EcoSys

Chips at the Core, Solar on the Rise

NOT RATED

Price : RM0.27
Fair Value : RM0.54

By Tan Sue Wen, Tansw@kenanga.com.my;

ECOSYS is well-positioned to benefit from the semiconductor upcycle and India's solar manufacturing localisation push through its two core businesses, UHP precision engineering and proprietary abatement systems. The Group has an established relationship with a leading global front-end semiconductor equipment manufacturer, while its abatement business is gaining traction in India, with a high-single-digit number of customers secured. Growth will be supported by the expected doubling of its UHP cleanroom capacity and increasing compliance-driven demand for higher-value abatement systems. We value ECOSYS at RM0.54 per share, based on a blended 18x FY27F PER, implying 100% upside.

Riding the semiconductor upcycle. Deposition, or the process of applying a thin layer of materials on a substrate, accounts for c.24% of the WFE market, giving ECOSYS exposure to a sizeable equipment segment via its supply of gas delivery modules and subassemblies. ECOSYS notably serves Customer A which holds more than 55% share in the single-wafer ALD market that is expected to grow 9%-13% annually from 2024 to 2030, supported by increasing adoption of GAA and more complex DRAM architectures. With Customer A providing demand visibility through mid-2027 and ECOSYS doubling its cleanroom capacity, we expect stronger semiconductor equipment demand to drive UHP growth in FY26F-FY27F.

India solar buildout opens a new abatement growth engine. ECOSYS has established an early foothold in India's solar manufacturing market, having secured a high-single-digit number of customers for abatement, i.e. the process of treating and neutralising hazardous process gases before release into the environment. India is targeting at least 80GW of domestic ingot and wafer capacity by June 2028, from c.2GW currently, a sizeable pipeline for new abatement demand as manufacturing capacity comes onstream. Solar manufacturing generates heavier powder loads, requiring additional filtration systems and accessories to meet emission requirements. Demand is largely compliance-driven, as breaches may result in penalties. Higher equipment content supports higher ASPs and margins, driving abatement growth through FY27F-FY28F.

Own technology drives a higher-value abatement mix. Unlike UHP, which manufactures components based on customers' specifications, ECOSYS develops abatement systems under its own brand, technology and IP, supported by 48 patents, 36 trademarks and 3 wordmarks. We forecast abatement to account for 44%/45% of revenue in FY26F/FY27F, driven mainly by higher solar orders. As the revenue mix shifts towards proprietary abatement products with higher equipment content, this should support margins and earnings growth.

IPO proceeds to support the next growth cycle. ECOSYS is expected to raise RM39m from its IPO, with 60% earmarked for growth initiatives, including RM17m for abatement components, RM5m to enhance operational capabilities and RM2m for India expansion. Another RM8m (20%) will be used to repay bank borrowings. We believe the proceeds will support higher abatement and UHP volumes as its solar and semiconductor pipelines ramp up.

NOT RATED with Fair Value of RM0.54. Our fair value for ECOSYS is based on a blended 18x FY27F PER, derived from 20x for UHP and

Share Price Performance

KLCI	1,670.02
YTD KLCI chg	-0.6%

Post IPO Major Shareholders

Chan Chee Wei	52.2%
Solarvest Holdings Berhad	22.3%

IPO proceeds (RM m)

Expansion of abatement segment	17.0
Repayment of bank borrowings	8.0
Enhancement of operational capabilities	4.9
Expansion of geographical coverage in India	1.5
Working capital	2.4
Listing expenses	5.5
Total	39.3

Summary of IPO

Enlarged share cap (m)	571.4
IPO price (RM)	0.27
Market cap upon listing (RM m)	154.3
Shariah Compliant	Yes

IPO Timeline

Opening Date	23 Sept
Closing Date	29 Sept
Balloting Date	01 Oct
Allotment Date	08 Oct
Listing Date	14 Oct

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	108.9	116.2	136.3
EBIT	13.9	18.9	24.7
PBT	13.0	16.7	22.5
Net Profit	**11.2**	**12.7**	**17.1**
Core Net Profit	**11.2**	**12.7**	**17.1**
Consensus (CNP)			
Earnings Revision			
Core EPS (sen)	2.0	2.2	3.0
Core EPS Growth (%)	33.0	13.4	34.8
NDPS (sen)	0.0	0.0	0.0
BVPS (RM)	0.1	0.2	0.2
Core PER (x)	13.8	12.2	9.0
PBV (x)	2.7	1.5	1.3
Net Gearing (x)	0.2	(0.3)	(0.4)
Net Div. Yield (%)	0.0	0.0	0.0

16x for abatement, reflecting similar earnings contributions. This implies 100% upside from the RM0.27 IPO price.

Risks to our call include: (i) Customer concentration risk, (ii) Foreign exchange risk, and (iii) Semiconductor industry cyclicality.

COMPANY OVERVIEW

ECOSYS (Malaysia) Berhad ("ECOSYS") is an investment holding company whose subsidiaries specialize in providing industrial solutions for the pan-semiconductor industry. The Group operates under two core business segments: (i) **Ultra-High-Purity (UHP) precision engineering**, which fabricates **precision components and sub-assembly modules**; and (ii) **abatement systems**, which develops and supplies specialised systems for **treating hazardous gases** generated during manufacturing processes.

The Group's operating history traces back to 2005, when Managing Director Chan Chee Wei and his wife acquired EcoSys Pte Ltd. The business initially focused on trading and servicing parts and modules for front-end semiconductor manufacturing equipment before venturing into the UHP segment in 2009 through the acquisition of SIW Engineering. The Group subsequently expanded into gas panel refurbishment services and the fabrication of UHP components and modules for semiconductor equipment manufacturers.

A key milestone came in 2011, when the Group **acquired Applied Materials' EcoSys product line of abatement systems**, comprising the CDO, Vector, Marathon and Guardian series, including the associated intellectual properties. This marked its diversification into proprietary abatement solutions, with manufacturing commencing in Singapore in 2012. ECOSYS subsequently expanded its abatement presence into **Taiwan in 2012 and China in 2014**, followed by a greater focus on in-house R&D from 2015. In 2022, the Group launched its "91 Series", featuring its **patented microwave plasma abatement technology** to complement its existing thermal, combustion and wet abatement solutions.

Today, ECOSYS has ISO-certified UHP fabrication capabilities and proprietary abatement technology. The Group's UHP operations are supported by an ISO Class 5 cleanroom, with precision welding and CNC machining capabilities. The proprietary abatement systems are largely SEMI and CE compliant. These capabilities enable ECOSYS to serve semiconductor equipment manufacturers, IDMs, foundries, solar PV manufacturers and industrial gas system providers.

The Group had also progressively expanded its manufacturing footprint. Manufacturing of abatement systems in China commenced in 2018, followed by the establishment of its Malaysian UHP operations in 2019. In 2024, ECOSYS acquired a 30% stake in Anhui Automation, which subsequently became an associate of the Group. In 2025, the Group relocated its Malaysian operations to its 24,613 sq ft Simpang Ampat Factory in Penang, which accommodates both its UHP and abatement operations.

SLVEST (OP; TP: RM3.76), a leading solar EPCC player in Malaysia, is a key strategic shareholder in ECOSYS, with its **30% pre-IPO stake diluted to 22.3% post-IPO** following the issuance of new shares. Beyond semiconductor applications, ECOSYS has expanded its abatement solutions into the solar PV manufacturing industry, penetrating the Indian market in 2024, enlarging the Group's addressable market beyond semiconductors and providing an additional growth avenue for its abatement business.

ECOSYS is targeted to be listed on the ACE Market on 14 October 2026, with an IPO price of RM0.27/share, implying a market capitalisation of RM154m based on an enlarged share base of 571m shares. The IPO is expected to raise RM39m in gross proceeds, of which RM17m will be allocated to expand its abatement segment, RM8m for repayment of bank borrowings and RM5m to enhance operational capabilities.

At the helm of the company are:

i. **Ir. Mr. Chan Chee Wei (Managing Director)**, the Group's Promoter and major shareholder with a 70% stake prior to the IPO (52.2% post-IPO), has approximately 27 years of experience in the pan-semiconductor industry. He began his career in 1997 as a System Engineer before taking on sales and management roles at RES Malaysia, Kinetics Process Systems and Celerity Singapore. In 2005, he and his wife acquired EcoSys PLT, before acquiring SIW Engineering in 2009. He has since been instrumental in the Group's R&D, product innovation and technological development, and currently oversees its overall business direction, growth strategies and R&D activities. He holds a Bachelor of Computer Science from Universiti Sains Malaysia.

ii. **Mr. Ooi Eng Ghee (CFO)** has approximately 27 years of experience in accounting and financial management and joined the Group in 2023. He began his career in 1998 as an Audit Assistant at Chan & Chan in Singapore before holding various finance and accounting positions at FoodBex Global, Chee Wah Corporation, Ya Horng Electronic and Maxonic Marketing. He subsequently joined BW Yee Seng Steel Industries in 2019 as Group Finance Manager and rose to Vice President, Finance before leaving in 2023. He currently oversees the Group's accounting and financial functions and also serves as a director of Anhui Automation and SIW Manufacturing. He holds a Bachelor of Commerce in Accounting from Nelson Polytechnic, New Zealand and has been a member of the Malaysian Institute of Accountants since 2003.

iii. **Mr. Prakash A/L Manogaran (COO)** has approximately 34 years of experience in engineering and manufacturing operations and joined the Group in 2025. He began his career at Advanced Micro Devices in 1991, followed by roles at Seagate and SilTerra involving equipment maintenance, installation and commissioning. He subsequently held engineering and operational roles at Flextronics and Infineon Technologies before joining Intel Electronics in 2022 as Penang Advanced Packaging Industrial Engineering Group Leader, where he led the industrial engineering team and oversaw factory operations. He currently oversees the Group's factory operations, including production planning and manufacturing process optimisation. He holds a Bachelor of Engineering in Mechatronic Engineering from Generale Polytechnic Institute, Canada and a Master of Manufacturing Systems Engineering from Universiti Putra Malaysia.

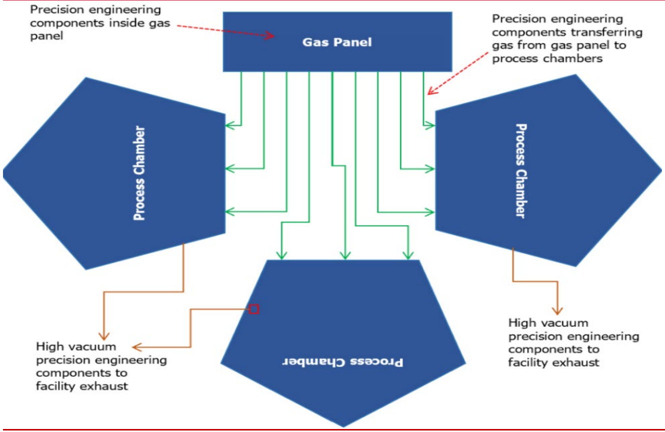
BUSINESS MODEL

ECOSYS is involved in two core business activities: (i) Ultra-High-Purity (UHP) precision engineering and (ii) abatement systems.

Ultra-High-Purity (UHP) Precision Engineering (57% of 3MFY26 revenue)

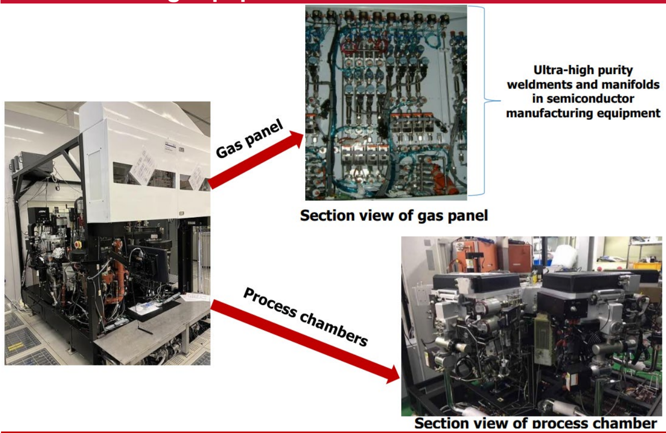
Precision Engineering Components (57% of 3MFY26 revenue). ECOSYS fabricates UHP precision engineering components used in fluid processing systems for front-end semiconductor equipment, back-end semiconductor assembly and packaging equipment, and downstream E&E assembly equipment. These components are used in gas panels, process gas distribution and utility systems, including the transfer of process gases from **gas panels** to **process chambers**. They are **custom fabricated** based on customers' specifications using in-house CNC machining and welding capabilities, with an ISO Class 5 cleanroom supporting applications that require stringent contamination control.

Exhibit 1: UHP Precision Engineering Components in Gas Delivery Systems



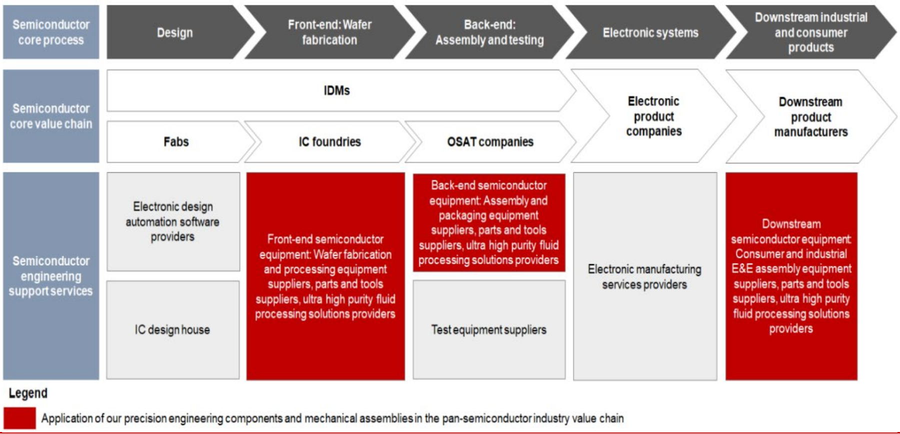
Source: Prospectus

Exhibit 2: UHP Gas Delivery System in Semiconductor Manufacturing Equipment



Source: Prospectus

Exhibit 3: ECOSYS' UHP Solutions Across the Semiconductor Value Chain



Source: Prospectus

Sub-assembly Modules (<1% of 3MFY26 revenue). ECOSYS also fabricates sub-assembly modules comprising multiple precision engineering components based on customers' specifications and on an ad-hoc basis. The modules are assembled and tested by ECOSYS before delivery, allowing customers to install them directly into their systems without further assembly or testing.

Exhibit 4: ECOSYS' UHP Solutions Across the Semiconductor Value Chain

Facility manifolds   Gas panels

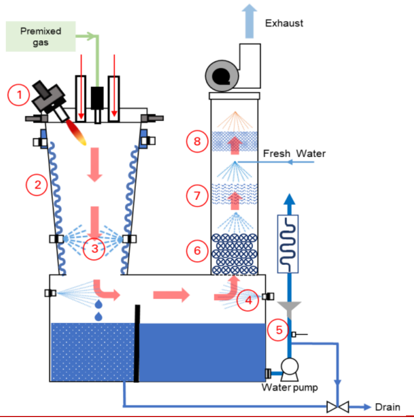
Source: Prospectus

Abatement (43% of 3MFY26 revenue)

Abatement systems (38% of 3MFY26 revenue) are used to capture, treat and neutralise toxic, flammable and odorous gases, as well as greenhouse gases, before they are released into the environment. These systems are used in semiconductor manufacturing, particularly in processes such as etching and chemical vapour deposition, as well as in solar PV manufacturing, where hazardous gases are generated during production. **The Group owns the EcoSys brand** and related intellectual property, with 48 patents, 36 trademarks and 3 wordmarks registered as of Aug 26. Most of its proprietary abatement systems are SEMI and CE compliant. ECOSYS also provides after-sales support comprising preventive maintenance, on-call technical assistance, spare parts management and performance verification testing. New customers typically receive on-call technical support for 3-6 months after handover, with warranties of up to 12 months from delivery. Beyond the warranty period, maintenance services are provided on an ad-hoc basis.

Modules and Components (5% of 3MFY26 revenue). ECOSYS also supplies and produces electronic, mechanical and metal parts used as replacement parts for its abatement systems.

Exhibit 5: Dry-Wet Scrubbing Abatement Process



Source: Prospectus

Exhibit 6: Combination-Wet Abatement (left) and Thermal-Wet Abatement (right)

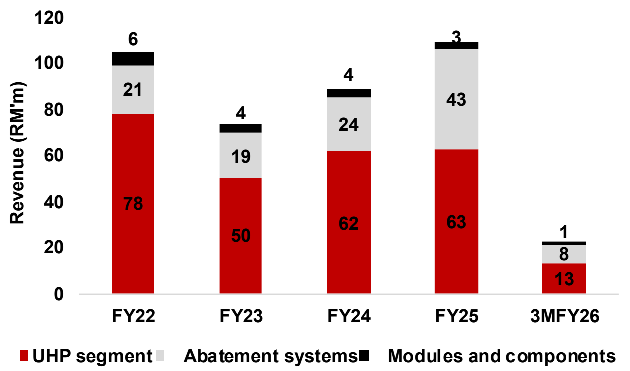
Source: Prospectus

Exhibit 7: Key Machinery And Equipment

Key machine and equipment	No. of units	Age range (years)	NBV as of Mar 2026 (RM'm)
Air compressor	1	5	0.00
Welding machines	22	3-11	0.39
CNC cutting machines	4	1-11	0.32
CNC machine centres	4	3-11	0.14
CNC milling machines	4	4-11	0.03
CNC lathe machines	2	4-9	0.04
CNC bending machines	2	4-11	0.09
Total	**39**		**1.01**

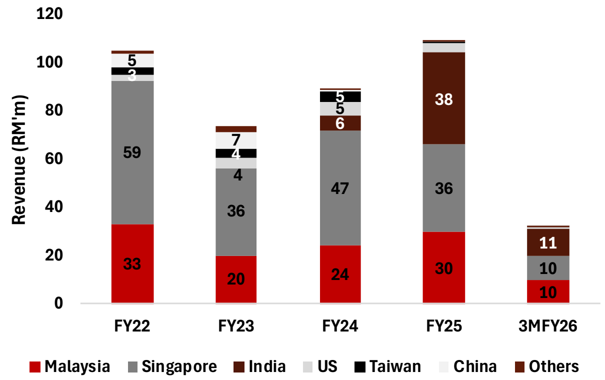
Source: Prospectus

Exhibit 8: Revenue Breakdown by Business Segment



Source: Prospectus

Exhibit 9: Revenue Breakdown by Geography



Source: Prospectus

ECOSYS derives the majority of its revenue from overseas markets, which accounted for 71% of 3MFY26 revenue, mainly from Singapore and India. Singapore remained the Group's largest overseas market, contributing 31% of 3MFY26 revenue, mainly supported by its UHP precision engineering business. Meanwhile, India contributed 30% of 3MFY26 revenue, supported by abatement system sales to solar PV manufacturers. Malaysia accounted for the remaining 29% of revenue.

The Group has maintained long-standing relationships with its key UHP customers. Customer B was its largest customer in 3MFY26, contributing 27% of revenue, with a 9-year relationship, followed closely by Customer A at 27%, with a 14-year relationship. Both customers operate in the semiconductor industry and procure UHP precision engineering solutions from ECOSYS, collectively accounting for 54% of 3MFY26 revenue. Sales to both customers are based on purchase orders without long-term agreements.

On the abatement side, Customer J, a new Indian customer involved in solar PV manufacturing, emerged as the third-largest customer, contributing 20% of 3MFY26 revenue. This was followed by Customer F at 6% and Customer K at 4%. Overall, the Group's top five customers accounted for 84% of 3MFY26 revenue.

Exhibit 10: Major Customers

	Customer A	Customer B	Customer C	Customer D	Customer F	Customer G	Customer H	Customer I	Customer J	Customer K
Length of relationship (years)	14	9	10	10	6	2	2	1	<1	10
Cumulative revenue	119	83	14	12	16	4	3	11	5	1

Source: Prospectus

Exhibit 11: Customers Profile

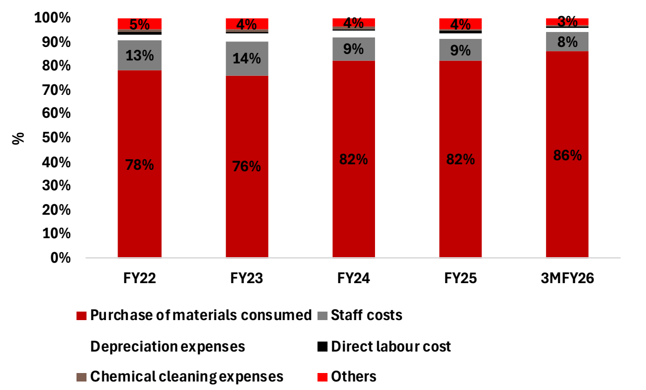
Customer	Country	Business Profile
Customer A	Singapore, US,	Global semiconductor equipment group involved in the design, manufacturing and supply of
Customer B	Malaysia	Subsidiary of a US-listed group providing integrated manufacturing solutions to OEMs,
Customer C	Singapore	Subsidiary of a NASDAQ-listed group involved in the manufacturing, assembly, testing and distribution of semiconductor memory and storage products.
Customer D	Malaysia & South Korea	Subsidiaries of a global listed group providing hardware platform and supply-chain solutions, including design and engineering, manufacturing, precision machining, logistics and fulfilment.
Customer F	India & Singapore	Large diversified group with businesses spanning new energy, oil & gas, petrochemicals, retail, media & entertainment and digital services.
Customer G	India	Solar PV cell and module manufacturer and subsidiary of a company listed on the National Stock Exchange of India.
Customer H	India	Solar PV manufacturer involved in the production of solar PV cells, modules, encapsulants and backsheets.
Customer I	India	Solar PV cell manufacturer also involved in the development of utility-scale solar and wind energy projects and provision of energy storage solutions.
Customer J	India	Integrated solar PV manufacturer covering solar ingots, wafers, cells and modules. Its group is also involved in the manufacturing of power and distribution transformers.
Customer K	Japan & South Korea	Group involved in the trading and servicing of semiconductor manufacturing equipment and related parts and materials.

Source: Prospectus

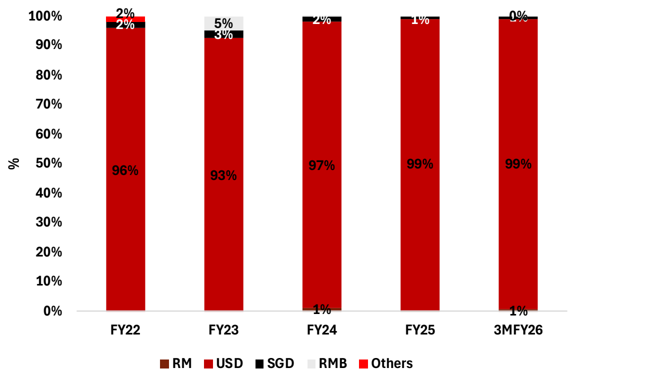
Cost analysis. The largest component of COGS is materials consumed, which accounted for c.80% of COGS, on average. For the UHP segment, key materials comprise fitting connectors, tubing and precision parts, while the abatement segment mainly requires electronic, mechanical and metal parts and components. Most materials are sourced from overseas suppliers, accounting for 88% of total purchases in 3MFY26. The Group is also exposed to foreign exchange movements, with 97% of purchases and 99% of revenue denominated in foreign currencies in 3MFY26. However, this is partly mitigated as both revenue and purchases are largely denominated in foreign currencies, providing a natural hedge against currency fluctuations.

Exhibit 12: Cost Breakdown, FY22-3MFY26

Exhibit 13: Purchases by Currency

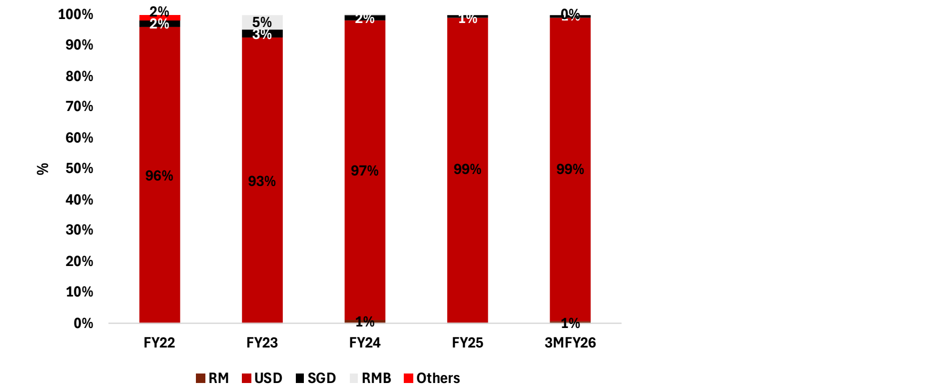


Source: Prospectus



Source: Prospectus

Exhibit 14: Revenue by Currency

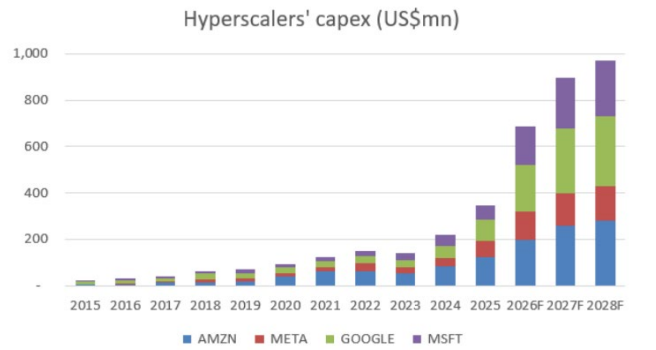


Source: Prospectus

INVESTMENT MERITS

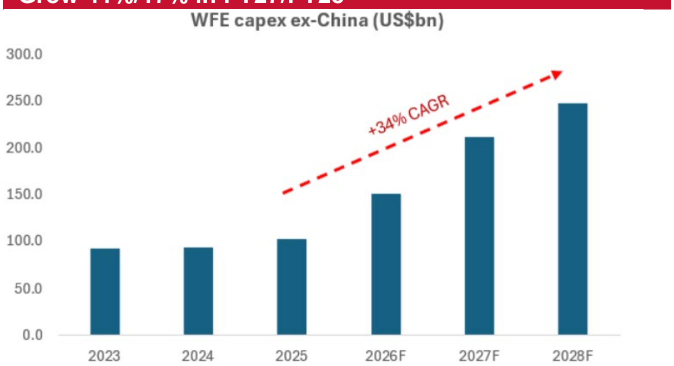
1. Riding the Semiconductor Upcycle.

Exhibit 15: Top 4 Hyperscaler CAPEX to Rise 97%/31% In 2026/2027 To USD686b/USD898b



Source: Bloomberg, Kenanga Research

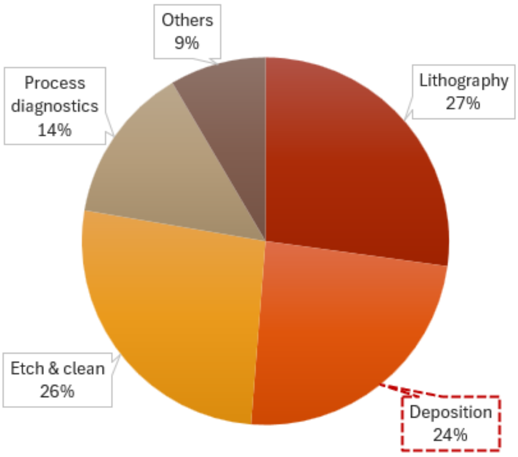
Exhibit 16: Kenanga Forecast WFE ex-China Capex to Grow 41%/17% in FY27/FY28



Source: Various news sources, Bloomberg, Kenanga Research

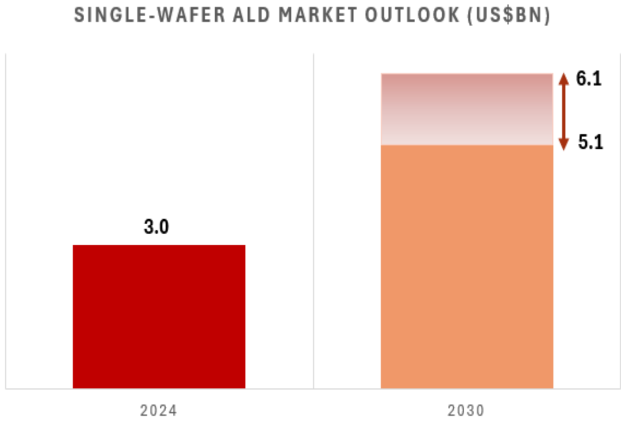
AI capex upcycles to drive the next leg of WFE demand. The top four hyperscalers are entering a renewed investment upcycle, with **aggregate capex projected to rise 97%/31%** in 2026/2027 to USD686bn/USD898bn, driven primarily by accelerating **AI data centre buildouts**. The scale of these investments should support demand throughout the semiconductor supply chain, from advanced logic and memory chips to the equipment needed to manufacture them. Historical data show a correlation of approximately 0.81 between hyperscaler capex and wafer fab equipment (WFE) investment, while Lam Research estimates that every USD100b invested in AI data centres generates approximately USD8b of WFE spending. Against this backdrop, Kenanga forecasts ex-China WFE capex growth of 46% in 2026, followed by 41%/17% in 2027/2028F (Exhibit 16).

Exhibit 17: Deposition accounts for ~24% of the WFE market



Source: TechInsights, Kenanga Research

Exhibit 18: The single-wafer ALD market is projected to grow at a 9%-13% CAGR from 2024 to 2030.



Source: Customer A's Publication, Kenanga Research

1. **ECOSYS's WFE exposure through Customer A**.

Deposition accounts for **c.24% of the WFE market** (Exhibit 17), giving ECOSYS exposure to a sizeable equipment segment through its supply of gas delivery modules and subassemblies to Customer A. Within deposition, **Customer A** holds an estimated share of **more than 55%** in the **single-wafer atomic layer deposition (ALD) market**. Notably, ALD is becoming increasingly relevant as gate-all-around transistors and more complex DRAM architectures require additional deposition layers and tighter control over film thickness. These technology shifts are expected to drive **9%-13% annual growth in the single-wafer ALD market from 2024 to 2030** (Exhibit 18), supporting demand for Customer A's equipment and, in turn, ECOSYS's UHP products. With its existing UHP capacity approaching its limit, ECOSYS is doubling its cleanroom capacity to accommodate higher volumes. We view the timing as favourable: the added capacity should come onstream as the semiconductor equipment cycle improves, positioning ECOSYS to convert rising WFE demand into UHP revenue growth through FY26F-FY27F.

2. **Own technology drives a higher-value abatement mix**

ECOSYS is increasingly moving beyond contract manufacturing towards its own proprietary products. In UHP, the Group primarily manufactures precision components and modules based on customers' designs and specifications. In contrast, its abatement systems are developed under the EcoSys brand **using its own technology and IP**, giving ECOSYS greater control over product development and commercialisation. This is supported by its in-house R&D capabilities, including its **microwave-based abatement technology**, and a portfolio of **48 patents, 36 trademarks and 3 wordmarks** as of Aug 2026. We forecast abatement to account for 44%/45% of Group revenue in FY26F/FY27F, respectively, driven mainly by higher solar orders in India. Importantly, solar applications require additional filtration systems and accessories to handle heavier powder loads, increasing equipment content per system and supporting better margins. We estimate the abatement segment generates GP margins of c.25-30%, supported by its proprietary product offering and higher equipment content for solar applications. As the revenue mix shifts towards proprietary abatement products, we expect this to support earnings growth, with CNP forecast to register a 19% CAGR over FY25-FY27F.

Exhibit 19: ECOSYS owns four proprietary abatement product families (1/2)

Source: Company

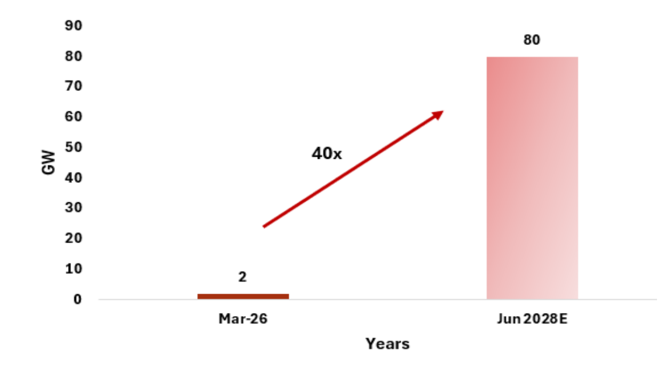
Exhibit 20: ECOSYS owns four proprietary abatement product families (2/2)

Source: Company

3. India solar buildout opens a new abatement growth engine

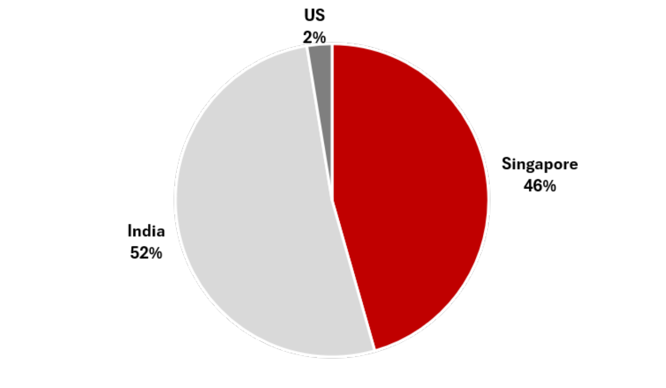
India's rapid buildout of domestic solar manufacturing provides ECOSYS with a sizeable new market for its proprietary abatement systems. India has already become one of the Group's key markets, contributing **30% of 3MFY26 revenue**, largely driven by abatement system sales. The Group has secured **a high-single-digit number of new abatement customers in India**, establishing an early foothold as the country targets at least 80GW of domestic ingot and wafer capacity by Jun 2028, from c.2GW currently. The expansion is supported by India's localisation push to develop its upstream solar manufacturing supply chain, which should drive new production lines and demand for abatement equipment. For illustration, every **1GW of new manufacturing capacity requires c.20-30 abatement units**. Importantly, demand is largely compliance-driven, as hazardous gases and particulates generated during production need to be treated to meet permitted emission standards. Solar manufacturing also generates heavier powder loads, requiring additional filtration systems and accessories, which increases equipment content per system and supports higher ASPs and margins. We expect India solar to be a key driver of ECOSYS' abatement growth through FY27F-FY28F.

Exhibit 21: India's Ingot and Wafer Manufacturing Capacity Set to Expand Significantly



Source: MNRE

Exhibit 22: Breakdown of Overseas Revenue, 3MFY26



Source: Company

4. Semiconductor abatement adds a new earnings leg from FY28F

Semiconductor abatement provides ECOSYS with another growth opportunity beyond its current solar-driven expansion. The Group is developing a new proprietary abatement system for major semiconductor customers, designed to treat hazardous process gases generated during semiconductor manufacturing. Unlike its existing base systems, the new product requires higher technical specifications and is expected to command an **ASP of c.1.5x**, providing higher revenue content per unit. The product is currently undergoing R&D and customer qualification, which remains the key milestone before commercial orders can begin. The opportunity could be sizeable as semiconductor fabs require multiple abatement systems across different process tools and production lines. With commercialisation only expected from FY28F onwards, we have yet to factor any meaningful contribution into our earnings forecasts. Successful qualification and customer adoption could therefore provide an **additional earnings growth leg beyond FY27F.**

5. IPO proceeds to fund the next growth cycle

ECOSYS is expected to raise RM39m from its IPO, of which RM17m (43%) will be allocated to expand its abatement segment through the purchase of key components and modules for abatement systems. The proceeds are expected to be utilized within 36 months from listing and will support the Group in fulfilling higher order volumes, particularly for its solar-related abatement systems. Separately, RM5m (13%) will be used within 36 months to enhance its operational capabilities through the purchase of machinery and expansion of its team, including equipment for its fabrication, welding and testing activities. Another RM2m (4%) will be deployed within 24 months to expand its geographical coverage in India, including the establishment of a dedicated sales and service centre to support its operations and customers in the country.

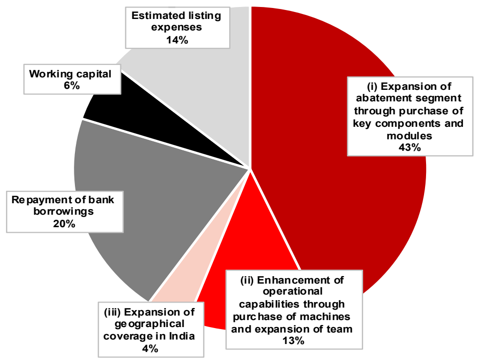
Meanwhile, RM8m (20%) of the proceeds will be used to repay bank borrowings within 12 months, while RM2m (6%) has been allocated for working capital requirements over the same period. The remaining RM6m (14%) will be used to defray estimated listing expenses. In total, RM24m, or 60% of the IPO proceeds, will be channelled towards the abatement expansion, operational capability enhancement and India expansion, which should support ECOSYS's planned business expansion across its solar and semiconductor end-markets.

Exhibit 23: Utilisation of the IPO Proceeds

Exhibit 24: Utilisation of the IPO Proceeds in Chart

Purposes	RM m	%	Estimated timeframe for completion
Business expansion and CAPEX			
(i) Expansion of abatement segment through purchase of key components and modules	17.0	43.2	Within 36 months
(ii) Enhancement of operational capabilities through purchase of machines and expansion of team	4.9	12.6	Within 36 months
(iii) Expansion of geographical coverage in India	1.5	3.9	Within 24 months
Repayment of bank borrowings	8.0	20.3	Within 12 months
Working capital	2.4	6	Within 12 months
Estimated listing expenses	5.5	14	Within 1 month
Total	**39.3**	**100**	

Source: Company



Source: Company

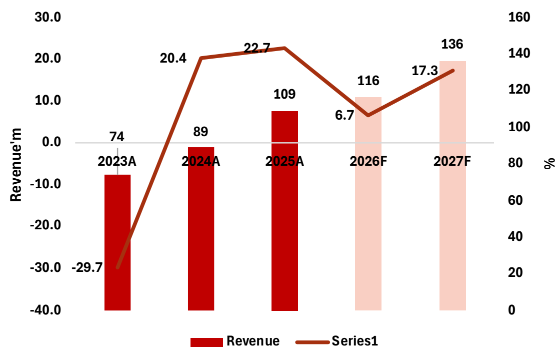
Financial review. ECOSYS' adjusted PAT declined from RM13m in FY22 to RM5m in FY23, mainly due to lower UHP orders as key customers had made bulk purchases in FY22 amid supply-chain disruptions. Earnings subsequently recovered to RM8m in FY24 and RM11m in FY25, supported by the recovery in UHP orders and stronger abatement contribution. Abatement revenue nearly doubled YoY to RM46m in FY25, lifting its contribution to 42% of Group revenue from 31% in FY24, mainly driven by higher abatement system deliveries to customers in India. PAT margin remained stable YoY at 10% in FY25, before easing slightly to 9.9% in 3MFY26.

Financial forecast. Moving forward, we project FY26F and FY27F core earnings of RM13m and RM17m, respectively, representing 13% and 35% YoY growth. We forecast abatement revenue to grow at a 15% CAGR over FY25-FY27F, making this segment the key growth driver, supported by higher solar system deliveries in India and increasing modules and components sales as the installed base expands. Meanwhile, UHP revenue is forecast to grow at a 10% CAGR, supported by the semiconductor upcycle and higher demand from semiconductor equipment customers.

We expect margins to improve gradually, mainly driven by a favourable product mix as higher-margin solar abatement systems contribute a larger share of revenue. Solar applications require additional filtration systems and accessories due to heavier powder loads, increasing equipment content per system and supporting higher ASPs and margins. Higher UHP volumes should also improve operating leverage as the additional cleanroom capacity comes onstream and utilization ramps up.

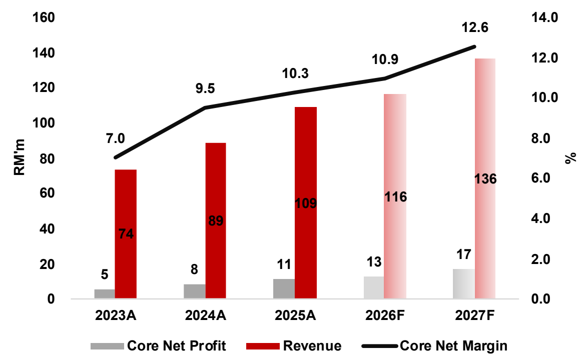
Dividend policy. ECOSYS does not have a formal dividend policy. The Group declared dividends of RM4m and RM9m in FY22 and FY23, respectively, but did not declare any dividends in FY24, FY25 and 3MFY26. Moving forward, we expect the Group to retain most of its earnings to support its business expansion and working capital requirements.

Exhibit 25: Revenue and Growth



Source: Company, Kenanga Research

Exhibit 26: Revenue, Core Net Profit and Margin



Source: Company, Kenanga Research

VALUATION

100% upside to our call. Our fair value for ECOSYS is **RM0.54**, based on a blended FY27F PER derived from our target PER of **20x for the UHP segment and 16x for the abatement segment**. We believe the **20x PER for UHP is justified**, given ECOSYS' exposure to a leading global front-end semiconductor equipment manufacturer and its established position within the customer's supply chain. This remains at a discount to comparable semiconductor equipment peers, which trade at an average **2-year forward PER of c.24x** (see Exhibit 27), reflecting ECOSYS' smaller scale and customer concentration.

For the **abatement segment, we apply a 16x PER**, broadly in line with QES (Not Rated), which also has exposure to gas abatement systems for semiconductor manufacturing and trades at a **forward PER of c.16x**. Notably, QES primarily distributes third-party systems, while ECOSYS **develops and manufactures its own abatement systems in-house using proprietary**

technology and IP. Even so, we assign ECOSYS a similar multiple to QES to be conservative given its smaller scale and relatively early stage of expansion. Overall, our valuation implies a fair value of **RM0.54** and **c.100% upside** from the IPO price of RM0.27.

Exhibit 27: Comparison of Local Peers in the UHP and Abatement Sectors

Company	Country	FYE	Market Cap (RM m)	Revenue (RM m)	Net Margin (%)	1-yr Average Fwd PER (x)	2-yr Average Fwd PER (x)
UHP							
AMBEST	Malaysia	Jun	714	53	12	44	19
UWC	Malaysia	Jul	7,420	386	11	79	42
CPETECH	Malaysia	Jun	873	117	16	30	23
WENTEL	Malaysia	Dec	299	143	16	14	10
ECOSYS	Malaysia	Dec	154	109	10	12	9
Peer Average						42	24
Abatement							
QES	Malaysia	Dec	579	267	6	20	16
ECOSYS	Malaysia	Dec	154	109	10	12	9
Peer Average						*20*	16

Source: Bloomberg, Kenanga Research

KEY RISKS

(i) **Customer concentration risk.** ECOSYS is dependent on Customer A and Customer B, which collectively accounted for 54% of 3MFY26 revenue. Sales to both customers are based on purchase orders without long-term agreements. Any reduction in orders from either customer could materially affect the Group's earnings.

(ii) **Foreign exchange risk.** ECOSYS has significant foreign currency exposure, with 99% of 3MFY26 revenue and 97% of purchases denominated in foreign currencies. The Group does not use financial instruments to hedge its FX exposure, leaving earnings exposed to currency fluctuations.

(iii) **Semiconductor industry cyclicality.** ECOSYS' UHP business is exposed to the cyclical semiconductor industry. A slowdown in semiconductor equipment spending or lower fab utilisation could reduce customer orders and affect UHP revenue. This was seen in FY23, when UHP revenue declined 36% following lower orders from key customers.

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	74	89	109	116	136
EBIT	14	11	14	19	25
PBT	6	9	13	17	23
Taxation	(1)	(0)	(1)	(4)	(5)
Net Profit	5	8	11	13	17
Core Net Profit	**5**	**8**	**11**	**13**	**17**

Balance Sheet

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	5	17	18	20	21
Intangibles	1	0	0	0	0
Other FA	2	8	7	8	7
Contract assets	27	42	38	44	51
Receivables	19	27	27	27	32
Other CA	0	0	0	0	0
Cash	11	9	8	58	66
Total Assets	**65**	**103**	**99**	**157**	**177**
Payables	17	35	20	26	30
ST Borrowings	4	7	8	12	13
Other ST Liabilities	3	3	3	3	3
LT Borrowings	4	11	11	11	11
Other LT Liabilities	0	0	0	0	0
Net Assets	**38**	**47**	**57**	**105**	**120**
Share Capital	2	2	2	2	2
Retained Earnings	36	45	55	103	119
Other Reserves	0	0	0	0	0
Non-controlling Interest	0	0	0	0	0
Total Equity	**38**	**47**	**57**	**105**	**120**

Cashflow Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	4	2	7	15	24
Investing CF	6	(15)	(8)	(5)	(5)
Financing CF	(9)	11	1	39	39

Financial Data & Ratios

FY Dec	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	-29.7	20.4	22.7	6.7	17.3
Operating Profit	-37.6	-22.3	26.6	35.8	30.9
PBT	-58.7	59.4	39.2	28.0	34.8
Net Profit	-58.8	62.3	33.0	13.4	34.8
Core Net Profit	-58.8	62.3	33.0	13.4	34.8
Profitability (%)					
Operating Margin	19.1	12.4	12.7	16.2	18.1
PBT Margin	8.0	10.6	12.0	14.4	16.5
Core Net Margin	7.0	9.5	10.3	10.9	12.6
Effective Tax Rate	11.9	3.6	6.7	24.0	24.0
ROA	8.0	8.2	11.3	8.1	9.7
ROE	13.8	18.0	19.8	12.1	14.2
DuPont Analysis					
Net Margin (%)	7.0	9.5	10.3	10.9	12.6
Assets Turnover (x)	1.1	0.9	1.1	0.7	0.8
Leverage Factor (x)	1.73	2.20	1.75	1.50	1.47
ROE (%)	13.8	18.0	19.8	12.1	14.2
Leverage					
Debt/Asset (x)	0.1	0.2	0.2	0.1	0.1
Debt/Equity (x)	0.2	0.4	0.3	0.2	0.2
Net (Cash)/Debt	-3	9	11	-35	-42
Net Debt/Equity(x)	-0.09	0.19	0.19	-0.34	-0.35
Valuations					
Core EPS (sen)	0.9	1.5	2.0	2.2	3.0
DPS (sen)	0.0	0.0	0.0	0.0	0.0
BVPS (RM)	0.1	0.1	0.1	0.2	0.2
Core PER (x)	29.8	18.3	13.8	12.2	9.0
PBV (x)	4.1	3.3	2.7	1.5	1.3
Net Div. Yield (%)	0.0	0.0	0.0	0.0	0.0

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
TECHNOLOGY																	
AMBEST GROUP BHD	OP	1.36	1.80	32.4%	693.6	Y	06/2027	3.0	6.9	151.6%	128.0%	45.0	19.8	9.3	22.1%	0.0	0.0%
D&O GREEN TECHNOLOGIES BHD	MP	0.560	0.440	-21.4%	694.1	Y	12/2026	(1.7)	2.0	- 287.6%	51.9%	N.A.	28.1	1.3	-22.7%	1.0	1.8%
FRONTKEN BHD	OP	4.96	5.72	15.3%	8,992.2	Y	12/2026	12.3	15.2	27.3%	22.9%	40.2	32.7	7.0	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.55	2.77	8.6%	9,835.6	Y	06/2027	8.1	8.7	61.3%	8.2%	31.6	29.2	3.5	11.0%	7.3	2.9%
KELINGTON GROUP BHD	OP	8.72	10.10	15.8%	7,677.0	Y	12/2026	21.7	27.3	30.6%	26.0%	40.2	31.9	9.8	27.8%	15.0	1.7%
LGMS BHD	OP	0.500	0.600	20.0%	228.0	Y	12/2026	2.2	3.0	-2.0%	38.0%	22.8	16.5	1.8	8.0%	2.0	4.0%
MALAYSIAN PACIFIC INDUSTRIES	MP	42.20	43.70	3.6%	8,414.6	Y	06/2027	134.1	149.1	41.9%	11.2%	31.5	28.3	3.5	11.6%	40.0	0.9%
NATIONGATE HOLDINGS BHD	OP	1.80	2.14	18.9%	4,073.4	Y	12/2026	1.8	10.3	-58.0%	462.4%	98.1	17.4	4.0	4.1%	2.0	1.1%
OPPSTAR BHD	UP	0.705	0.750	6.4%	456.1	Y	03/2027	2.1	2.3	-14.9%	8.8%	33.0	30.3	3.4	10.8%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.69	1.51	-10.7%	649.0	Y	12/2026	5.9	8.4	0.4%	42.3%	28.6	20.1	1.0	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.360	0.270	-25.0%	541.5	Y	03/2027	2.5	3.5	-19.4%	42.0%	14.6	10.3	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.93	3.64	24.2%	5,262.4	Y	03/2027	3.6	4.6	34.8%	25.4%	80.5	64.2	9.8	18.4%	70.0	23.9%
UNISEM (M) BHD	UP	4.49	3.81	-15.1%	7,699.1	Y	12/2026	5.6	11.7	44.4%	107.5%	79.8	38.4	3.3	3.5%	0.0	0.0%
UWC BHD	OP	6.76	7.00	3.6%	7,461.8	Y	07/2026	8.6	15.9	132.3%	86.3%	79.0	42.4	13.0	18.0%	0.0	0.0%
PENTAMASTER CORP BHD	MP	5.20	5.60	7.7%	3,698.8	Y	12/2026	11.9	15.7	36.8%	31.6%	43.6	33.1	4.3	10.3%	2.0	0.4%
INFOMINA BHD	OP	1.71	1.90	11.1%	1,022.4	Y	05/2027	7.6	8.5	30.2%	11.6%	22.5	20.2	5.3	25.8%	3.0	1.8%
SECTOR AGGREGATE					**66,706.1**					**31.2%**	**45.1%**	**45.6**	**31.5**	**4.8**	**10.1%**		**2.6%**

Source: Kenanga Research

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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