23 January 2026

Industrial Services | Manufacturing

Kobay Technology (KOBAY MK)

Not Rated

AI Servers Spark Earnings Inflection

Fair Value (Return):	MYR3.33 (93.6%)
Price:	MYR1.72
Market Cap:	USD138m
Avg Daily Turnover (MYR/USD)	1.78m/0.43m

- **MYR3.33 FV based on 18x FY27F (Jun) P/E.** Kobay Technology is poised for a meaningful earnings turnaround, driven by the repurposing of its under-utilised operations into a high-margin artificial intelligence (AI) server manufacturing business. Demand is supported by accelerating AI server deployment amidst Malaysia's data centre (DC) expansion. This, coupled with cyclical tailwinds from the recovering semiconductor and resilient aerospace sectors, positions Kobay to return to its prior peak profitability levels. At 9x FY27F P/E, valuation remains attractive.
- **Earnings inflection**. The repurposing of Kobay's >175,000 sq ft Prai facility into an AI server manufacturing hub has materially improved fixed cost absorption and operating leverage. Following a c.MYR45m investment to retrofit the plant with upgraded electricity infrastructure, assembly floors, and burn-in facilities, the site now supports end-to-end AI server manufacturing, including assembly, aging, and testing. Operations have scaled from two to four assembly lines, with near-full utilisation and a workforce of c.500 contract workers. Kobay provides service-only high-level assembly (HLA), without exposure to component procurement or GPU chip costs, allowing it to avoid low-margin, high-revenue pass-through models. With eight burn-in facilities offering c.4,500 test slots at any point of time and a 72-hour aging requirement, the plant is approaching operational stability.
- **New AI server clients drive high-margin earnings**. Kobay's AI server manufacturing activities have transitioned from pilot scale to commercial contribution, with revenue recognised from Sep 2025 following initial shipments to its customers, which include China's largest AI server provider. Order visibility is stable for at least the next 12 months, primarily serving local DC customers, providing near-term earnings visibility. The service-only model supports structurally higher profit margin (1QFY26 net margin: c.21%), reinforcing the earnings quality of this new growth pillar despite a smaller reported revenue base relative to turnkey electronics manufacturing services (EMS) jobs. We expect the new business to contribute an additional 26% and 31% to its FY26 and FY27 earnings.
- **Resilient orders from aerospace, semiconductor industries**. Beyond AI servers, we expect the existing manufacturing business to grow by 10% in FY27 with order visibility across E&E, medical, and aerospace customers remaining strong for the next six months. Orders from aerospace customers (c.11% of group revenue in 1QFY26) are expected to increase on resilient airline investments in fleet expansion and renewal. Rising memory demand and a cyclical recovery in semiconductor capital equipment spending support continued growth in Kobay's mechanical and sheet metal orders. Margin is expected to improve with cost optimisation and better operating leverage.
- **Valuation.** Based on an ascribed 18x P/E on FY27F earnings, we derive a MYR3.33 FV. Risks: Loss of key customers, supply chain disruptions, a slowdown in the DC, semiconductor or aerospace sectors, and FX fluctuation.

Forecasts and Valuation	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Total turnover (MYRm)	330	342	422	438	468
Recurring net profit (MYRm)	15	(15)	53	60	64
Recurring net profit growth (%)	(44.7)	(199.8)	-	14.0	5.8
Recurring P/E (x)	38.25	na	10.60	9.30	8.79
P/B (x)	1.5	1.6	1.4	1.2	1.1
P/CF (x)	18.12	31.71	3.44	5.62	5.92
Dividend Yield (%)	na	na	1.9	2.2	2.3
EV/EBITDA (x)	13.12	30.92	5.12	4.02	3.30
Return on average equity (%)	3.7	(4.0)	13.9	14.2	13.4
Net debt to equity (%)	6.8	15.5	net cash	net cash	net cash

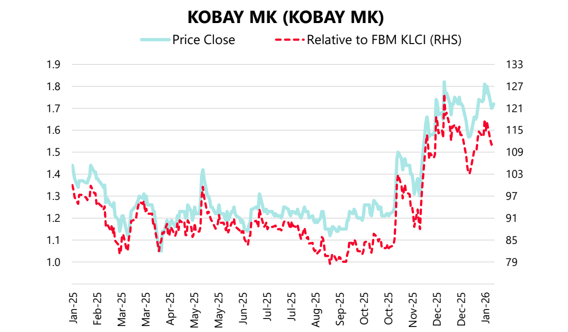
Source: Company data, RHB

Analyst

Queenie Tan
+603 2302 8127
queenie.tan@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	9.6	0.0	41.0	43.3	19.4
Relative	7.4	(2.7)	33.9	30.3	11.3
52-wk Price low/high (MYR)					1.05 – 1.82



Source: Bloomberg

Note:
Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Financial Exhibits

Asia
Malaysia
Technology
Kobay Technology
KOBAY MK
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Valuation basis

18x P/E on FY27F(Jun) EPS

Key drivers

i. Earnings inflection point from facility repurposing;
ii. New AI server clients drive high-margin earnings;
iii. Resilient orders from aerospace and semiconductor industries.

Key risks

i. Loss of key customers;
ii. Supply chain disruptions;
iii. Slowdown in DC, semiconductor, or aerospace sectors;
iv. Tariff risk;
v. FX fluctuation.

Company Profile

Kobay Technology is primarily engaged in manufacturing of high-precision engineering solutions, high-level assembly, aluminium extrusion, property development, pharmaceutical, and asset management.

Financial summary (MYR)	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Recurring EPS	0.04	(0.04)	0.16	0.18	0.20
DPS	-	-	0.03	0.04	0.04
BVPS	1.15	1.10	1.23	1.38	1.54
Return on average equity (%)	3.7	(4.0)	13.9	14.2	13.4

Valuation metrics	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Recurring P/E (x)	38.25	na	10.60	9.30	8.79
P/B (x)	1.5	1.6	1.4	1.2	1.1
FCF Yield (%)	2.8	(3.3)	20.2	14.2	15.1
Dividend Yield (%)	-	-	1.9	2.2	2.3
EV/EBITDA (x)	13.12	30.92	5.12	4.02	3.30
EV/EBIT (x)	21.43	na	6.83	5.39	4.43

Income statement (MYRm)	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Total turnover	330	342	422	438	468
Gross profit	79	83	209	226	240
EBITDA	46	20	104	118	124
Depreciation and amortisation	(18)	(22)	(26)	(30)	(32)
Operating profit	28	(2)	78	88	92
Net interest	(6)	(8)	(8)	(8)	(8)
Pre-tax profit	21	(10)	70	79	84
Taxation	(10)	(9)	(17)	(19)	(20)
Reported net profit	14	(15)	53	60	64
Recurring net profit	15	(15)	53	60	64

Cash flow (MYRm)	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Change in working capital	(10.4)	(6.5)	76.1	1.3	(8.9)
Cash flow from operations	31.0	17.7	163.3	99.8	94.8
Capex	(15.5)	(36.1)	(50.0)	(20.0)	(10.0)
Cash flow from investing activities	(25.1)	(37.3)	(48.7)	(20.0)	(10.0)
Dividends paid	(8.3)	(1.1)	(10.6)	(12.1)	(12.8)
Cash flow from financing activities	1.6	1.8	(18.8)	(20.3)	(21.0)
Cash at beginning of period	47.6	57.9	53.5	149.2	208.8
Net change in cash	7.5	(17.8)	95.8	59.5	63.8
Ending balance cash	58.1	53.2	149.2	208.8	269.5

Balance sheet (MYRm)	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Total cash and equivalents	58	53	149	209	273
Tangible fixed assets	191	211	235	225	204
Total assets	610	622	711	762	818
Short-term debt	85	111	111	111	111
Total liabilities	220	253	295	300	307
Total equity	390	369	416	462	511
Total liabilities & equity	610	622	711	762	818

Key metrics	Jun-24	Jun-25	Jun-26F	Jun-27F	Jun-28F
Revenue growth (%)	5.3	3.5	23.4	3.9	6.9
Recurrent EPS growth (%)	(44.7)	(199.8)	0.0	14.0	5.8
Gross margin (%)	23.9	24.2	49.4	51.6	51.2
Operating EBITDA margin (%)	13.9	5.9	24.6	26.8	26.4
Net profit margin (%)	4.3	(4.3)	12.5	13.8	13.6
Dividend payout ratio (%)	0.0	0.0	20.0	20.0	20.0
Capex/sales (%)	4.7	10.6	11.9	4.6	2.1
Interest cover (x)	4.59	(0.23)	9.47	10.65	11.21

Source: Company data, RHB

Financial Overview, Forecasts & Valuation

Result highlights. In FY25, Kobay recorded revenue of MYR341.9m, representing a 3.5% YoY increase, supported mainly by the manufacturing segment, which remained the group's core revenue driver with MYR214.9m (62.9% of total turnover). The growth was underpinned by stronger demand for high-precision machined components and metal stamping products. The pharmaceutical & healthcare segment contributed MYR76.8m, marginally lower YoY due to pricing adjustments, while the asset management and property development segments generated MYR27.0m and MYR22.8m respectively.

In 1QFY26, Kobay achieved revenue of MYR110.9m, marking a firm start to the new financial year. The manufacturing division continued to lead the performance, recording MYR72.0m (+27% YoY), driven by higher order volumes. The pharmaceutical segment registered MYR19.8m, down 18% YoY, while property development revenue rose sharply by 150% YoY to MYR10.1m, supported by progress billings from ongoing developments. Meanwhile, asset and investment management revenue increased 12% YoY to MYR8.8m, bolstered by contribution from its hospitality management operations in Langkawi.

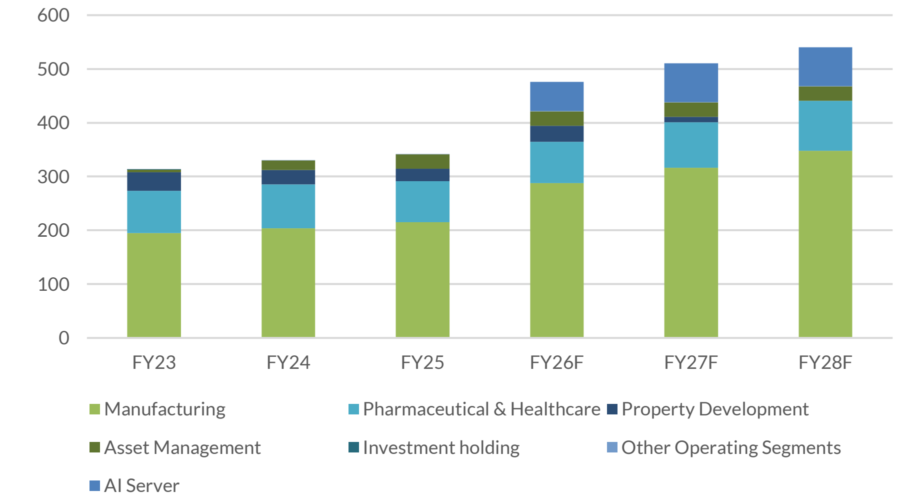
Forecasts. Kobay is expected to register a 3-year earnings CAGR of 49% for FY25-28 with a significant jump in FY26F (FY25 core profit: MYR19.5m), despite only recording an 11% 3-year revenue CAGR during the same period. This divergence is expected to be driven primarily by an earnings inflection resulting from the repurposing of its under-utilised aluminium plant into an earnings-accretive AI server assembly business on a consignment basis. Our forecast assumes continued monthly sales of MYR6m at a 20% net profit margin, alongside an organic 10% growth in Kobay's metal fabrication and precision engineering business, underpinned by positive industry trends. The semiconductor industry remains in robust expansion, with global semiconductor revenue projected to grow by double-digits in 2025 and capacity for advanced nodes expected to expand strongly through 2028 as AI and DC demand accelerates investment and production capacity expansion. At the same time, the aerospace sector is experiencing steady recovery and growth. Global aviation markets are expanding as airline fleets modernise, aircraft deliveries rise, and avionics and aerospace subsystems markets are forecast to grow at mid-to-high single-digit rates, supporting long-term demand for precision engineered components. Together, these secular tailwinds in the semiconductor and aerospace end markets bolster visibility for Kobay's core manufacturing segments, and support our earnings growth assumptions.

Balance sheet and dividend. As at 30 Sep 2025, Kobay's net gearing ratio stood at 0.23x. Assuming a successful turnaround, we expect the group to return to a net cash position by FY26F, supported by improving earnings and cash flow generation. Historically, Kobay paid out an average of c.20% of PATAMI between FY21 and FY23, which we assume will be maintained going forward. This translates to estimated dividend yields of 1.9% in FY26F and 2.2% in FY27F.

Valuation. We estimate that more than 85% of Kobay's FY26F–27F group profit will be generated by its manufacturing division. Within this division, our forecasts assume that approximately two-thirds of earnings will be driven by precision engineering and metal fabrication services, with the remaining one-third contributed by high-level assembly (HLA) of AI server products. As shown in Figure 4, local peers in the precision engineering and metal fabrication space are trading at a 2-year forward P/E average of 30x, while local industrial EMS providers trade at a lower 2-year forward P/E average of c.16.9x.

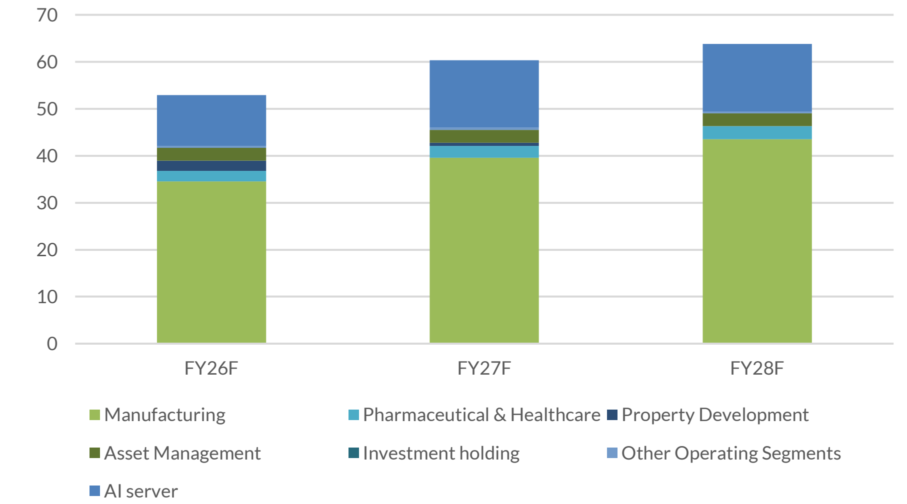
In line with Kobay's historical average forward valuation (Figure 3) and 2-year forward P/E of the Bursa Industrial Production Index, we ascribe an 18x P/E multiple to its FY27F (Jun) earnings, which yields an FV of MYR3.33. We believe this valuation is justified by Kobay's earnings turnaround, increasing exposure to high-margin manufacturing services, and strong earnings growth visibility driven by structural improvements to its business mix.

Figure 1: Revenue trend



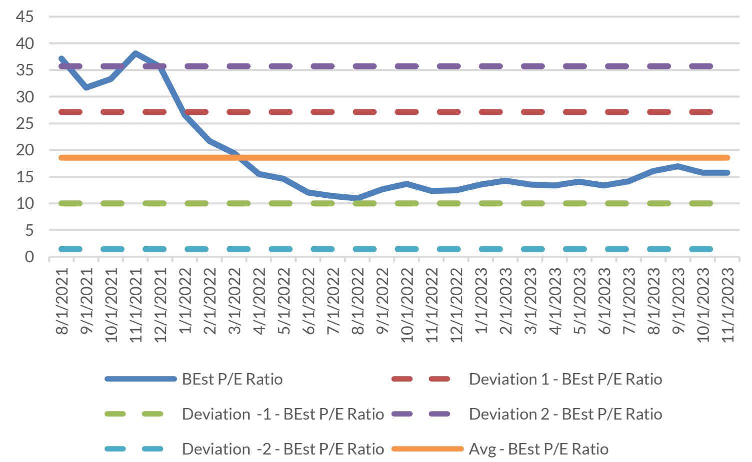
Source: RHB

Figure 2: PAT trend



Source: RHB

Figure 3: Historical 5-year blended-forward P/E



Source: Bloomberg, RHB

Figure 4: Peer comparison

Company	Country	FYE	Mkt cap (MYRm)	Price 22-Jan-26 (Local currency)	P/E (x) Actual	P/E (x) 1-yr fwd	P/E (x) 2-yr fwd	Div. yld (%) 1-yr fwd	EV/ EBITDA 1-yr fwd	NP Growth (%) 1-yr fwd	NP Growth (%) 2-yr fwd	PEG
KOBAY TECHNOLOGY	MA	06/2026	583.5	1.8	-38.4	10.5	9.2	1.9	5.1	171.8	14	0.1
Local precision engineering & metal fabrication service providers (for semiconductors and/or aerospace industries)												
OXFORD INNOTECH	MA	12/2025	191.7	0.27	12.3	22.8	13.6	na	10.8	-46.1	67.9	na
CORAZA INTEGRATED TECHNOLOGY	MA	12/2025	333.6	0.68	75.9	22.4	21.2	na	9.1	239.2	5.4	na
CPE TECHNOLOGY	MA	06/2026	365.9	0.55	15.5	20.6	13.7	1.3	5.9	-24.5	50.0	na
NORTHEAST GROUP	MA	09/2026	473.6	0.64	23.1	15.2	13.8	na	8.5	51.4	10.3	1.3
SAM ENGINEERING & EQUIPMENT	MA	03/2026	2504.9	3.70	27.3	41.0	25.9	0.5	14.6	-33.5	58.3	na
UWC	MA	07/2026	324.0	0.14	27.0	na	na	na	na	na	na	na
THMY HOLDINGS	MA	03/2026	4896.8	4.44	120.9	50.4	34.3	0.2	31.3	139.7	46.9	na
Mkt. Cap Weighted Avg.			**3155.5**		**80.8**	**44.9**	**30.0**	**0.3**	**24.8**	**71.3**	**46.9**	**0.1**
Simple Avg.			**1264.0**		**50.5**	**35.5**	**24.3**	**0.7**	**18.4**	**51.4**	**42.6**	**1.3**
Local Industrial EMS providers (especially in AI-related products)												
NATIONGATE	MA	12/2025	2692.5	1.19	16.8	18.5	18.8	1.8	10.7	-9.1	-1.8	na
AURELIUS TECHNOLOGIES	MA	12/2025	1118.6	0.86	18.3	16.2	14.7	4.1	na	13.4	10.1	1.5
PIE INDUSTRIAL	MA	12/2025	940.9	2.45	17.7	27.7	14.0	3.2	13.4	-36.1	97.3	0.2
Mkt. Cap Weighted Avg.			**1975.2**		**17.3**	**19.8**	**16.9**	**2.6**	**8.7**	**-9.1**	**20.6**	**0.4**
Simple Avg.			**1584.0**		**17.6**	**20.8**	**15.8**	**3.0**	**12.0**	**-10.6**	**35.2**	**0.8**

Source: Bloomberg, RHB

Company Overview

Kobay is a Malaysian investment holding company, primarily engaged in the manufacturing of high-precision engineering solutions. Established in 1984, the group has evolved into a diversified enterprise with operations across manufacturing, property development, pharmaceuticals and healthcare, asset and investment management, and other supporting activities. Manufacturing remains the core business and main revenue contributor.

Kobay recorded total revenue of MYR341.9m in FY25, representing a 3.5% YoY increase. Its revenue is derived from the following main business segments:

i. **Manufacturing (62.9% of FY25 revenue).** This segment provides high-precision engineering solutions for global customers. Its activities include precision machined components, metal stamping, sheet metal parts, tooling and dies, semiconductor assembly and testing equipment, and EMS. The segment also fabricates metal structures and components for the oil and gas and aerospace industries, and undertakes aluminium extrusion for sustainable manufacturing applications;

ii. **Pharmaceuticals and healthcare (22.4% of FY25 revenue).** This segment was established following the group's entry into the healthcare sector in 2021. Its activities include retail pharmacy operations under the "Park@City" brand, wholesale distribution and brand management of healthcare, nutrition and supplement products under the "BioBay" brand, as well as the sale and distribution of medical devices;

iii. **Property development (6.7% of FY25 revenue).** Established in 2016, this segment is involved in property development and property management activities. The group focuses on residential and mixed-use developments in strategic locations, including projects in Penang and Langkawi, with a portfolio ranging from affordable housing to higher-end developments;

iv. **Asset and investment management (7.9% of FY25 revenue).** This segment manages the group's long-term assets and investments. Its activities include property letting, the operation of hotels and dormitories, particularly in Langkawi, and investment holding activities that generate recurring income;

v. **Other operating segments (0.1% of FY25 revenue).** This segment comprises ancillary activities such as money lending and the provision of management services to support the group's core operations.

Management team. Kobay is led by an experienced management team with strong expertise in high-precision engineering, manufacturing operations, property development, and hospitality management:

i. Dato' Seri Koay Hean Eng, Managing Director and CEO, oversees the group's overall management, strategic direction, and corporate development. As a co-founder of the group, he has over 40 years of experience in the high-precision engineering industry and has been a director since 17 Sep 1994.

ii. Koay Zee Ee, Executive Director and COO (engineering, mechatronic and contract manufacturing division) is responsible for managing the group's core manufacturing operations. He was appointed to the board on 8 Sep 2023 and previously served as General Manager of a subsidiary specialising in equipment for the oil and gas sector.

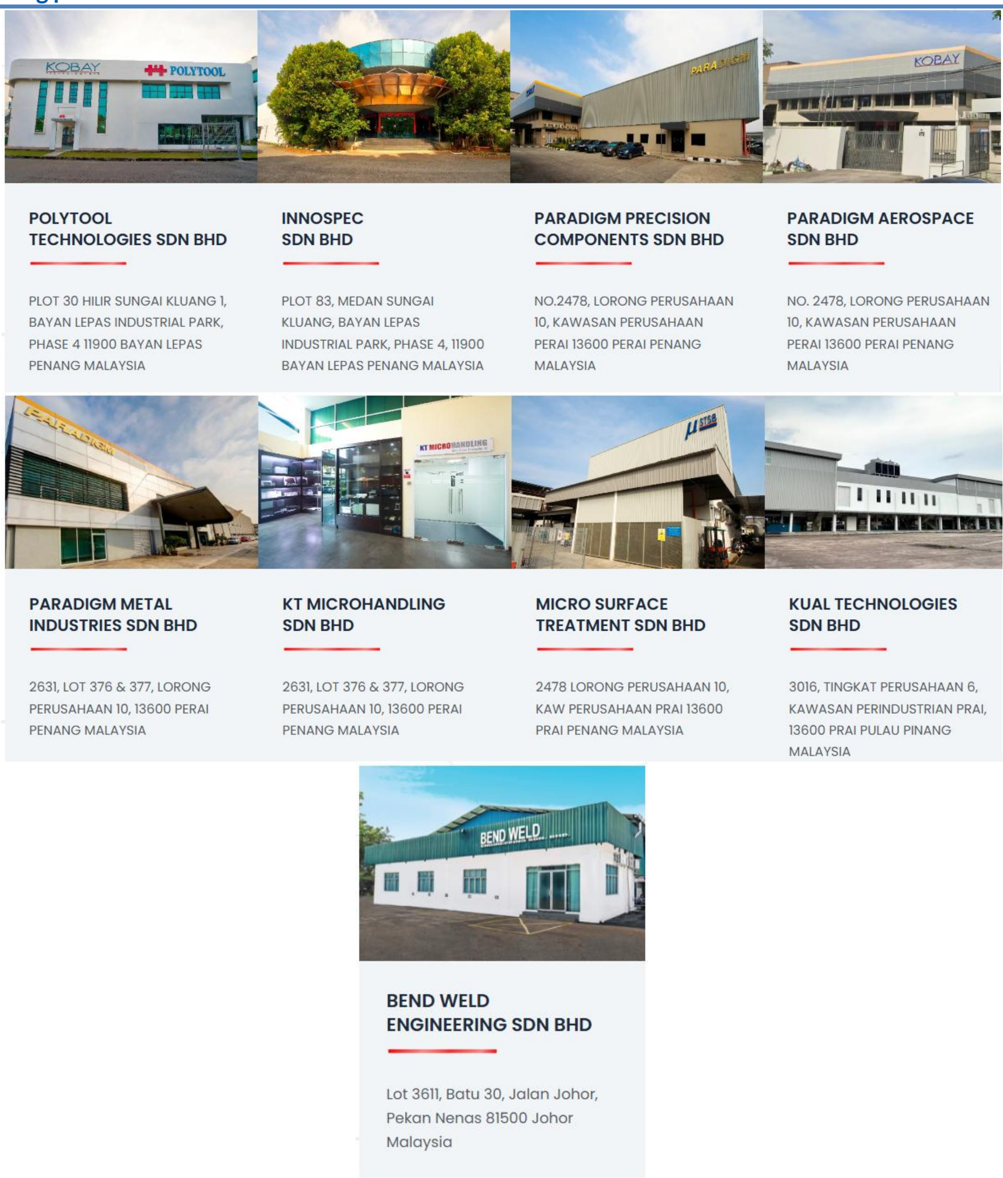
iii. Koay Wooi Seong, Executive Director and COO (property development and hospitality management division), oversees the group's property development and hospitality management operations. He has over 25 years of experience in property development and construction management and was redesignated as an Executive Director on 1 Jul 2024, having initially joined the board as a Non-Executive Director in 2022.

The management team is supported by a dedicated group of senior technical and operational professionals who contribute to Kobay's continued growth and operational excellence.

Figure 5: Manufacturing division structure

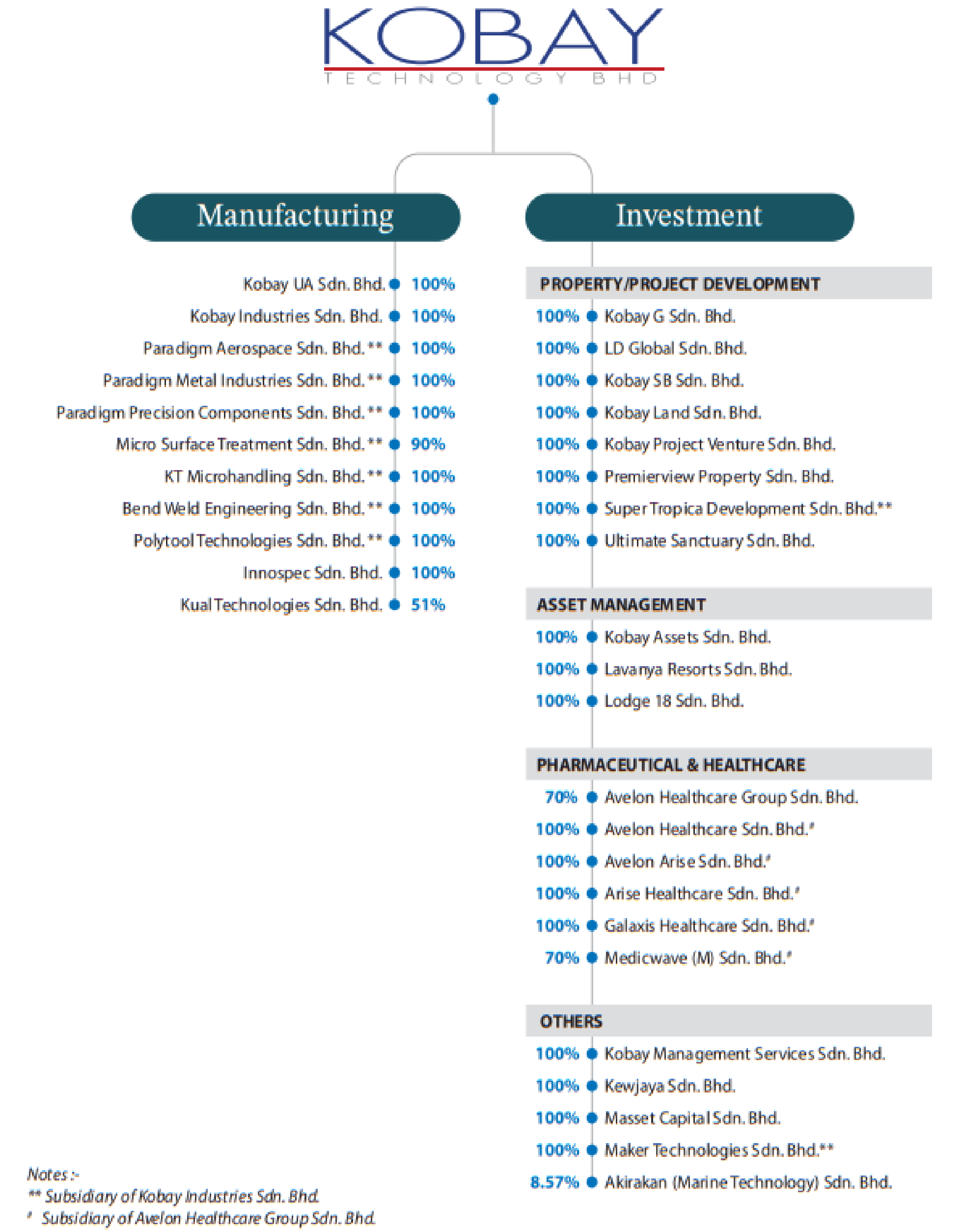
Source: Company data

Figure 6: Manufacturing plants



Source: kobaytech website

Figure 7: Corporate structure



Source: Company data, Kobay's Annual Report 2025

Key Risks

i. Loss of key customers;
ii. Supply chain disruptions;
iii. Slowdown in DC, semiconductor, or aerospace sectors;
iv. Tariff risk;
v. FX fluctuation.

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2026-01-22			

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470