Eckem Holdings Berhad (ECKEM)

Formulating the Success Formula

- **Eckem Holdings Berhad is a Malaysia-based investment holding company, principally engaged in (i) the distribution, sales, and application formulation of specialty industrial chemical products, including additives, resins, and pigments, and (ii) the manufacturing and trading of rubber products such as dental dams, prophylactic dams, and lifestyle exercise bands.**
- **We project 3-year earnings CAGR of 10.1%, with core PATMI expected to reach RM5.0m-RM6.0m over the next three years, supported by (i) the group's ongoing market expansion in Malaysia and overseas and (ii) capacity doubling in rubber production line starting FY28.**
- **We assign a fair value of RM0.14 per share for ECKEM, indicating a 16.7% upside from the IPO price of RM0.12. This valuation is based on a PE multiple of 16.0x, pegged to FY27F EPS of 0.88 sen.**

Investment highlights

Comprehensive product portfolio with global tier-1 principals. ECKEM offers a highly diversified portfolio of 310 specialty industrial chemical products spanning resins, pigments, fillers, and additives. The Group has built strong distribution channels for internationally recognized multinational chemical brands, including BASF SE, Worlee, Wacker, Lanxess, Ingevity, IGM and BLJ.

Margin superiority over commodity chemicals. Unlike commodity chemicals which are produced in large volumes and compete rigidly on composition, ECKEM focuses on specialty industrial chemical products, which require custom formulation to meet specific customer needs. These high-value and specialized chemical products allow the Group to defend its double-digit PAT margins, unlike the commodity chemical producers which are trading at a single-digit PAT margin.

Capacity to double in high-margin rubber segment. ECKEM's rubber manufacturing segment commands an attractive GP margin of 40.3% as of FY25. The Group plans to establish a second manufacturing line in Rawang, effectively doubling its annual output capacity from 134 MT to 268 MT to satisfy the increasing export demand, particularly from China. The second line is targeted to commence in FY28.

Centralization strategy via a new custom hub. As the Group continues to expand, ECKEM plans to utilize its RM6.0m (40.0% of its IPO proceeds) to construct a brand-new centralized corporate office, warehouse, and laboratory facility in Selangor with a total built-up area of approximately 74,772 sq ft. This would centralize its operations away from the current three rented spaces, improving operational and logistical efficiency.

Oil price reduction to prevent elevated margin squeeze. Given that crude oil serves as a primary foundational base material in the production of specialty industrial chemicals, ECKEM's procurement costs are highly sensitive to global commodity prices. With the reopening of the Strait of Hormuz, the normalization and downward trajectory of global crude oil and petrol prices directly alleviate cost pressures on the Group's input materials. This would protect ECKEM from raw material margin compression.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.12**
Target price	**RM0.14**
Previous TP	**-**
Capital upside	16.7%
Dividend return	-
Total return	16.7%

Company profile

Founded in 2007 and incorporated in 2024, Eckem Holdings Berhad is primarily involved in (i) the distribution, sales, and application formulation of specialty industrial chemical products and (ii) the manufacturing and trading of rubber products.

Stock information

Bursa Code	0463
Bloomberg ticker	ECKEM MK
Listing market	ACE
Share issued (m)	625.0
Market Cap (m)	75.0
Shariah compliant	Yes
MITI allocation	Yes

Major shareholders %

Trinity	68.3
Tan Wei Hunn	0.7
Tey Tai See	0.5
Mat Isa Bin Kahar	0.5

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PATMI (m)	4.5	5.0	5.5
EPS (sen)	0.7	0.8	0.9
P/E (x)	16.7	14.9	13.7

Timetable of IPO

Opening of application	25 May
Closing of application	19 June
Balloting of application	24 June
Allotment of the IPO shares	1 July
Listing on the ACE market	3 July

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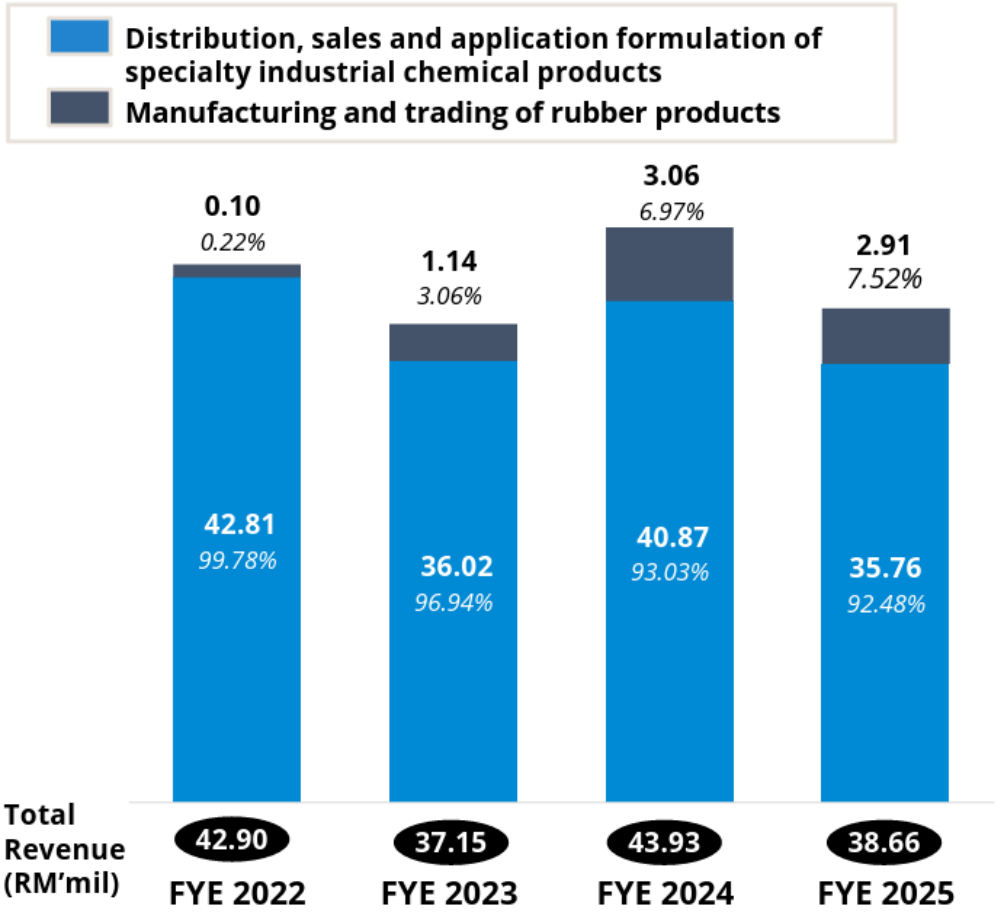
Company background

Started since 2007, Eckem Holdings Berhad is a Malaysia-based specialty industrial chemical distributor and rubber products manufacturer. The Group's business model focuses on two main segments:

i. **Distribution, sales and application formulation of specialty industrial chemicals.** This segment involves the sourcing and distribution of 310 specialty chemical SKUs across (i) resins, (ii) pigments and fillers, and (iii) additives, serving a diversified applications or industries including paint and coatings, construction, PPE, inks, E&E, automotive, and also household and personal care end-markets.

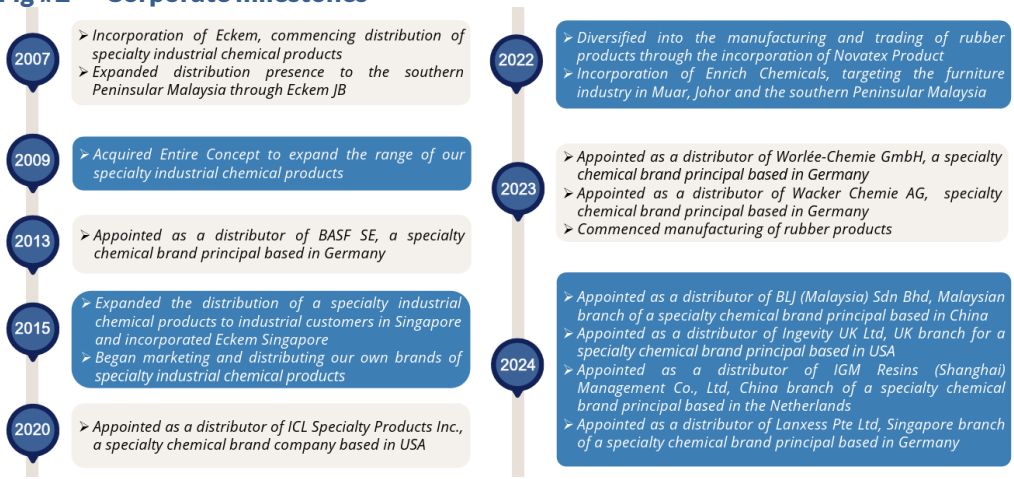
ii. **Manufacturing and trading of rubber products.** This segment focuses on the manufacturing of (i) personal care rubber products like dental dams, latex sheets and oral dams, and (ii) lifestyle products like exercise bands, under the Group's own brands like Novadam, Novadam V and Novaband, and as a contract manufacturer for third-party brands.

Fig #1 Revenue segmentation



Source: Eckem Holdings Berhad

Fig #2 Corporate milestones



Source: Eckem Holdings Berhad

Substantial Shareholders and Key Management

1. Tan Kwang Wah — Managing Director

Tan Kwang Wah, aged 61, co-founded Eckem in 2007 and has steered the Group's overall strategy and business direction as well as well as overseeing the Group's strategic planning and business growth. He holds a Graduate Diploma in Marketing from the Chartered Institute of Marketing (1995) and a Certificate in Marketing from Stamford Group of Colleges (1992), having built his foundational career in sales and marketing at Nestle Products Sdn Bhd (1987–1991) and later as an Assistant Sales Manager at Revertex (Malaysia) Sdn Bhd (1992–2004), a subsidiary of the London Stock Exchange-listed Synthomer PLC. He has been a director of Entire Concept since February 2005 and co-founded the Group's key subsidiaries including Eckem (2007), Eckem JB (2007), Eckem Singapore (2015), Novatex Product (2022) and Enrich Chemicals (2022). He is the spouse of Sam Lai Yoong and the father of Executive Director Tan Khai Jeik and COO Tan Khai Wen.

2. Tan Khai Jeik — Executive Director

Tan Khai Jeik, aged 32, holds a Bachelor of Business and Commerce from Monash University Malaysia (2017). He began his career in January 2017 as a Sales Executive at Entire Concept, progressing to Business Development Manager in January 2020 where he managed key customer portfolios and secured new brand principal relationships across central and southern Peninsular Malaysia. In November 2022, he co-founded Enrich Chemicals to expand the Group's product portfolio targeting the furniture industry in Muar. He has been a member of the Malaysian Paint and Coating Manufacturers' Association as an Associate Executive Committee Member since 2020. He is the son of Managing Director Tan Kwang Wah and Promoter Sam Lai Yoong and the brother of COO Tan Khai Wen.

3. Tan Khai Wen — Chief Operating Officer

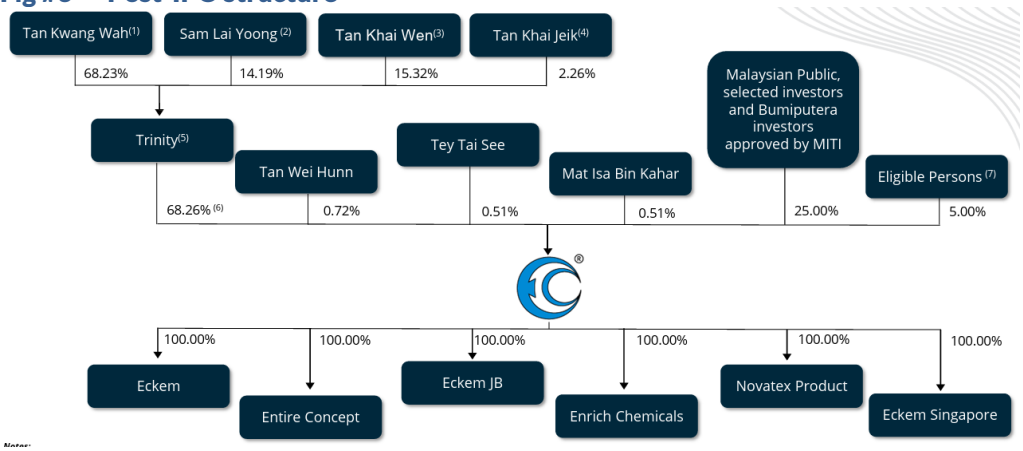
He is responsible for overseeing and managing the day-to-day operations of the Group relating to warehousing, production, and quality control. He graduated with a Bachelor of Business and Commerce, majoring in Accountancy and in Banking and Financial Management from Monash University Malaysia in April 2019. He began his career in 2019 as a Customer Experience Executive at Modalku Ventures Sdn Bhd and later interned at Deloitte Consulting (SEA) Sdn Bhd before joining the Group as a Sales and Marketing Executive in November 2019. He subsequently held various roles within the

Group, including Business Development Manager, before assuming his current position in January 2024.

4. Kam Shih Wui – Chief Financial Officer
He is primarily responsible for managing the Group's overall accounting, finance, human resources, and administration functions. He graduated with a Bachelor of Accountancy (Honours) from Universiti Selangor in October 2009 and subsequently obtained a Master in Business Administration from Asia Metropolitan University, Malaysia, in December 2017. His career includes multiple accounting and financial management roles at companies such as Wipro Unza (M) Sdn Bhd, Biaxis (M) Sdn Bhd, GGTM Sdn Bhd, Angka Alamjaya Sdn Bhd, Toyota Auto Body (Malaysia) Sdn Bhd, Skynet Worldwide (M) Sdn Bhd, and One Gasmaster Sdn Bhd. He joined the Group as a Finance Manager in April 2024 before assuming his current position in January 2025.

5. Lim Ee Chee – Purchasing Manager
She is responsible for developing and executing purchasing strategies and managing procurement to enhance the Group's overall operational efficiency. She graduated with a Bachelor of Science, majoring in Biotechnology from Monash University Malaysia in September 2003. She began her career in 2003 as an Assistant Chemist with Axalta Powder Coating Systems (Malaysia) Sdn Bhd and later spent over 17 years at Thor Specialties Sdn Bhd rising from Laboratory Technician to Laboratory Supervisor. She joined the Group in June 2021 as a Purchasing Executive before assuming her current position in January 2025.

Fig #3 Post-IPO structure



Source: Eckem Holdings Berhad

Fig #4 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Construction of new corporate office, warehouse and laboratory	6.0	40.0	Within 36 months
Expansion of new production line for our rubber products	2.0	13.3	Within 24 months
Repayment of bank borrowings	1.5	9.7	Within 12 months
Working capital	1.8	11.7	Within 24 months
Estimated listing expenses	3.8	25.3	Within 1 month
Total	15.0	100.0	

Source: Eckem Holdings Berhad

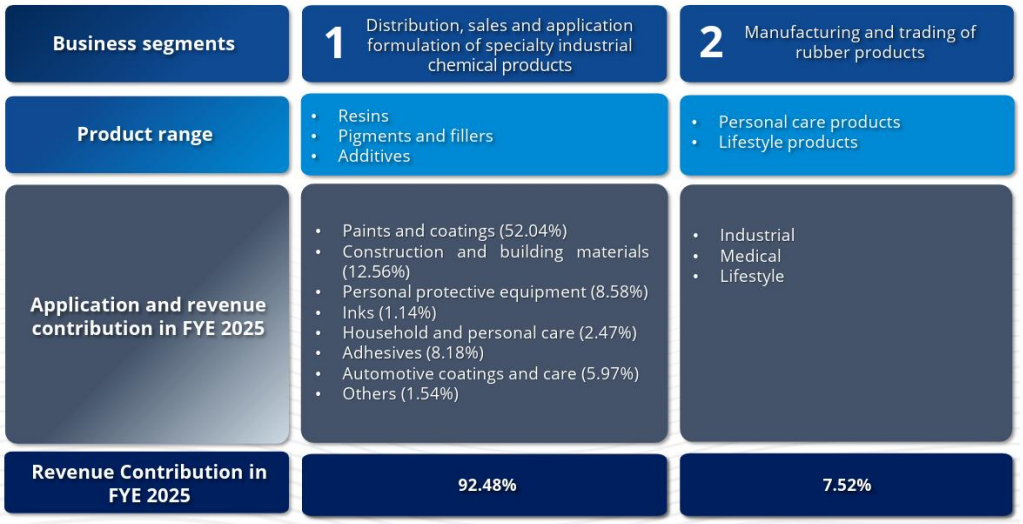
Business overview

Distribution, sales and application formulation of specialty industrial chemical products (92.5% of FY25 revenue)
This segment involves the sourcing, distribution and sales of specialty industrial chemical products, including additives, pigments, fillers, and resins, typically for the

applications in paints and coatings, construction and building materials, PPE, inks, household and personal care, adhesives, automotive coatings and care. The products are sourced from major brand principals overseas and Malaysia, with the Group maintaining 3 to 6 months of high-demand inventory to ensure prompt supply. Leveraging an in-house laboratory and chemist, ECKEM adds value by engineering custom application formulations to optimize product performance as well.

Manufacturing and trading of rubber products (7.5% of FY25 revenue)
This segment focuses on transforming raw natural rubber latex into specialized medical, hygiene, and lifestyle products. Operating through its subsidiary, Novatex Product, the Group utilizes an automated production line to execute in-house manufacturing of rubber products. The product mix is tailored to strict functional specifications for local and export markets, comprising personal care items like medical dental dams and prophylactic dams alongside fitness resistance exercise bands.

Fig #5 Principal business activities



Source: Eckem Holdings Berhad

Fig #6 SWOT analysis of ECKEM

Strength	Weakness
• Authorized distributor for tier-1 multinationals like BASF SE and Lanxess. • Customer stickiness through in-house chemist and application formulation setup • Healthier GP margins (25%-32%) compared to the commodity chemical distributors as specialty chemical positioning drives pricing power	• Heavy BASF SE concentration, with 59.6% of total purchases coming from BASF SE in FY25 • Despite having a consistent double-digit margin, the Group's cyclical and volatile revenue and project timing create earnings lumpiness
Opportunity	**Threat**
• Capacity doubling from 134MT to 268MT in rubber production line • Consolidation of operations through a new single self-owned logistic facility	• Absence of long-term client contracts, entirely purchase-order spot dependent • Volatile crude oil and chemical commodity spot prices impacting input margins

Source: M+ Research

Financials

Revenue and income highlights. The Group posted revenue of RM38.7m in FY25, a decline of RM5.3m (12.0% YoY) against RM43.9m in FY24, dragged by lower sales recorded in the distribution, sales and application formulation of specialty industrial chemical products segment, which eased from RM40.9m to RM35.8m as demand from the paints, coatings and adhesives industries softened. Similarly, the manufacturing and trading of rubber products segment also experienced a slowdown, which reduced from RM3.1m in FY24 to RM2.9m in FY25, no thanks to lower orders of exercise bands. Following a softer topline, PAT also declined 20.7% YoY to RM4.5m, with gross margin held broadly flat at 27.8% (FY24: 27.5%).

Balance sheet. Total assets increased from RM74.9m in FY24 to RM84.3m in FY25, mainly contributed by the increase in investment properties. Total equity strengthened from RM34.6m to RM39.0m on higher retained earnings, while net gearing remained elevated at 0.8x pre-IPO. Post-listing, RM1.45m of IPO proceeds earmarked for bank borrowing repayment will modestly reduce the leverage profile to 0.2x.

Cash flow. Net cash from operating activities improved from RM5.0m in FY24 to RM5.9m in FY25, driven by lesser net income tax paid. Investing cash outflow moderated sharply from RM79.0k to just RM19.0k in FY25, reflecting the near-completion of the Group's most recent investment phase. Net cash used in financing activities rose to RM3.4m (FY24: RM2.0m), primarily attributable to higher repayments on the Group's term loan facilities.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 10.1%, with core PATMI expected to reach RM5.0m, RM5.5m and RM6.0m over the next three years. This growth is underpinned by (i) the group's ongoing market expansion in Malaysia and overseas and (ii) capacity doubling in rubber production line starting FY28.

Fig #7 Financial Highlights

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	43.9	38.7	41.7	44.9	48.7
EBITDA	9.3	8.0	8.5	9.1	9.9
EBIT	8.7	7.4	8.2	8.7	9.4
PBT	7.5	6.0	6.7	7.3	7.9
PAT	5.6	4.5	5.0	5.5	6.0
PATMI – Core	5.6	4.5	5.0	5.5	6.0
PATMI – Reported	5.6	4.5	5.0	5.5	6.0
% change YoY – Core PATMI	-18%	-21%	12%	9%	9%
Core EPS (sen)	0.9	0.7	0.8	0.9	1.0
P/E (x)	13.3	16.7	14.9	13.7	12.5
EV/EBITDA (x)	7.2	8.4	7.9	7.4	6.8
DPS (sen)	1.4	1.4	-	-	-
Yield (%)	11%	11%	0%	0%	0%
BVPS (RM/share)	0.1	0.1	0.1	0.1	0.1
P/B (x)	2.2	1.9	1.3	1.2	1.1
ROE (%)	17%	14%	11%	9%	9%
Net Gearing (x)	0.8	0.8	0.2	0.1	0.1

M+ Research

Valuations

We assign a fair value of RM0.14 per share for ECKEM, representing a 16.7% upside from the IPO price of RM0.12. This valuation is based on a PE multiple of 16.0x, pegged to FY27F EPS of 0.88 sen.

Even though the peers average historical P/E and forward P/E in the commodity and specialty chemicals are trading at 14.3x, we believe the assigned P/E multiple is fair, reflecting ECKEM's higher ROE and NP margin. ECKEM has a ROE of 13.7% and NP margin of 11.6%, relatively higher than its peers average of 10.4% and 5.0% respectively.

Fig #8 Peers comparison

	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
Eckem Holdings Berhad	**ACE**	**Dec**	**0.12**	**75.0**	***16.7**	****13.7**	***13.7**	***11.6**
TMK CHEMICAL BHD	MAIN	Dec	2.36	2,360.0	24.3	16.9	13.0	9.2
Ancom Nylex Bhd	MAIN	May	0.88	922.8	12.8	11.8	11.9	3.4
Luxchem Corp Bhd	MAIN	Ded	0.41	432.9	9.7	N/A	7.7	5.7
Samchem Holdings Bhd	MAIN	Dec	0.50	272.0	10.4	N/A	9.0	1.6
Avg ex-Eckem Holdings Berhad				**996.9**	**14.3**	**14.3**	**10.4**	**5.0**

Source: M+ Research (*FY25, **FY27f)

Investment risks

Dependency on major supplier. With nearly 60% of ECKEM's chemical input is generated by a single principal group (BASF SE), any structural revision or termination in their distribution arrangement would directly impact ECKEM's revenue.

Geographical industrial demand sensitivity. Demand for specialty resins and additives fluctuates closely with civil construction, real estate, and consumer manufacturing lifecycles within Malaysia and Singapore.

Regulatory and compliance exposure. The chemical storage and rubber sectors require strict compliance licenses, such as MOH Poisons license and MRB licenses for rubber purchases and storage.

Environmental, Social and Governance (ESG) Practices

Environmental:

- Waste management via AutoCount digital platform reduces paper usage and prevents overstocking or product expiry
- Implementation of office-wide recycling programs for paper
- Strict compliance with Guidelines on Storage of Hazardous Chemicals, regular safety inspections and staff training for handling of specialty chemical products.
- Licensed waste management collectors engage for disposal of general industrial wastes, scrap rubbers and scheduled wastes in compliance with EQA 1974 and EQSWR 2005; all disposal activities documented for traceability.

Social:

- Full compliance with OSHA 1994 with in-house safety coordinators and emergency response team at all operational facilities
- Certified safety courses for forklift operators and production staff.
- Implementing strict stock stacking height limits and ensuring stability to safeguard employees from potential injuries caused by falling items.

- Equal opportunity employment policy, including fair treatment in hiring, promotions and wages with non-discrimination on gender, ethnicity, religion or background.
- Prioritise local supplier partnerships to support Malaysian economy.

Governance:

- Implementation of Whistleblowing Policy, Anti-Bribery and Corruption Policy, Anti-Money Laundering (AML) Policy and Code of Ethics
- Meets at least 30% female representation criteria, with 2 women Directors currently serving the Board of 6 members.

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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