AEM Holdings Ltd

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AEM: Key takeaways from KL NDR

We hosted a two-day non-deal roadshow in Kuala Lumpur with AEM's management (CFO and Chief of Staff), during which we met with 12 funds. Key takeaways are summarised below.

1) AEM's competitive edge vs peers / traditional ATE

What's New

- Leader in high-parallel, system-level testing for complex AI / high-power chips. AEM's platforms can test dozens of devices simultaneously, significantly improving throughput and lowering cost of test versus traditional single or dual site test solutions.
- Strong thermal management capability and parallelism is a key differentiator. Advanced thermal control enables yield recovery through the reliable testing of high-power chips that generate substantial heat (e.g AI accelerators, CPUs, memory). Older or conventional test systems often struggle with thermal stability, making AEM's capability a critical advantage as chip power density increases. High-parallel architecture and precision thermal control (e.g PiXL thermal management) also improve test accuracy and production yield. These performance benefits translate directly into cost savings for customers, supporting its premium positioning vs peers.
- Integrated, end-to-end testing solutions increase customer stickiness. AEM supports customers from early development through production, making its systems deeply embedded in manufacturing workflows and harder to replace once deployed.
- Aligned with rising chip complexity and AI-driven demand. Increasing power density and advanced packaging requirements are driving greater testing needs, positioning AEM's technology well for long-term industry trends.

2) Key margin improvement drivers

Favourable business and customer mix shift toward HPC/AI programmes. Increasing contribution from AI / HPC involve more complex, higher-value test solutions compared with legacy CPU testing. We believe that margins should increase y/y given a more favourable mix of higher margin test cell solutions revenue against the flattish contract manufacturing segment.

Operating leverage from higher utilisation and production scale-up. Improving utilisation and inventory replenishment, alongside stronger server and AI demand, support better fixed cost absorption as volumes ramp. In our view, AEM has the ability to respond quickly to high demand, evident in the prior ramp in FY22 given its guardrails on capacity management and agility to address additional demand through an eco-system of suppliers.

Rising test intensity and greater test content per device. Structural shift from final test to burn-in and system-level testing increases value-add per chip, while high-parallel testing improves throughput and enhances the value proposition.

Additional upside from memory and hyperscaler / OSAT expansion. Emerging opportunities in memory testing and broader hyperscaler and OSAT engagement provide incremental workload growth and support operational scale over time.

Analyst

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Key Financial Data (FY Dec)

Bloomberg Ticker	AEM SP
Sector	Semiconductors & Semiconductor Equipment
Share Price(SGD)	4.32
DBS Rating	BUY
12-mth Target Price (SGD)	4.60
Market Cap (USDbn)	0.4
3m Avg. Daily Val (USDmn)	14.7
Dividend yield (%)	0.3
Fwd. P/E (x)	36.8
P/Book (x)	2.8
ROE (%)	3.5

Closing Price as of 01/04/2026

Source: Twelve Data, DBS, Visible Alpha

AEM Holdings Ltd Share Price

Source: Twelve Data

3) Key growth areas

- AI / HPC testing remains the primary structural growth driver. AI and data centre processors require more extensive testing due to higher power consumption and performance requirements, supporting sustained demand for advanced test equipment.
- Expansion into the OSAT ecosystem broadens growth opportunities. Partnerships with OSAT players such as ASE allow AEM to serve a wider range of semiconductor companies without relying solely on direct relationships with chip designers.
- Memory testing represents a medium-term opportunity. AEM is gaining traction in DDR memory testing, with proof-of-concept work completed and production ramps expected as customer demand increases.
- Customer diversification improves long-term revenue stability. Increasing exposure to multiple customers and platforms reduces dependence on any single programme and supports more resilient growth.

4) Rationale and opportunities of the AEM – ASE partnership

- Expands access to OSAT capacity and hyperscaler ecosystem. Partnering with ASE allows AEM to tap into a large outsourced testing network serving multiple chipmakers and hyperscalers, significantly widening its addressable market beyond its direct customers.
- Addresses urgent AI testing capacity constraints. AEM's high-parallel systems enable testing of dozens of devices simultaneously, improving throughput and increasing productivity per square foot, a key constraint in high-density manufacturing hubs like Taiwan.
- Engagement begins early in the product lifecycle. Partnership enables AEM to participate during early validation and design stages, allowing it to understand upcoming product pipelines and secure equipment demand ahead of production ramps.
- Supports medium-term revenue visibility and operating leverage. OSAT customers typically scale capacity alongside customer ramps, which can drive repeat orders and higher utilisation for AEM's installed base. As volumes increase, fixed cost absorption improves, supporting margin expansion.
- Strategic win-win partnership. ASE approached AEM to deliver differentiated testing capabilities after limited progress with incumbents, reflecting strong demand for more efficient test solutions in AI-driven workloads.

5) Litigation update and implications

- Patent dispute announced in October 2025 is different in nature vs the earlier one in 2022/2023.
- Latest issue relates to wafer-level testing outside AEM's core focus. AEM primarily operates in packaged testing rather than wafer-level testing, limiting direct exposure to the disputed technology area.
- Financial impact expected to be limited. Legal and professional costs were incurred but are not expected to materially affect profitability or operational performance.
- Customer demand remains unaffected. Customers continue to prioritise product performance and testing capability, with no evidence of programme delays or order cancellations linked to the case.
- **Does not alter long-term competitive positioning.** Disputes are common in the tech space and usually does not affect competitive positioning.

Overall, with multiple tailwinds including constrained CPU-driven demand from its long-standing HPC customer, growing contributions from new customers, and the emerging ASE partnership catalyst, we see increasing confidence that AEM can meet or potentially exceed FY26 guidance, particularly as current guidance does not explicitly factor in contributions from the ASE–AEM partnership. Our assumptions imply a revenue mix shift towards new customers, with contributions of c.44% from new customers, 30% from CEI, and 26% from Intel in FY26, rising to 51%, 27%, and 22% respectively in FY27. In addition to a more favourable mix, this couldalso unlock operating leverage, providing further upside to our margin and earnings assumptions(8-13% below FY26/27 consensus estimates). We currently have a BUY call with TP SGD4.60.

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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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