STOCK IDEA

Retail Research

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EDELTEQ HOLDINGS (EDELTEQ | 0278)

Last Price: RM0.335 | Technical Call: BUY | Target Price: RM0.45

Bursa Code: **EDELTEQ, 0278**	Support 1: **RM0.32**	Entry: **RM0.32–0.335**
Sector: **Technology**	Support 2: **RM0.29**	Target: **RM0.40, RM0.45**
Market Cap: **RM178mil**	Resistance 1: **RM0.40**	Exit: **RM0.285**
Shariah Compliant: **Yes**	Resistance 2: **RM0.45**	

Company Profile. Edelteq provides engineering support for IC assembly and testing in the semiconductor industry. Its operations span four segments: (i) design and assembly of IC burn-in boards and PCBs (B&P), (ii) supply and refurbishment of IC assembly and test consumables (C&T), (iii) development of automated test equipment and factory automation (ATE), and (iv) trading of operating supplies, spare parts, and tools (TRD). These are grouped into Semiconductor Consumables & Materials (B&P, C&T, TRD) and Semiconductor Equipment & Automation (ATE). Edelteq primarily serves IDMs, OSATs, OEMs, and EMS providers.

Growth Strategies. (i) Advancing vertical integration through a RM20.7mil investment for a 24% stake in Solid Point Precision, enabling in-house sourcing of precision components to reduce costs, improve margins, and strengthen the C&T segment. (ii) Capacity expansion at the new Batu Kawan factory, with an expected 30% increase for IC burn-in boards and PCBs, approximately 400% for dicing blade refurbishment, and 100% for gold finger refurbishment to meet rising semiconductor demand. (iii) Broadening the portfolio in ATE, factory automation, and IC test consumables, supported by enhanced R&D in AI-based wafer-level optical inspection, smart burn-in systems, and advanced automation to tap into new markets and expand the customer base.

Financial Performance. In 1QFY25, Edelteq posted a higher revenue of RM91.2mil (+11.6x YoY) and a PAT of RM2.5mil (+43% YoY), primarily driven by a significant increase in revenue from the C&T segment and a shift in the group's product mix towards value-added assembly and testing services.

Valuation. Based on annualised 1QFY25 net profit, Edelteq is trading at a forward P/E of 17.8x, which is lower than the Bursa Technology Index's 22.4x. In comparison, FoundPac Group—a supplier of precision engineering components including test and probe card stiffeners, IC and module test sockets—trades at a higher FY25F annualised P/E of 20.9x.

Technical Analysis. Edelteq may rise further after hitting a 7-month high with another bullish candle on Friday. The stock also broke out of a 3-week bullish flag pattern, likely indicates that the near-term upward momentum may persist. A bullish bias may emerge above the RM0.32 level, with stop-loss set at RM0.285, below the 21-day EMA. Towards the upside, near-term resistance level is seen at RM0.40, followed by RM0.45.

Source: AmInvestment Bank, Bloomberg, Company Reports

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