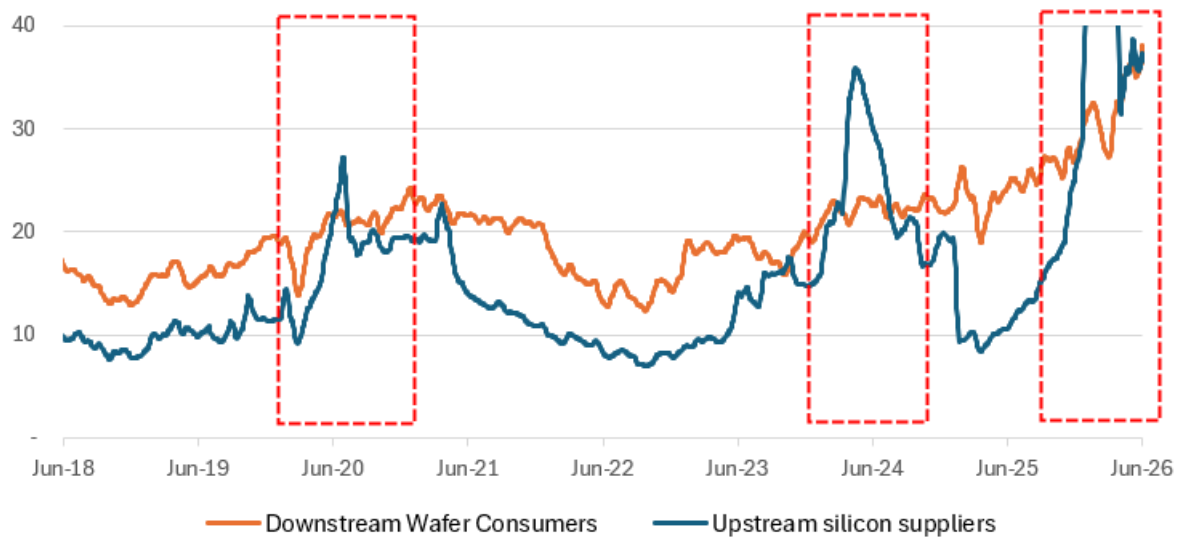
Exhibit 18: AMS's Revenue Breakdown by Segment



Source: Company, Kenanga Research

Valuation

Exhibit 19: Valuation Gap Narrows During Semiconductor Upcycles



Source: Kenanga Research, Bloomberg

Using the silicon supplier–wafer consumer relationship as a valuation reference

Upstream suppliers also re-rated during semiconductor upcycles. While upstream material suppliers typically trade at a valuation discount to downstream wafer manufacturers, foundries and semiconductor equipment companies, our study of previous semiconductor cycles suggests this discount narrows meaningfully during industry upcycles. We use the historical relationship between silicon suppliers and their downstream customers as a framework to assess how upstream beneficiaries may rerate as semiconductor capital spending accelerates. Historically, leading silicon suppliers delivered 50–100% multiple expansion from trough to peak, driven by improving earnings visibility, positive spillover from rising semiconductor capital spending and broader investor participation. While upstream suppliers generally continued to trade at a discount, the valuation gap narrowed significantly during periods of tech upcycle.

We believe a similar dynamic could emerge for AMS. As a preferred aluminium supplier to Penang's semiconductor precision engineering ecosystem, serving both multinational and local manufacturers, AMS is well positioned to benefit from the ongoing WFE upcycle through higher volume demand and stronger earnings growth. More importantly, as investors broaden their exposure beyond direct semiconductor equipment beneficiaries, we believe AMS could increasingly be recognised as an indirect beneficiary of semiconductor capital spending, supporting a valuation rerating above that of a conventional aluminium distributor.

We assign a fair value of RM0.62 to AMS, based on 18x FY27F EPS, representing a c.12% discount to both local and regional operational peers. This discount reflects AMS's relatively smaller market capitalisation, lower earnings base and smaller operating scale, although we expect the gap to narrow as the Group expands its operations and delivers stronger earnings growth. Notably, AMS trades at a c.61% discount to listed semiconductor equipment supply chain companies. While we are not suggesting that AMS should be valued in line with these downstream semiconductor beneficiaries, we believe its alternative exposure to the WFE cycle through the semiconductor precision engineering ecosystem warrants a valuation premium over conventional metal distributors. Given the favourable semiconductor investment cycle and AMS's growing exposure to this niche end-market, we view its current valuation as attractive and undemanding.

Exhibit 20: Comparison of Local and Regional Peers In the Industry

Company	Country	Ticker	Market Cap (RM mn)	Revenue (RMm)	Net margin (%)	1-yr fwd PER (x)
Malaysia						
PMETAL	Malaysia	PMAH MK Equity	64,104.2	16,199.7	12.9	23.2
Regional						
JX Metal	Japan	5016 JT Equity	107,091.9	24,503.5	11.8	25.8
Reliance Inc	US	RS US Equity	80,138.8	61,223.8	5.2	19.4
Ryerson	US	RYZ US Equity	5,855.2	19,579.3	-1.2	22.4
Nippon Light Metal	Japan	5703 JT Equity	4,355.1	16,217.0	2.7	11.8
Average of operational peers			**52,309.1**	**27,544.7**	**6.3**	**20.5**
Semicon Equipment Supply Chain						
Vitrox	Malaysia	VITRO MK Equity	14,268.0	843.1	15.8	61.2
UWC	Malaysia	UWC MK Equity	7,149.6	386.2	10.5	71.2
SAM	Malaysia	SEQB MK Equity	3,452.6	1,440.7	3.1	44.3
Coraza	Malaysia	CORAZA MK Equity	486.8	160.2	8.8	24.0
Ambest	Malaysia	Ambest MK Equity	456.4	52.7	12.1	28.9
Average of semicon equipment players			**5,162.7**	**576.6**	**10.1**	**45.9**
AMS	**Malaysia**	**AMS MK Equity**	**211.1**	**129.7**	**6.6**	**18.0**
Discount to operational peers						*12%*
Discount to semicon equipment players						*61%*

Source: Kenanga Research, Bloomberg

Key risks include: (i) aluminium price volatility, which could affect customer purchasing behaviour and working capital requirements, although the Group generally passes through raw material price movements to customers; (ii) a slowdown in WFE spending, which could reduce demand from semiconductor precision engineering customers and, in turn, lower aluminium demand; (iii) slower-than-expected onboarding of new customers or project ramp-ups, which may delay revenue growth and margin expansion

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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