

Valuation uplift as AI tailwinds persists and new customer traction builds

Investment Overview

Retains technological superiority in system level test. AEM is a pioneer in providing SLT solutions and is currently around one generation ahead of its competitors. Given its technological superiority, we believe AEM is well positioned to ride on the growing SLT market that has benefitted from increased complexity of chips and increased test coverage requirements, alongside the need for advanced heterogeneous packaging.

New technology drives growth in test spend, leading to higher demand for AEM's offerings in the long term. McKinsey projects that the semiconductor industry will become a trillion-dollar industry by 2030. Industry megatrends such as artificial intelligence (AI), 5G, and Internet of Things (IoT) will pave the way for growth in test spend, owing to higher test volumes and test times. Longer test times would also require more of AEM's consumables due to wear and tear.

At the cusp of a multi-year rollout for new customers, with AI fabless customer contributions to more than double in FY26. In the past few years, AEM announced several customer wins. New customer traction continues to gain steam with revenue from the AI fabless customer to grow significantly in FY26 while orders from the evaluation final test handler for the memory customer is also on track with initial revenues expected in late FY26, ahead of a production ramp in FY27. We believe that AEM is near an inflection point and foresee its customer diversification strategy yielding more significant returns in the years ahead.

Maintain BUY with higher TP SGD4.60 (vs SGD3.30 previously). Our target price is pegged to 32x FY27 earnings (vs previous peg of 30x FY26 earnings) to better reflect a more representative earnings base as customer diversification progresses. We keep our earnings forecasts unchanged while adopting a higher valuation multiple to better capture improving visibility, the potential for more material hyperscaler contributions, and AI tailwinds. Our target multiple remains at a slight discount to global peers, with AEM's stronger growth profile balanced against its smaller market capitalisation and residual legal overhang.

Risks

Key Risks: Prolonged slowdown in the macroeconomy, slower than expected growth from new customers

Forecasts and Valuation

FY Dec (SGDmn)	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Revenue	481.3	380.4	399.3	491.9	554.4
EBITDA	65.5	42.1	46.6	69.7	84.6
Pre-tax Profit	7.59	14.1	21.3	42.7	56.4
Net Profit	(1.16)	11.6	17.1	34.1	45.1
Net Pft (Pre Ex.)	25.5	11.6	17.1	34.1	45.1
Net Pft Gth (Pre-ex) (%)	(42.3)	99.4	59.0	144.0	32.2
EPS (S cts)	(0.37)	3.71	5.46	10.9	14.4
EPS Pre Ex. (S cts)	8.21	3.71	5.46	10.9	14.4
EPS Gth Pre Ex (%)	nm	nm	nm	nm	32.2
Diluted EPS (S cts)	(0.37)	3.71	5.46	10.9	14.4
Net DPS (S cts)	0.00	0.00	1.30	1.63	2.16
BV Per Share (S cts)	150.3	155.2	157.0	166.3	178.5
PE (x)	nm	54.7	37.1	18.7	14.1
PE Pre Ex. (x)	24.7	54.7	37.1	18.7	14.1
P/Cash Flow (x)	42.3	nm	5.1	7.0	16.7
EV/EBITDA (x)	10.1	16.4	12.4	7.1	5.5
Dividend Yield (%)	nm	nm	0.6	0.8	1.1
P/Book Value (x)	1.4	1.3	1.3	1.2	1.1
Net Debt/Equity (x)	0.1	0.1	cash	cash	cash
ROAE (%)	(0.2)	2.4	3.5	6.7	8.3

Source: DBS

BUY

Last Traded Price: SGD3.78

Price Target 12-mth: SGD4.60

Analyst

Amanda Tan | amandatankh@dbs.com

What's New

- AI and new customer tailwinds intact, with further upside contingent on execution of hyperscaler opportunities
- We see AEM's risk-reward as skewed to the upside, supported by strong growth, improving diversification, and favourable sector tailwinds which warrants a higher multiple
- AEM trades at 26x FY27F earnings, below global peers at c.34x, and remains undemanding on a PEG basis (c.0.4x, based on FY25-27 earnings CAGR of 62%)
- Maintain BUY with higher TP SGD4.60 (vs SGD3.30 previously)

Key Financial Data (FY Dec)

Bloomberg Ticker	AEM SP
Sector	Semiconductors & Semiconductor Equipment
Market Cap (USDbn)	0.4
3m Avg. Daily Val (USDmn)	10.7
Major Shareholders	(%)
Venezio Investments	12.4
Free Float (%)	87.6

Closing Price as of 19/03/2026

Source: Twelve Data, DBS, Visible Alpha

AEM Holdings Ltd Share Price



Source: Twelve Data

What's New

19 Mar 2026

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Rally has more legs to run even after the strong run up. AEM's share price has continued to rise, up c.117% YTD, supported by constructive guidance, an improving outlook driven by strong new customer traction and robust demand from its key long-standing customer, as well as a slew of broker upgrades. The stock has now exceeded both our and consensus target price. Despite the strong share price performance, we believe the investment case remains intact. The rally has been underpinned by improving fundamentals, including strong new customer traction and sustained demand from its key customer, with earnings still on an upward trajectory as customer diversification progresses. In addition, potential material hyperscaler contributions represent a further upside driver that is not yet reflected in our earnings forecasts. Separately, AEM has received the [Intel Epic Supplier award](#) (41 suppliers selected out of thousands of companies) with management looking forward to expand "partnership with Intel and IFS", which we view as another potential catalyst for AEM if IFS gains traction.

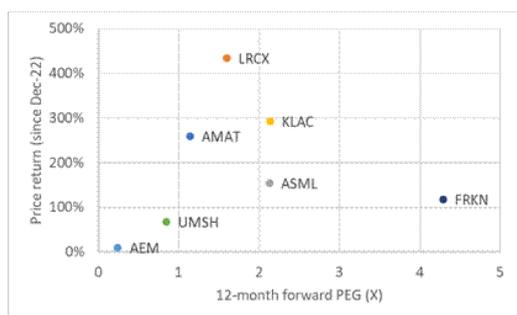
AI and new customer tailwinds remain supportive, despite ongoing market volatility. Growth continues to be underpinned by increasing contributions from new AI fabless and memory customers. We believe part of the recent multiple expansion reflects expectations around hyperscalers as a new growth catalyst. Following our meeting with AEM's management ([Key takeaways](#)), we note that the current test approaches at hyperscalers often replicate lab-style tools in production, which can be inefficient and difficult to scale, positioning AEM's high-parallel test equipment favourably. Despite ongoing market volatility, Singapore tech stocks have also continue to perform strongly in 2026, supported by resilient FY25 results and sustained global AI demand. With the semiconductor and AI upcycle still gaining traction, and valuations remaining at a discount to US peers, we believe the sector's outperformance has further room to run, supported by domestic EQDP deployment tailwinds. Barring a significant deterioration in macro conditions, we believe the risk-reward for AEM remains skewed to the upside, underpinned by its strong growth profile, improving customer diversification and favourable sector tailwinds. Accordingly, we keep our earnings forecasts unchanged while adopting a higher valuation multiple to better capture improving visibility, AI tailwinds, and the potential for more material hyperscaler contributions. We also roll forward our valuation to 32x FY27F earnings (vs 30x FY26F earnings) to better reflect a more representative earnings base as customer diversification progresses. Our target multiple remains at a slight discount to global peers, with AEM's stronger growth profile balanced against its smaller market capitalisation and residual legal overhang. Maintain BUY with higher TP SGD4.60 (vs SGD3.30 previously).

Valuation of global test peers

Company Name	Ticker	FY End	CY-2025	CY-2026	CY-2027	CY-2028
Advantest Corporation	6857_JP	Mar	49.2	41.5	31.9	31.6
TERADYNE, INC	TER	Dec	48.9	47.9	36.2	28.9
Chroma Ate Inc.	2360_TW	Dec	28.2	45.6	35.3	30.3
Average			42.1	45.0	34.4	30.3

Source: Visible Alpha, DBS

AEM trades at undemanding valuations vs global semiconductor peers on a 12-month forward PEG



Source: Capital IQ, Visible Alpha, DBS

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Principal Share Price Drivers

Semiconductor Chip Test Times

New technology and smaller nodes to drive a structural increase in test times.

The main driver behind AEM's growth is the **total test time and test complexity required by Intel to produce its semiconductor chips**.

Longer test times would require more of AEM's equipment as well as the more frequent replacement of its components due to wear and tear. Intel's test time is primarily driven by:

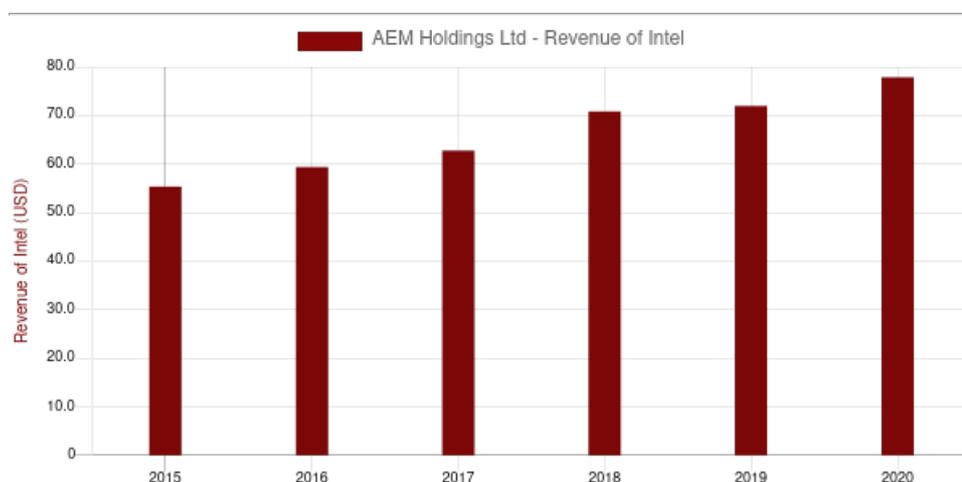
1. Complexity of its semiconductor chips
2. Volume of semiconductor chips produced

The increasing complexity of its chips also pushes Intel to use AEM's test handlers. Complexed chips used in mission-critical applications (such as 5G, EV, and AI) require system-level tests which AEM's test handlers are able to support. AEM has been working closely with Intel to develop the High-Density Modular Test ("HDMT") which allows for system-level tests. System-level tests are [required](#) to ensure compatibility and interconnection between components in mission-critical applications such as 5G, EV, and AI.

Intel's chip transition. Intel's transition to more advanced chips (chips with smaller nodes), drives its total test time, which in turn drives AEM's revenue as more test handlers will be required to cater to the longer test times. As such, Intel's chip transitions in the past have resulted in higher revenues for AEM.

Intel is currently mass producing 7nm chips and is ready to start manufacturing 4nm chips. Moving forward, we expect this transition to drive test times and benefit AEM through increased orders in the longer term.

AEM Holdings Ltd - Revenue of Intel



New customer momentum

New customers are expected to be the key driver of earnings

Company profile

AEM is a solutions provider for the back-end testing of the semiconductor manufacturing process. The company's key customer develops its own testers and AEM works with this customer by providing customised test handlers for burn-in tests, functional tests, and system-level tests.

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Income Statement (SGD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Revenue	481.3	380.4	399.3	491.9	554.4
Cost of Goods Sold	(352.0)	(282.8)	(296.8)	(360.3)	(401.9)
Gross Profit	129.3	97.6	102.5	131.6	152.5
Other Opng (Exp)/Inc	(88.8)	(79.6)	(80.5)	(89.2)	(96.8)
Operating Profit	40.5	18.0	22.0	42.4	55.7
Other Non Opng (Exp)/Inc	0.00	0.00	0.00	0.00	0.00
Associates & JV Inc	(0.64)	(0.33)	0.00	0.00	0.00
Net Interest (Exp)/Inc	(5.53)	(3.58)	(0.67)	0.32	0.73
Exceptional Gain/(Loss)	(26.7)	0.00	0.00	0.00	0.00
Pre-tax Profit	7.59	14.1	21.3	42.7	56.4
Tax	(8.75)	(2.46)	(4.18)	(8.54)	(11.3)
Minority Interest	0.00	0.00	0.00	0.00	0.00
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Net Profit	(1.16)	11.6	17.1	34.1	45.1
Net Profit before Except.	25.5	11.6	17.1	34.1	45.1
EBITDA	65.5	42.1	46.6	69.7	84.6
Revenue Gth (%)	45.8	84.6	93.1	135.3	12.7
EBITDA Gth (%)	(6.6)	64.2	48.5	313.5	21.4
Opg Profit Gth (%)	(29.3)	20.7	51.6	151.2	31.4
Net Profit Gth (Pre-ex) (%)	(42.3)	99.4	59.0	144.0	32.2
Net Prop Inc Margins (%)	26.9	25.7	25.7	26.8	27.5
Opg Profit Margin (%)	8.4	4.7	5.5	8.6	10.0
Net Profit Margin (%)	(0.2)	3.1	4.3	6.9	8.1
ROAE (%)	(0.2)	2.4	3.5	6.7	8.3
ROA (%)	(0.2)	1.7	2.6	5.4	6.7
ROCE (%)	3.2	1.3	2.9	6.3	7.9
Div Payout Ratio (%)	nm	0.00	23.8	15.0	15.0
Net Interest Cover (x)	7.3	5.0	32.9	nm	nm

Source: DBS

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Balance Sheet (SGD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Net Fixed Assets	40.3	35.8	36.6	31.5	25.3
Invts in Associates & JVs	8.82	0.00	0.00	0.00	0.00
Other LT Assets	167.6	153.4	159.5	155.3	150.5
Cash & ST Invts	101.8	43.8	77.3	163.3	194.7
Inventory	328.6	296.8	227.0	172.8	192.7
Debtors	60.1	142.7	120.3	128.0	136.7
Other Current Assets	1.58	0.78	0.86	0.86	0.86
Total Assets	708.9	673.2	621.6	651.7	700.8
ST Debt	83.9	78.5	6.81	6.81	6.81
Creditor	74.8	53.7	69.1	69.1	77.1
Other Current Liab	18.8	16.2	21.1	22.2	25.0
LT Debt	42.5	15.9	6.81	6.81	6.81
Other LT Liabilities	14.5	16.6	18.4	18.4	18.4
Shareholder's Equity	467.5	485.7	492.8	521.8	560.1
Minority Interests	6.93	6.62	6.56	6.56	6.56
Total Cap. & Liab.	708.9	673.2	621.6	651.7	700.8
Non-Cash Wkg. Capital	296.7	370.3	257.9	210.3	228.2
Net Cash/(Debt)	(24.5)	(50.6)	63.7	149.6	181.1
Debtors Turn (avg days)	58.0	97.3	120.2	92.1	87.1
Creditors Turn (avg days)	108.4	90.8	82.4	75.8	71.5
Inventory Turn (avg days)	389.5	441.8	351.1	219.1	178.8
Asset Turnover (x)	0.6	0.6	0.6	0.8	0.8
Current Ratio (x)	2.8	3.3	4.4	4.7	4.8
Quick Ratio (x)	0.9	1.3	2.0	3.0	3.0
Net Debt/Equity (x)	0.1	0.1	cash	cash	cash
Capex to Debt (%)	20.5	23.7	62.7	132.1	132.1

Source: DBS

Cash Flow Statement (SGD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Pre-Tax Profit	7.59	14.1	21.3	42.7	56.4
Dep. & Amort.	25.7	24.5	24.6	27.4	29.0
Tax Paid	(28.9)	(2.08)	(1.84)	(7.45)	(8.54)
Assoc. & JV Inc/(loss)	0.64	0.33	0.00	0.00	0.00
Chg in Wkg.Cap.	31.9	(73.6)	111.3	46.5	(20.6)
Other Operating CF	3.85	19.3	(21.8)	0.00	0.00
Net Operating CF	40.8	(17.5)	133.6	109.1	56.2
Capital Exp.(net)	(25.9)	(22.3)	(8.54)	(18.0)	(18.0)
Other Invts.(net)	0.00	0.00	0.00	0.00	0.00
Invts in Assoc. & JV	5.12	6.63	0.00	0.00	0.00
Div from Assoc & JV	0.00	0.00	0.00	0.00	0.00
Other Investing CF	0.55	6.91	(13.0)	0.00	0.00
Net Investing CF	(20.2)	(8.79)	(21.5)	(18.0)	(18.0)
Div Paid	(11.1)	0.00	0.00	(5.12)	(6.77)
Chg in Gross Debt	(15.9)	(19.6)	(67.5)	0.00	0.00
Capital Issues	0.00	0.00	(1.95)	0.00	0.00
Other Financing CF	(20.4)	(12.2)	(10.3)	0.00	0.00
Net Financing CF	(46.5)	(31.8)	(78.6)	(5.12)	(6.77)
Currency Adjustments	0.91	0.01	1.18	0.00	0.00
Chg in Cash	(25.9)	(58.1)	33.6	85.9	31.4
Opg CFPS (S cts)	2.88	17.9	7.12	19.9	24.5
Free CFPS (S cts)	4.80	(12.7)	39.9	29.0	12.2

Source: DBS

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Target Price & Ratings History - AEM Holdings Ltd (AEM_SP_Equity)



#	Date of Report	Closing Price	12-m Target Price	Rating
1	02 Mar'25	1.33	1.69	BUY
2	14 May'25	1.21	1.50	BUY
3	24 Jul'25	1.70	2.10	BUY

Source: DBS

Analyst: Amanda Tan

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- BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)
- HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
- FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)
- SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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