

Technology

Key Takeaways from Our Recent Tech Visits

NEUTRAL



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Over the past few weeks, we had been on the ground in Penang and Johor, meeting with listed and non-listed companies spanning equipment, precision engineering and machining houses. In this report, we highlight the key trends emerging from these conversations, including an increasingly tight capacity, accelerating expansion, broadening demand across the supply chain and a growing pipeline of new programmes heading into FY27. Importantly, the message across our meetings was broadly consistent: **2027 is shaping up to be a stronger year than 2026**, as new capacity comes online and customer programmes move into volume production. On the bottom line, what we have heard on the ground points to an upcycle that is gaining both momentum and breadth, with execution and the ability to bring new capacity online increasingly becoming the key differentiators from here.

Exhibit 1: What Management Meetings Are Telling Us?



Source: Kenanga Research

- 1) Management confidence in the upcycle is running high.** From our meetings over the past month, we noticed a clear change in how companies talk about demand. The discussion has moved beyond whether orders will improve to how quickly they can add capacity and deliver what customers are asking for. Encouragingly, the companies we met are collectively expecting orderbooks to grow by 20–40% QoQ, reflecting continued strength in forward demand visibility. This was particularly apparent among equipment and component suppliers, where several customers appeared to be ramping at the same time. One non-listed vision inspection equipment company told us that this is the strongest upcycle they have seen, and that missing the opportunity now could mean losing a business that may not return. ViTrox shared a similar view, describing the cycle as unprecedented in its management’s experience. It also said deliveries could have been considerably higher without material and supply-chain bottlenecks. We heard the same urgency at CPETECH: orders have flooded in over the past three to six months, leaving its capacity fully taken up. While these comments do not tell us exactly how much earnings will grow, the consistency across meetings gives us greater confidence that demand is running strong, and ahead of current supply.
- 2) Demand is broadening across multiple parts of the supply chain.** One of the key observations from our meetings is that the improvement in demand does not appear concentrated in a single product or customer. Instead, we are seeing stronger activity across semiconductor equipment, inspection, storage and data-centre infrastructure, suggesting that the upcycle is gradually filtering through a wider part of the supply chain. This was echoed across our company meetings: CPETECH and AMBEST are seeing stronger requirements for precision components used in front-end semiconductor equipment, while ViTrox is benefiting from demand for inspection systems. Meanwhile,

JCY has also been securing new customers, as management had earlier indicated, and is seeing new programmes across storage, data-centre cooling and wafer fabrication equipment components. The breadth is encouraging, particularly as these involve different products, customers and ramp schedules, pointing to a broader equipment and infrastructure upcycle rather than strength being driven by a handful of programmes.

- 3) **Available capacity is limiting how much demand companies can fulfil...**From our meetings, we get the sense that demand is coming in faster than some companies can respond, rendering readily available and qualified capacity increasingly valuable. Suppliers have turned to outsourcing to ease some of these constraints, but the strength in demand has now filtered down the supply chain to a point where even subcontractors are seeing capacity tighten. CPETECH is one example, with stronger order intake over the past 3-6 months tightening available capacity, while the pace of further expansion remains dependent on the availability of new equipment. In our view, the near-term constraint for parts of the supply chain is increasingly dependent on how much companies can produce rather than how much customers are willing to order, putting a premium on suppliers with capacity that has already been installed, qualified and ready to ship. A key risk, however, is the longer lead time for new equipment, which could slow capacity expansion and constrain suppliers' ability to capture the full extent of the demand upside.
- 4) **...prompting a wave of capacity expansion.** Capacity expansion is accelerating as companies position to capture the upcycle. With existing capacity tightening, the natural response has been to expand. Importantly, what we have observed is that much of this investment appears to be backed by visible customer demand rather than companies simply building ahead in anticipation of a recovery. AMBEST, for instance, is adding equipment ahead of a stronger ramp next year, supported by customer forecasts and commitments. We observed the same trend among all four non-listed companies we visited, each expanding capacity in response to existing demand. This gives us greater confidence that the current investment cycle is demand-led. Customers also appear eager to absorb the additional capacity, with some pushing suppliers to commission new equipment within a month of delivery. The bigger challenge, however, is getting the equipment in the first place, with lead times stretching 6-12 months. This could constrain how quickly suppliers respond to the current surge in demand, although once the equipment arrives, the short commissioning timeline suggests incremental capacity could translate into revenue relatively quickly.
- 5) **The next leg of growth is increasingly about execution, with CY27 shaping up as a key ramp year.** While current order momentum is strong, a meaningful portion of the opportunities we gleaned has yet to fully translate into revenue. Across our meetings, companies are adding machines, qualifying new capacity and working through new product introductions and customer programmes, many of which are expected to contribute more meaningfully from FY27 onwards. Encouragingly, several management teams believe mid- to high-double-digit growth could be achievable next year, supported by stronger order visibility, new programme ramps and additional capacity coming online. This suggests there is still another leg of growth beyond what is being delivered today. However, as demand visibility improves, the focus increasingly shifts towards execution — particularly how quickly new equipment can be installed and qualified, how smoothly new programmes move into volume production, and how rapidly utilization can ramp. In our view, these execution milestones will ultimately determine how much of the current opportunity converts into earnings in CY27.

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 12 Jun (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliance	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.
AMBEST GROUP BHD	OP	1.37	1.80	31.4%	698.7	Y	06/2027	3.0	6.9	151.6%	128.0%	45.4	19.9	9.3	22.1%	0.0	0.0%
D&O GREEN TECHNOLOGIES BHD	MP	0.530	0.440	-17.0%	656.9	Y	12/2026	(1.7)	2.0	-287.6%	51.9%	N.A.	26.6	1.2	-22.7%	1.0	1.9%
FRONTKEN BHD	OP	5.00	5.72	14.4%	9,064.7	Y	12/2026	12.3	15.2	27.3%	22.9%	40.6	33.0	7.1	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.51	2.77	10.4%	9,701.8	Y	06/2027	8.1	8.7	61.3%	8.2%	31.1	28.7	3.4	11.0%	7.3	2.9%
KELINGTON GROUP BHD	OP	8.57	10.10	17.9%	7,545.0	Y	12/2026	21.7	27.3	30.6%	26.0%	39.5	31.4	9.7	27.8%	15.0	1.8%
LGMS BHD	OP	0.505	0.600	18.8%	230.3	Y	12/2026	2.2	3.0	-2.0%	38.0%	23.0	16.7	1.8	8.0%	2.0	4.0%
MALAYSIAN PACIFIC INDUSTRIES	MP	41.12	43.70	6.3%	8,199.2	Y	06/2027	134.1	149.1	41.9%	11.2%	30.7	27.6	3.4	11.6%	40.0	1.0%
NATIONGATE HOLDINGS BHD	OP	1.77	2.14	20.9%	3,983.7	Y	12/2026	1.8	10.3	-58.0%	462.4%	96.4	17.1	4.0	4.1%	2.0	1.1%
OPPSTAR BHD	UP	0.665	0.750	12.8%	430.2	Y	03/2027	2.1	2.3	-14.9%	8.8%	31.1	28.6	3.2	10.8%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.64	1.51	-7.9%	629.8	Y	12/2026	5.9	8.4	0.4%	42.3%	27.7	19.5	1.0	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.360	0.270	-25.0%	540.1	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	2.89	3.64	26.0%	5,190.5	Y	03/2027	3.6	4.6	34.8%	25.4%	79.4	63.3	9.7	18.4%	70.0	24.2%
UNISEM (M) BHD	UP	4.20	3.81	-9.3%	7,201.8	Y	12/2026	5.6	11.7	44.4%	107.5%	74.6	36.0	3.1	3.5%	0.0	0.0%
UWC BHD	OP	7.10	7.83	10.3%	7,837.1	Y	07/2027	15.9	19.6	87.2%	22.8%	44.6	36.3	10.5	26.6%	0.0	0.0%
PENTAMASTER CORP BHD	MP	5.06	5.60	10.7%	3,599.3	Y	12/2026	11.9	15.7	36.8%	31.6%	42.4	32.3	4.2	10.3%	2.0	0.4%
INFOMINA BHD	OP	1.77	1.90	7.3%	1,058.3	Y	05/2027	7.6	8.5	30.2%	11.6%	23.3	20.9	5.5	25.8%	3.0	1.7%
SECTOR AGGREGATE					65,868.9					32.2%	40.0%	42.7	30.5	4.5	10.7%		2.6%

Source: Kenanga Research

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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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