SkyeChip Berhad (SKYECHIP)

Malaysia's Semiconductor IP Architect

- **SkyeChip Berhad is Malaysia's premier semiconductor intellectual property designer, specialising in standard silicon IPs, custom silicon IPs, and also silicon products and application-specific integrated circuits (ASICs).**
- **We project 3-year earnings CAGR of 26.3%, with core PATMI expected to reach RM48.5m-RM72.4m over the next three years. This growth is underpinned by (i) the global AI-driven supercycle and forced memory upgrade cycles, (ii) increasing orders due to ongoing US-China trade tension and (iii) the Group's strategic expansion into automotive qualified IP.**
- **We assign a fair value of RM1.48 per share for SKYECHIP, indicating a 68.2% upside from the IPO price of RM0.88. This valuation is based on a PE ratio of 40.0x, pegged to mid-FY28f EPS of 3.71 sen.**

Investment highlights

Scalable IP license capturing forced upgrade cycles. As a member of JEDEC and UCIe, SKYECHIP's business model is mainly built on proprietary, patented silicon IP that benefits from mandatory multi-year upgrade cycles, such as the transition to LPDDR6 and HBM4. Because generational transitions in memory architecture are architecturally non-backward compatible, existing customers must re-license SKYECHIP's IP to remain competitive, driving high-visibility recurring revenue for the Group.

Advanced node capabilities down to 3nm. We like SKYECHIP for its technical capability to design ICs using advanced process nodes down to 3nm through established partnerships and access to foundry Process Design Kits (PDKs). This will allow SKYPECHIP to compete and design high-performance chips on the same advanced nodes as global leaders like NVIDIA or AMD, particularly in the HPC and AI sectors whereby performance and power efficiency at the nanometre scale are critical.

Solving AI bottlenecks with coherent architectures. As SKYECHIP specializes in high-bandwidth memory (HBM3E/4) and coherent Network-on-Chip (NoC) architecture, these technologies will address the primary performance bottleneck in AI inference, which is also data movement, by enabling near-instantaneous communication between processors and memory.

Benefitting from geopolitical neutrality. Domiciled in Malaysia, SKYECHIP offers a geopolitically neutral alternative for East Asian customers. Amid US-China trade tensions, Chinese fabless companies can engage SKYECHIP for advanced IP and ASIC design without the export control complications or Entity List exposure associated with US-origin vendors.

Greenfield expansion into automotive qualified IP. SKYECHIP is also strategically entering the automotive sector by enhancing its NoC fabric to achieve ISO 26262 functional safety qualification. This move targets the surging global demand for ADAS Level 3+ and autonomous driving, which require fault-tolerant interconnects capable of ensuring uninterrupted data flow between sensors and ADAS processor even during a system glitch.

Veteran leadership with deep blue-chip expertise. We like the fact that SKYECHIP is led by a group of highly calibre management team, which comprise of semiconductor industry veterans with an average 25 years of experience. The core leadership

IPO Note – Not rated

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Non-Rated

Share price	**RM0.88**
Target price	RM1.48
Previous TP	-
Capital upside	68.2%
Dividend return	1.0%
Total return	69.2%

Company profile

Founded in 1999, SkyeChip Berhad is Malaysia's premier semiconductor intellectual property designer, specialising in standard silicon IPs, custom silicon IPs, and also silicon products and application-specific integrated circuits (ASICs).

Stock information

Bursa Code	5555
Bloomberg ticker	SKYECHIP MK
Listing market	MAIN
Share issued (m)	1796.0
Market Cap (m)	1580.5
Shariah compliant	Yes
MITI allocation	Yes

Major shareholders %

Dato' Fong Swee Kiang	24.0
Teh Chee Hak	24.0
SKC Team 2	7.9

Earnings snapshot

FYE (Mar)	FY25	FY26f	FY27f
PATMI (m)	35.9	48.5	60.7
EPS (sen)	2.0	2.7	3.4
P/E (x)	44.0	32.6	26.0

Timetable of IPO

Opening of application	29 April
Closing of application	6 May
Balloting of application	8 May
Allotment of the IPO shares	18 May
Listing on the MAIN market	20 May

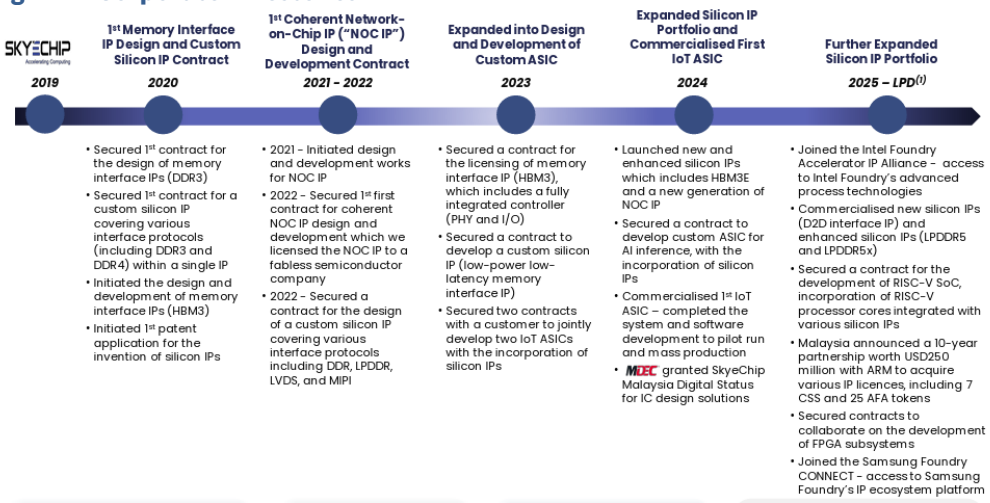
consists of former senior architects and directors from global technology leaders such as Intel, Altera, and Broadcom, which they could leverage their track record of successful high-performance chip development to SKYECHIP's development.

Company background

Incorporated in 2019, SkyeChip Berhad is a Malaysia-based original integrated circuit (IC) design company that specializes in high-performance silicon intellectual property (IP) and custom application-specific integrated circuits (ASICs). Its business segments include:

i. **Standard silicon IP.** This segment involves the design of pre-verified, reusable building blocks, such as memory interface, Network-on-Chip, and die-to-die (D2D) interface IPs, which are licensed to customers for integration into their IC products.
ii. **Custom silicon IP.** This segment involved designing silicon IP that is tailored to meet specific high-growth applications that require superior power efficiency and performance, including AI, edge computing and data centres.
iii. **Silicon products and ASICs.** This segment focuses on developing tailored semiconductor chips optimized for specific customer applications, such as IoT and AI inference ASICs.
iv. **Others.** This segment involves designing services based on requests from customers as part of its integrated customer support services, design of memory test systems, as well as engineering services for its custom ASIC products.

Fig #1 Corporate milestones



Source: SkyeChip Berhad

Substantial Shareholders and Key Management

1. Dato' Fong Swee Kiang – Executive Director, Chief Executive Officer
He has over 35 years of semiconductor experience and has served as CEO since 2020. He previously held senior leadership positions at Intel, Altera Malaysia, and Avago Technologies, including including Vice President and Senior Operations Director positions, overseeing R&D and global operations. He holds an MBA and a first-class honors degree in Electrical Engineering and leads the Group's strategy and innovation.

2. Teh Chee Hak – Executive Director, Chief Technology Officer
He has over 20 years of semiconductor experience and has served as CTO since

2020. He held senior roles at Intel and Altera Malaysia, including Chief Architect and Principal Engineer, specializing in CPU and FPGA architecture. He graduated with a degree in Electrical and Electronic Engineering and leads the Group's technical strategy and the development of advanced IPs and ASICs for AI and high-performance computing.

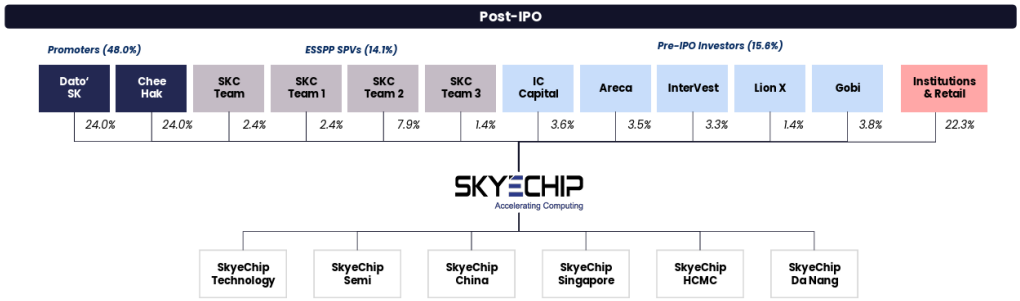
3. Chong Lai Hock – Chief Operating Officer
He has over 30 years of semiconductor experience and joined the Group in 2024. He previously held leadership roles at Intel and Altera Malaysia, including Senior Director positions where he managed an engineering team of over 800 people. He oversees the Group's engineering and global operations, holding a first-class honours degree in Electrical Engineering.

4. Chin Eng Fook– Chief Information Officer
He has over 35 years of semiconductor experience and joined the Group in 2024. He held various leadership roles at Intel and Altera Malaysia, specializing in design automation, system software, and engineering computing. He oversees the Group's IT infrastructure and data security strategies, holding a first-class honors degree in Electronics Science and Technology.

5. Lim Soon Chieh – Senior Engineering Director for Interface IP
He has approximately 25 years of IC design experience and joined the Group in 2019. He previously held technical roles at Intel Microelectronics, eASIC, and Baysand Semiconductor, focusing on memory controllers and high-speed interfaces. He holds a Master's in engineering science and a first-class honors degree in Electrical Engineering and leads the Group's memory interface IP projects.

6. Galvin Wong – Finance Director
He joined the Group in 2023 with over 8 years of experience in the finance sector with a background in finance and investment. He previously served as an investment manager at abrdn Islamic Malaysia and an equities executive at AmFunds Management, focusing on research and fund management. He oversees the Group's financial strategy, statutory reporting, and treasury operations, and is a member of both MIA and ACCA.

Fig #2 Post-IPO structure



Source: SkyeChip Berhad

Fig #3 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
R&D of IC products	155.1	44.1	Within 36 months
R&D of silicon IP	56.4	16.0	Within 36 months
Expansion of operational facilities and resources	19.0	5.4	Within 36 months
Expansion of computing infrastructure and labs	38.1	10.8	Within 36 months
Subscription, licensing and/or purchase of EDA and development tools	36.7	10.4	Within 36 months
Working capital	32.4	9.2	Within 36 months
Defraying fees and estimated listing expenses	14.3	4.1	Within 1 month
Total	352.0	100.0	

Source: SkyeChip Berhad

Business overview

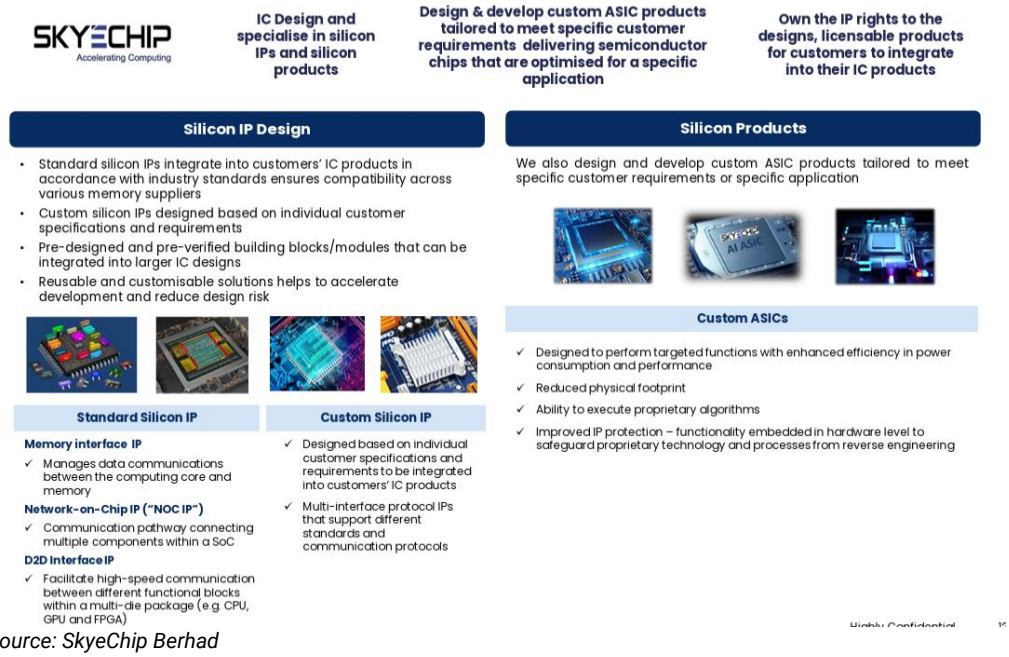
Standard silicon IP (62.6% of FY25 revenue)
The Group provides pre-designed and pre-verified licensable functional blocks which will accelerate the design process of larger ICs, with the portfolio including high-speed memory interfaces (HBM3/3E), Network-on-Chip (NoC) infrastructures for efficient on-chip data routing, and Die-to-Die (D2D) interconnects for 2.5D/3D multi-die packages, which all adhere to JEDEC and UCIe industry standards.

Custom silicon IP (9.2% of FY25 revenue).
The Group designs custom silicon IPs based on individual customer specifications and requirements. This includes multi-interface protocol IPs supporting different standards and communication protocols, such as DDR, LPDDR, MIPI, LVDS, and also custom low-power, low-latency memory interfaces.

Custom ASIC (26.7% of FY25 revenue).
This segment focuses on designing and developing custom ASIC products tailored to meet specific customer requirements, including IoT and AI inference ASICs. These products offer enhanced efficiency in power consumption and performance, a reduced physical footprint, and the ability to execute proprietary algorithms that standard devices are unable to support efficiently.

Others (1.5% of FY25 Revenue).
This segment provides integrated customer support services through customised design services based on requests from customers. It also includes the design of memory test systems and engineering services for the Group's custom ASIC products.

Fig #4 Principal business activities and services provided



Source: SkyeChip Berhad

Financials

Revenue and income highlights. The group reported a revenue increase of RM42.4m (55.1% YoY), increasing from RM77.1m in FY24 to RM119.5m in FY25, mainly driven by the increase in revenue contribution from both standard silicon IP and custom ASIC segments. Revenue from standard silicon IP increased from RM48.1m in FY24 to

RM74.8m in FY25, led by projects secured for a new generation of memory interface IPs, coupled with higher number of projects relating to Network-on-Chip IP. Meanwhile, the Group started incurring custom ASIC segment with a revenue of RM31.9m, thanks to the completion of the design stages of custom ASIC as well as sales of new custom ASIC. However, the gain was partially offset by the custom silicon IP segment, which reduced from RM28.2m in FY24 to RM11.0m in FY25, mainly due to completion of various projects in relation to the design of custom multi-protocol interface IPs for customer. Following the increase in revenue, PAT also saw an increase from RM33.7m in FY24 to RM35.9m in FY25.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 26.3%, with core PATMI expected to reach RM48.5m, RM60.7m and RM72.4m over the next three years. This growth is underpinned by (i) the global AI-driven supercycle and forced memory upgrade cycles for standards like LPDDR6 and HBM4, (ii) increasing orders due to ongoing US-China trade tension and (iii) the Group's strategic entry into the high-margin automotive sector with ISO 26262 safety-qualified interconnect solutions.

Fig #5 Financial Highlights

FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	77.1	119.5	144.5	186.1	223.2
EBITDA	32.0	43.4	50.5	63.4	75.7
EBIT	33.6	36.5	50.5	63.4	75.7
PBT	34.6	37.0	51.1	63.9	76.2
PAT	33.7	35.9	48.5	60.7	72.4
PATMI – Core	33.7	35.9	48.5	60.7	72.4
% change YoY – Core PATMI	17.7%	6.6%	35.0%	25.1%	19.3%
Core EPS (sen)	1.88	2.00	2.70	3.38	4.03
P/E (x)	46.9	44.0	32.6	26.0	21.8
EV/EBITDA (x)	37.6	27.8	22.7	18.1	15.2
DPS (sen)	-	2.1	0.7	0.8	1.0
Yield (%)	0.0%	2.3%	0.8%	1.0%	1.1%
BVPS (RM/share)	0.03	0.07	0.29	0.32	0.35
P/B (x)	25.9	12.5	3.0	2.8	2.5
ROE (%)	63.3%	38.3%	14.8%	11.0%	12.1%
Net Gearing (x)	CASH	CASH	CASH	CASH	CASH

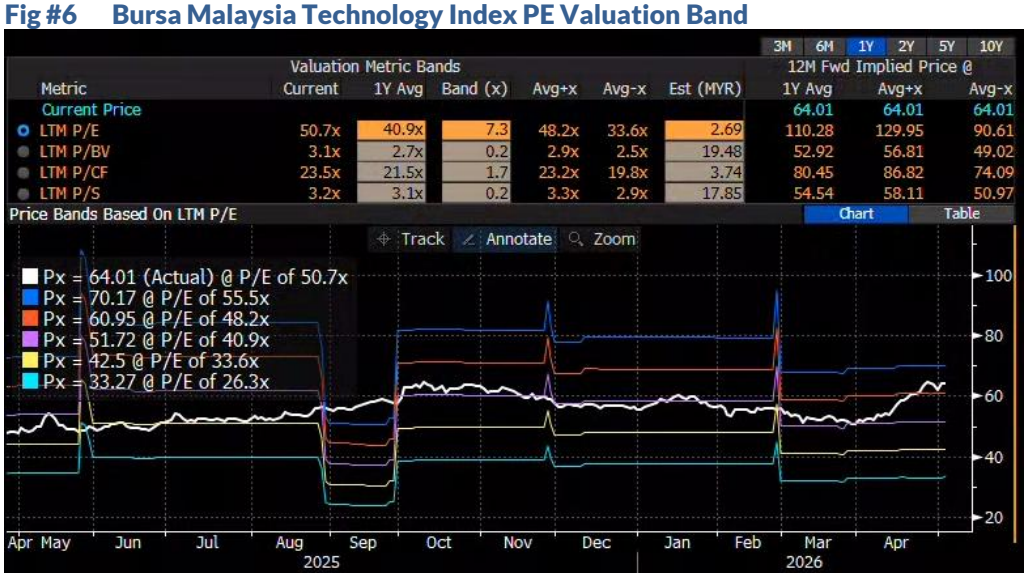
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Valuations

We assign a fair value of RM1.48 per share for SKYECHIP, indicating a 68.2% upside from the IPO price of RM0.88. This valuation is based on a P/E ratio of 40.0x, pegged to mid-FY28f EPS of 3.71 sen.

We believe the ascribed P/E multiple of 40.0x is fair, as it aligns closely with the Bursa Technology index's one-year mean of 40.9x and sits comfortably within its ±1SD valuation band of 33.6x to 48.2x.

Fig #6 Bursa Malaysia Technology Index PE Valuation Band



Source: Bloomberg

Investment risks

Dependency on foundries and design tool providers. The Group relies on advanced process technologies and production support from foundries, alongside specialized tools from a limited pool of suppliers, while disruption with key partners or technical compatibility issues with software suites could impede development and product delivery.

Dependency on skilled technical resources. The Group relies on a highly skilled technical workforce and third-party design services to execute IC design and manage peak workloads. While recruitment and retention are currently stable, any future shortage of engineers could cause project delays and contractual penalties.

Technology and innovation risks. The Group's growth depends on staying current with technological advancements, specifically transitioning to next-generation IP and advanced process nodes down to 3nm or 2nm. Failure to adopt new innovations as timely as competitors could lead to declining demand and adversely affect financial performance.

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Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned