

Beat, raise, and re-rate

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. In addition, the first deployment of AEM's solutions to the OSAT customer is expected in late 2026. 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 SGD11.80 (vs SGD8.90 previously). Our TP is based on 42x FY27 earnings, with no change to our target P/E multiple. We raise our revenue forecasts by 15%/20% and earnings forecasts by 25%/33% for FY26/27 respectively to reflect stronger demand from the fabless AI/HPC customer, improving order momentum from the PC/Foundry customer, and margin expansion. We see scope for consensus earnings upgrades, which should drive a positive share price reaction.

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	586.9	729.4
EBITDA	65.5	42.1	46.6	103.3	145.3
Pre-tax Profit	7.59	14.1	21.3	76.1	116.6
Net Profit	(1.16)	11.6	17.1	60.9	93.3
Net Pft (Pre Ex.)	25.5	11.6	17.1	60.9	93.3
Net Pft Gth (Pre-ex) (%)	(79.9)	(54.6)	47.8	255.0	53.2
EPS (S cts)	(0.37)	3.71	5.46	19.2	28.2
EPS Pre Ex. (S cts)	8.21	3.71	5.46	19.2	28.2
EPS Gth Pre Ex (%)	(80.1)	(54.8)	47.3	251.3	46.7
Diluted EPS (S cts)	(0.37)	3.71	5.46	19.2	28.2
Net DPS (S cts)	0.00	0.00	1.30	3.84	5.63
BV Per Share (S cts)	150.3	155.2	157.0	174.5	207.1
PE (x)	nm	225.1	152.9	43.5	29.6
PE Pre Ex. (x)	nm	225.1	152.9	43.5	29.6
P/Cash Flow (x)	157.2	nm	18.9	29.5	31.6
EV/EBITDA (x)	36.3	57.4	49.5	21.8	15.4
Dividend Yield (%)	nm	nm	0.2	0.5	0.7
P/Book Value (x)	5.6	5.4	5.3	4.8	4.0
Net Debt/Equity (x)	0.1	0.1	cash	cash	cash
ROAE (%)	(0.2)	2.4	3.5	11.6	15.1

Source: DBS

BUY

Last Traded Price: SGD8.35

Price Target 12-mth: SGD11.80

Analyst

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What's New

- Earnings beat was driven by the fabless customer ramp, improving demand from the PC/Foundry customer and margin expansion
- Guidance raise reflects stronger-than-expected demand, validating our earlier view of scope for upward revision
- AI-led market expansion drives a structural step-up in test complexity and demand which plays into AEM's strengths, supporting our 25%/33% earnings estimate revisions for FY26/27
- Maintain BUY with higher TP SGD11.80 (vs SGD8.90 previously)

Key Financial Data (FY Dec)

Bloomberg Ticker	AEM SP
Sector	Semiconductors & Semiconductor Equipment
Market Cap (USDbn)	2.1
3m Avg. Daily Val (USDmn)	27.9
Major Shareholders	(%)
Venezio Investments	12.3
JPMorgan Chase & Co	5.6
Free Float (%)	82.2

Closing Price as of 13/05/2026

Source: Twelve Data, DBS, Visible Alpha, Bloomberg

AEM Holdings Ltd Share Price



Source: Twelve Data

What's New

14 May 2026

1Q26: Beat, raise, and re-rate

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Earnings beat was driven by the fabless customer ramp, improving demand from the PC/Foundry customer and margin expansion. 1Q26 revenue rose to SGD116.9mn (+35.8% y/y, +4.5% q/q), tracking at 23% of our prior FY26 forecast (broadly in line). This was primarily driven by continued high-volume production deployments for the fabless AI/HPC customer and improving order activity from the PC/Foundry customer given demand for high-parallel test and thermal management solutions of next-generation AI compute devices. Segmentally, Test Cell Solutions (TCS) revenue surged 72.0% y/y to SGD88.1mn, representing 75% of revenue. Within TCS, configurables & collaterals recorded an attached rate of 78%, reinforcing the recurring value of device-specific test content as AI device cadence shortens. Contract manufacturing revenue fell 15.7% y/y to SGD27.3mn, due to softer oil and gas demand. PBT rose 370.0% y/y to SGD17.8mn and PBT margin expanded to 15.2% (vs 4.4% in 1Q25), reflecting a better product mix, improved utilisation and operating leverage. Accordingly, net profit came in at SGD14.3mn (+329% y/y, NPM 12.3%) and amounted to 30% of our prior FY26F estimates, ahead of expectations.

Guidance raise reflects stronger-than-expected demand from the two largest customers, validating our earlier view that there was scope for upward revision. FY26 revenue guidance was raised by c.20% to SGD550-600mn vs prior guidance of SGD460mn-510mn, implying 38-50% y/y growth. The upgrade is driven mainly by continued high-volume production ramp activity from the fabless AI/HPC customer, which is on track to become the largest revenue contributor in FY26, alongside improving order momentum from the PC/Foundry customer.

We continue to expect growth across the following strategic pillars:

Customer / category	Key growth areas
PC / Foundry Customer (Intel)	<ul style="list-style-type: none"> • Maintain and grow market share • Support Intel in winning hyperscaler opportunities • Potential gross margin uplift from migrating legacy NRE-driven platforms onto newer tools
PC / AI Fabless Customer	<ul style="list-style-type: none"> • High-volume ramp underway, and is expected to become AEM's largest customer in FY26 • Grow wallet share • Expand into new OSAT relationships alongside the customer
Memory	<ul style="list-style-type: none"> • Customer #1 <ul style="list-style-type: none"> • Complete package Final Test qualification of Xact handler with IDM customer • Begin production ramp in FY27 • Expand wallet share • Engage IDM customer #2 with Xact handler evaluation in late 2026
OSATs	<ul style="list-style-type: none"> • First deployment of its solutions expected in late 2026 • Grow regional support footprint in Taiwan, Korea, and Malaysia • "Follow the Chiplet" strategy to address Test 1.5 & Test 2.0 for HPC opportunities
Contract Manufacturing	<ul style="list-style-type: none"> • Support semiconductor equipment ramp requirements • Drive improved profitability performance in 2026

Source: Company, DBS

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AI-led market expansion drives a structural step-up in test complexity and demand which plays into AEM's strengths. AEM sees a USD3bn serviceable addressable market today, expanding to USD4.5bn by 2028, and aims to capture a meaningful share over the next 3–5 years. This opportunity is supported by unprecedented AI infrastructure investment, with c.USD7tn of data centre investment needed over 2025–2030 and the global semiconductor market expanding toward USD1.6tn by 2030. AI is also driving generational leaps in device designs across power, silicon footprint, transistors, chiplet complexity, and release cadence. AI GPU variants are now moving on a 6–9 month release cadence, compared with 12–24 months in earlier PC cycles. In addition, CPU-to-GPU ratios are around 1:8 in training workloads, improving to roughly 1:3 to 1:4 in inference, and potentially moving to parity or better in agentic AI which should bode well for AEM's top two customers. We therefore opine that AEM will continue to benefit from structurally higher test demand given larger form factors, longer test times (c.2x test time from 7nm to 3nm chips), and rising thermal gradients across heterogeneous chips.

MSCI Small Cap inclusion should also provide a positive technical tailwind for AEM. On 12 May, MSCI announced AEM's addition to the MSCI Singapore Small Cap Index, effective at end-May. We believe this should improve liquidity and visibility, providing some form of support to the share price momentum.

Maintain BUY with higher TP SGD11.80 (vs SGD8.90 previously). Our TP is based on 42x FY27 earnings, with no change to our target P/E multiple. We raise our revenue forecasts by 15%/20% and earnings forecasts by 25%/33% for FY26/27 respectively to reflect stronger demand from the fabless AI/HPC customer, improving order momentum from the PC/Foundry customer, and margin expansion. We see scope for consensus earnings upgrades, which should drive a positive share price reaction.

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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	586.9	729.4
Cost of Goods Sold	(352.0)	(282.8)	(296.8)	(418.5)	(506.9)
Gross Profit	129.3	97.6	102.5	168.4	222.5
Other Opng (Exp)/Inc	(88.8)	(79.6)	(80.5)	(92.7)	(106.4)
Operating Profit	40.5	18.0	22.0	75.8	116.1
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	0.56
Exceptional Gain/(Loss)	(26.7)	0.00	0.00	0.00	0.00
Pre-tax Profit	7.59	14.1	21.3	76.1	116.6
Tax	(8.75)	(2.46)	(4.18)	(15.2)	(23.3)
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	60.9	93.3
Net Profit before Except.	25.5	11.6	17.1	60.9	93.3
EBITDA	65.5	42.1	46.6	103.3	145.3
Revenue Gth (%)	(44.7)	(21.0)	5.0	47.0	24.3
EBITDA Gth (%)	(64.3)	(35.7)	10.7	121.6	40.7
Opg Profit Gth (%)	(74.8)	(55.6)	22.4	244.5	53.2
Net Profit Gth (Pre-ex) (%)	(79.9)	(54.6)	47.8	255.0	53.2
Net Prop Inc Margins (%)	26.9	25.7	25.7	28.7	30.5
Opg Profit Margin (%)	8.4	4.7	5.5	12.9	15.9
Net Profit Margin (%)	(0.2)	3.1	4.3	10.4	12.8
ROAE (%)	(0.2)	2.4	3.5	11.6	15.1
ROA (%)	(0.2)	1.7	2.6	9.2	12.0
ROCE (%)	3.2	1.3	2.9	10.9	14.3
Div Payout Ratio (%)	nm	0.00	23.8	20.0	20.0
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
Invt in Associates & JVs	8.82	0.00	0.00	0.00	0.00
Other LT Assets	167.6	153.4	159.5	157.1	154.1
Cash & ST Invt	101.8	43.8	77.3	158.3	276.4
Inventory	328.6	296.8	227.0	200.6	222.2
Debtors	60.1	142.7	120.3	152.8	179.9
Other Current Assets	1.58	0.78	0.86	0.86	0.86
Total Assets	708.9	673.2	621.6	701.2	858.7
ST Debt	83.9	78.5	6.81	6.81	6.81
Creditor	74.8	53.7	69.1	80.3	97.2
Other Current Liab	18.8	16.2	21.1	28.9	37.0
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	553.5	685.9
Minority Interests	6.93	6.62	6.56	6.56	6.56
Total Cap. & Liab.	708.9	673.2	621.6	701.2	858.7
Non-Cash Wkg. Capital	296.7	370.3	257.9	245.1	268.7
Net Cash/(Debt)	(24.5)	(50.6)	63.7	144.7	262.7
Debtors Turn (avg days)	58.0	97.3	120.2	84.9	83.2
Creditors Turn (avg days)	108.4	90.8	82.4	69.7	67.8
Inventory Turn (avg days)	389.5	441.8	351.1	199.6	161.5
Asset Turnover (x)	0.6	0.6	0.6	0.9	0.9
Current Ratio (x)	2.8	3.3	4.4	4.4	4.8
Quick Ratio (x)	0.9	1.3	2.0	2.7	3.2
Net Debt/Equity (x)	0.1	0.1	cash	cash	cash
Capex to Debt (%)	20.5	23.7	62.7	146.8	146.8

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	76.1	116.6
Dep. & Amort.	25.7	24.5	24.6	27.5	29.2
Tax Paid	(28.9)	(2.08)	(1.84)	(7.45)	(15.2)
Assoc. & JV Inc/(loss)	0.64	0.33	0.00	0.00	0.00
Chg in Wkg.Cap.	31.9	(73.6)	111.3	5.02	(31.7)
Other Operating CF	3.85	19.3	(21.8)	0.00	0.00
Net Operating CF	40.8	(17.5)	133.6	101.2	98.9
Capital Exp.(net)	(25.9)	(22.3)	(8.54)	(20.0)	(20.0)
Other Invt.(net)	0.00	0.00	0.00	0.00	0.00
Invt 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)	(20.0)	(20.0)
Div Paid	(11.1)	0.00	0.00	(12.2)	(18.7)
Chg in Gross Debt	(15.9)	(19.6)	(67.5)	0.00	0.00
Capital Issues	0.00	0.00	(1.95)	12.0	57.8
Other Financing CF	(20.4)	(12.2)	(10.3)	0.00	0.00
Net Financing CF	(46.5)	(31.8)	(78.6)	(0.18)	39.1
Currency Adjustments	0.91	0.01	1.18	0.00	0.00
Chg in Cash	(25.9)	(58.1)	33.6	81.0	118.0
Opg CFPS (S cts)	2.88	17.9	7.12	30.3	39.4
Free CFPS (S cts)	4.80	(12.7)	39.9	25.6	23.8

Source: DBS

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



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	14 May'25	1.21	1.50	BUY
2	24 Jul'25	1.70	2.10	BUY
3	26 Feb'26	2.03	3.30	BUY
4	18 Mar'26	3.54	4.60	BUY
5	28 Apr'26	6.75	8.90	BUY

Source: DBS

Analyst: Amanda Tan

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- STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
- 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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