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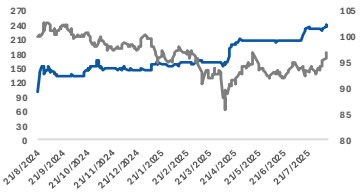
Recommendation:		BUY
Current Price:		RM 0.69
Previous Target Price:		N/A
Target Price:	↑	RM 0.86
Capital Upside/Downside:		24.6%
Dividend Yield (%):		1.7%
Total Upside/Downside:		**26.3%**

Stock information	
Board	ACE
Sector	Renewable Energy
Bursa / Bloomberg Code	0318 / ELRIDGE MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	2,000.0
Market Cap (RM' m)	1,370.0
52-Week Price Range (RM)	0.69-0.325
Beta (x)	#N/A N/A
Free float (%)	64.9
3M Average Volume (m)	3.5
3M Average Value (RM' m)	2.2

Top 3 Shareholders	(%)
Kayavest Sdn Bhd	16.4
Rhb Trustees Bhd	12.1
Yeo Hock Cheong	7.0

Share Price Performance



	1M	3M	12M
Absolute (%)	15.1	15.1	N/A
Relative (%)	11.5	14.8	N/A

Earnings Summary	FY25F	FY26F	FY27F
Revenue (RM'm)	434.8	569.2	642.6
PATAMI (RM'm)	57.3	77.8	89.0
CNP (RM'm)	57.3	77.8	89.0
EPS - core (sen)	2.9	3.9	4.4
P/E (x)	23.9	17.6	15.4

Elridge Energy Holdings Berhad

Locking in PKS Growth with Long-Term Contracts

- **ELRIDGE is principally involved in the manufacturing and trading of biomass fuel products, particularly palm kernel shells (PKS) and wood pellets. Key customers include Malaysia, Indonesia, Singapore, and Japan comprising mainly palm millers and biomass power plant operators.**
- **ELRIDGE is well positioned to capture Japan's growing demand for GGL-certified biomass fuels, supported by its proven track record, which includes a 15-year contract with a renowned Japanese Company, its status as one of Malaysia's largest GGL-certified PKS producers, and ongoing capacity expansion plans.**
- **With c.40% of production capacity secured under long-term agreements, ELRIDGE benefits from predictable cash flows, stable operating margins, and robust revenue visibility, providing an assurance of earnings growth over medium term.**
- **We project earnings to grow at a 23.9% three-year CAGR, supported by the continued expansion plans of its PKS manufacturing lines, a robust order book secured through long-term contracts, and an improved product mix with greater contributions from higher-margin GGL-certified PKS.**
- **We initiate coverage on ELRIDGE with a BUY recommendation and a TP of RM0.86 based on 22x FY26F EPS of 3.9sen and appraised with a three-star ESG rating.**

Key Investment Highlights

Earnings Visibility Backed by Long-Term Contracts. ELRIDGE's earnings profile is underpinned by the stability of long-term sales agreements, with c.40–50% of existing production capacity secured under contracts exceeding five years. These agreements provide predictable offtake volumes, supporting capacity utilisation and revenue visibility across market cycles. The inclusion of market-linked pricing mechanisms within these contracts allows the Group to periodically adjust selling prices in line with prevailing biomass market conditions, helping to preserve margins while ensuring competitiveness.

Proxy to Japan's Growing Biomass Demand. Japan's Feed-in Tariff (FiT) programme promotes biomass adoption by offering premium tariffs between 21 and 24 yen per kWh, along with an additional 1.5 yen per kWh incentive for producers using GGL-certified palm kernel shells (PKS). ELRIDGE is well positioned to benefit from this favourable policy environment, supported by (i) its status as one of Malaysia's largest GGL-certified PKS manufacturers; (ii) a 15-year long-term contract with a key Japanese client; and (iii) ongoing capacity expansions to meet growing demand. We project ELRIDGE's CNP to achieve a strong CAGR of 23.9% over the next three years, reaching RM89.0m by FY27F.

Margin Expansion. We project ELRIDGE's CNP margin to expand from 12% in FY24 to 13.8% in FY27F, supported primarily by a greater proportion of premium GGL-certified products. Long-term contracts currently secure c.40% of ELRIDGE's ~960,000 MT/year production capacity, providing strong revenue visibility and operational stability in the medium term. Notably, the memorandum of understanding (MoU) with JFE Shoji serves as a cornerstone of ELRIDGE's growth strategy, positioning the company to capitalize on Japan's accelerating transition toward higher-margin GGL-certified PKS.

Compelling Valuation. ELRIDGE's valuation appears relatively undervalued, supported by (i) predictable cash flows backed by long-term contracts covering c.40% of its ~960,000 MT production capacity; (ii) capacity expansion potential at the Kapar site, capable of adding an additional 240,000 MT per year to meet increasing demand; and (iv) a forward PER below 15x, significantly lower than solar EPCC peers typically valued at 20-30x despite thinner margins.

Valuation & Recommendation. We initiate coverage of ELRIDGE with a **BUY** recommendation and a TP of **RM0.86** based on 22x FY26F EPS of 3.9sen and appraised with a three-star ESG rating. Valuation remains attractive, reflected by a PEG ratio of 0.92x, supported by a projected EPS CAGR of 23.9% over FY24 to FY27F.

KDN PP13226/06/2024 (035469)

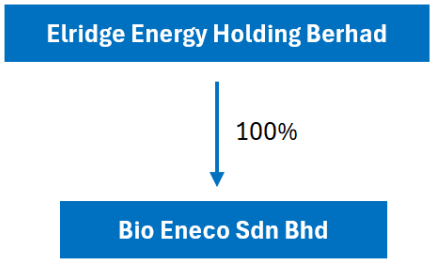
Company Background

Elridge Energy Holdings Berhad (ELRIDGE) is a leading biomass fuel producer in Malaysia. Operating through its wholly owned subsidiary, Bio Eneco Sdn Bhd, the Group specialises in manufacturing and exporting palm kernel shells (PKS) and wood pellets, serving both domestic and Asia-Pacific markets. Its customer base spans Japan, South Korea, Indonesia, and China, underpinned by long-term relationship and stringent quality compliance.

Founded in 2011 as Bio Eneco, the business started with local PKS supply before expanding into exports in 2013. Subsequent capacity upgrades and operational milestones, most notably the commissioning of the Telok Gong facility and the Kapar plant, have positioned ELRIDGE as a scalable, export-oriented supplier. Both facilities are certified under PEFC, Green Label, and Green Gold Label, ensuring compliance with international sustainability standards.

Today, ELRIDGE is recognised as a reliable partner for renewable energy projects across the region, with its biomass fuels contributing to decarbonisation targets and energy diversification strategies in key importing countries. The Group's ability to deliver consistent volumes, meet exacting certification requirements, and maintain cost competitiveness reinforces its role as a long-term player in the Asia-Pacific renewable energy value chain.

Figure 1: Corporate structure

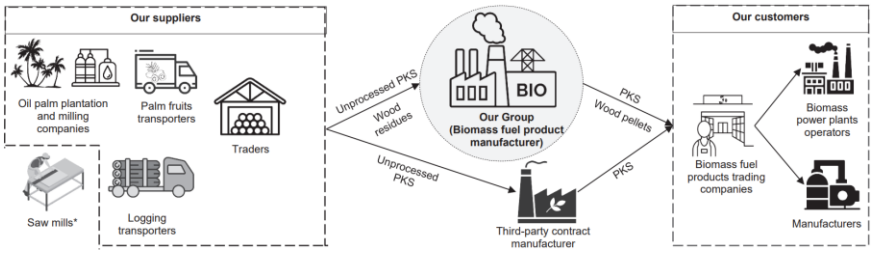


Source: ELRIDGE, Apex Securities

Business Overview

Business Model. ELRIDGE's operations are anchored by two core activities: (i) manufacturing of PKS, and (ii) the manufacturing and trading of wood pellets. PKS form the Group's core product, accounting for the majority of its production capacity and export revenue, while wood pellets serve as a complementary offering to diversify its product mix and address broader biomass fuel demand.

Figure 2: Business Overview



Source: ELRIDGE

Palm Kernel Shells (PKS) are the hard shells remaining after palm oil extraction, repurposed as a cost-effective biomass fuel alternative to coal. With a high calorific value and low levels of moisture, ash, and impurities, PKS is widely used in biomass power plants and various industrial applications.

Wood Pellets are compressed biomass made from organic materials such as sawdust and wood chips, providing an efficient and sustainable alternative to coal. With high energy content, low moisture, and minimal ash and pollutants, wood pellets are ideal for heating and power generation.

Figure 3: PKS (Left) and Wood Pellets (Right)

Source: ELRIDGE

Business operation. ELRIDGE's primary manufacturing operations are centred at two key facilities located in Telok Gong and Kapar. The Telok Gong facility is located near Port Klang, one of Malaysia's busiest and most connected seaports. It serves as the Group's principal revenue generator and primary export hub. Following the relocation of one production line to Kapar, the plant now operates five production lines with an annual capacity of 720,000MT for PKS and 36,000MT for wood pellets. The Kapar facility was expanded to accommodate increasing demand and now runs three production lines with an annual capacity of 240,000MT PKS.

In addition to its manufacturing facilities, ELRIDGE operates two warehouses to support its logistics operations. The Port Klang warehouse, strategically located near the port, facilitates efficient international shipments by reducing delivery time and costs. Meanwhile, the Kuantan warehouse primarily serves as a storage site for products manufactured by third-party contract manufacturers before export via Kuantan Port.

Figure 4: Telok Gong Facility and Kapar Facility

Source: ELRIDGE

To support its expanding operations, ELRIDGE plans to construct and lease three new factories in (i) Kuantan, (ii) Pasir Gudang, and (iii) Lahad Datu.

The Kuantan facility, with an estimated built-up area of c.105,000 sq ft, will feature two PKS production lines and is projected to reach an annual capacity of 240,000MT once fully operational. Commercial operations are targeted to commence by end-2025.

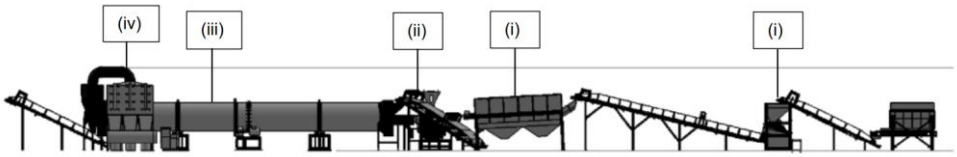
Concurrently, the Group is actively sourcing rental properties for new factories in Johor and Sabah, with site selection focused on strategic port access and proximity to oil palm plantations to optimise raw material logistics. Each facility will house two PKS production lines, contributing an additional 240,000MT of annual capacity per site. The Johor facility aims for COD by end-2025, while the Sabah plant is expected to begin operations in 2026.

Figure 5: Summary of Plant's PKS Capacity

	Plant	Capacity (MT)	Status
1	Kapar, Selangor	240,000	Operational
2	Telok Gong, Selangor	720,000	Operational
3	Kuantan, Pahang	240,000	COD end of 2025
4	Pasir Gudang, Johor (Rent)	240,000	COD end of 2025
5	Lahad Datu, Sabah (Rent)	240,000	COD 2026
	Total	**1,680,000**	

Source: ELRIDGE, Apex Securities

Figure 6: Overview of the PKS Production Process



Source: ELRIDGE, Apex Securities

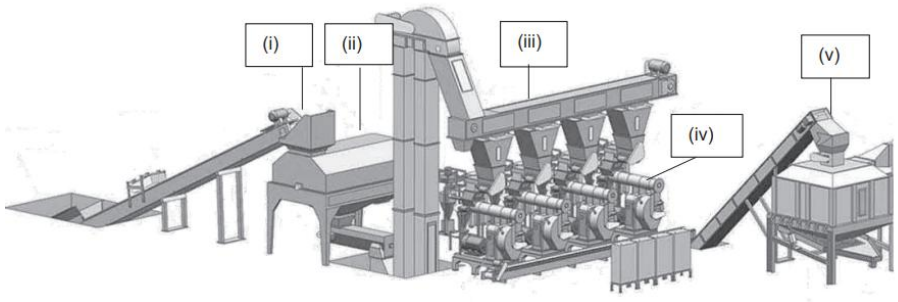
The preparation of unprocessed PKS involves four main steps:

- **(i)** **Screening** to remove large non-PKS materials,
- **(ii)** **Drying** to reduce moisture levels according to customer specifications,
- **(iii)** **Magnetic Filtering** to remove metal impurities and ensure product quality,
- **(iv)** **Stone Removal** to eliminate small stones and particles for a cleaner product, and
- **(v)** **Dust Removal** to remove fine dust particles and enhance the overall quality of the biomass fuel.

While fundamental PKS processing technology is widely available and typically based on standard industry practices such as screening and drying, ELRIDGE has secured a competitive advantage through its **patented PKS processing method** granted in September 2022. This proprietary technology enhances quality control, operational efficiency, and product consistency, differentiating ELRIDGE from its peers in biomass fuel production.

ELRIDGE also produces wood pellets, focusing on customised niche products for clients seeking premium solutions. Although wood pellet operations are currently smaller scale with an annual capacity of 36,000MT, the Group targets specialised market segments that command premium pricing. Nevertheless, PKS remains the dominant product due to its lower production costs and widespread use in biomass power generation, making it a more cost-effective option for large-scale applications.

Figure 7: Overview of the Wood Pellets Production Process



Source: ELRIDGE, Apex Securities

The manufacturing process of wood pellets involves five main steps:

- **(vi)** **Chipping** to break wood residues into smaller pieces,
- **(vii)** **Preliminary Screening** to remove foreign materials and impurities,
- **(viii)** **Drying** to reduce moisture according to customer specifications,
- **(ix)** **Sizing and Pelleting** to form uniform particles and compress them into pellets, and
- **(x)** **Cooling** to solidify the pellets and remove remaining impurities through screening.

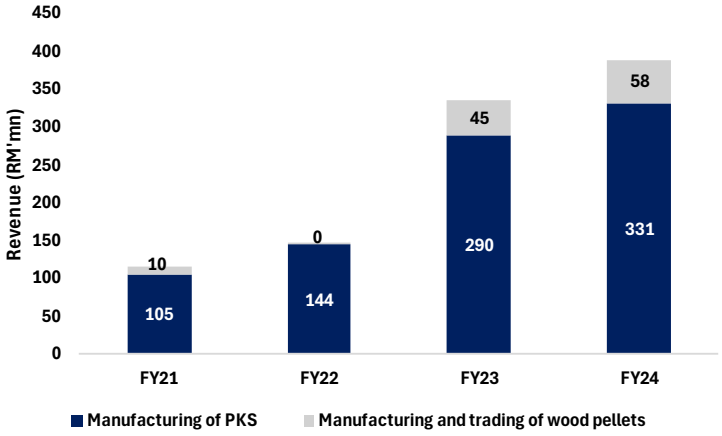
Sales Channel. The majority of ELRIDGE's biomass fuel products are sold internationally to traders primarily based in Singapore, Indonesia, and Japan, under the Free on Board (FOB) shipping arrangement. Under this model, ELRIDGE's responsibility concludes once the goods are loaded at the port of shipment, with traders assuming responsibility for shipping, insurance,

and final delivery to end-users such as industrial boiler manufacturers and biomass power plant operators. However, some customers collect the products directly from ELRIDGE's factories, in which case the FOB terms do not apply. This flexible sales approach enables ELRIDGE to focus on production while effectively managing risks related to international logistics and inventory.

Sales Contract Structure. ELRIDGE secures its sales through a mix of short- and long-term contracts, both structured around fixed volume commitments that provide visibility on production planning and capacity utilisation. While volumes are predetermined, pricing remains flexible and is periodically reviewed in consultation with customers, reflecting prevailing market prices, product specifications, logistics costs, and foreign exchange movements. This approach enables ELRIDGE to pass through a portion of cost changes, preserving margin stability while ensuring competitive pricing for buyers.

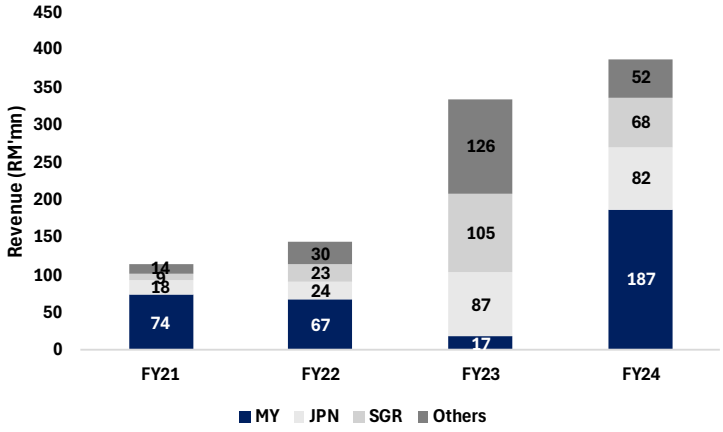
Revenue Breakdown. PKS is ELRIDGE's primary revenue driver, with segmental sales rising from RM104.8m (91% of total revenue) in FY21 to RM331.3m (85%) in FY24. Revenue from wood pellets, while initially minimal, rose significantly from RM10.4m (9%) in FY21 to RM57.7m (15%) in FY24, reflecting the Group's ability to capture incremental demand in alternative biomass fuels. Geographically, Malaysia was the largest contributor in FY24, followed by Japan and Singapore, which collectively accounted for more than 95% of total revenue.

Figure 8: Revenue Breakdown by Product Type



Source: ELRIDGE, Apex Securities

Figure 9: Revenue Breakdown by Geographical Market

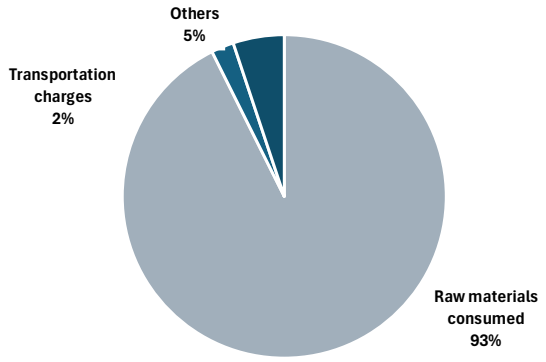


Source: ELRIDGE, Apex Securities

Cost analysis. Consistent with biomass industry norms, raw materials make up the majority of ELRIDGE's cost base. We estimate that over 80% of total costs are attributable to raw materials, with unprocessed PKS constituting the largest component in line with the Group's sales mix. ELRIDGE sources its raw materials from a diversified supplier base comprising local and

international traders, oil palm plantations, milling companies, and transporters of palm fruit and logs. As PKS is a standardised waste by-product, crude palm oil manufacturers are generally incentivised to sell to biomass processors rather than dispose of it, resulting in a straightforward and stable sourcing process.

Figure 10: FPE24's COGS Breakdown



Source: ELRIDGE, Apex Securities

ELRIDGE typically procures unprocessed PKS in bulk via a combination of long-term and short-term contracts. Long-term agreements, usually spanning up to one year, account for c.40% of the Group's total raw material purchases. These contracts include monthly price reviews and annual quantity assessments. The balance of raw materials is sourced through short-term contracts, generally less than one year in duration, with various millers to secure required volumes as needed. ELRIDGE's strong cash position provides the flexibility to negotiate favourable contract terms and maintain relatively stable input costs over time.

Secondary raw materials primarily consist of wood residues. Since wood pellets are not currently ELRIDGE's core focus, these materials are generally procured on an ad hoc basis rather than through formal contracts. Procurement depends on available supply and specific customer requirements, including calorific value, ash content, sulphur, and chlorine levels.

As of March 2025, ELRIDGE employed c.45 staff, including non-production personnel, with around 90% comprising local employees. Most are paid well above the minimum wage, suggesting minimal impact from the recent RM1,700 minimum wage adjustment. The Group's plants are highly automated, achieving a production capacity of over 21,000 MT per employee. Electricity costs represent less than 1% of total operating expenses, and upcoming tariff adjustments are expected to remain manageable.

GP margins. Given that barriers to entry for PKS production are generally low and the industry is highly fragmented, we believe the following factors reasonably explain how ELRIDGE is able to achieve and sustain double-digit gross profit margins over time:

(i) **Strategic Location.** ELRIDGE's Telok Gong and Kapar factories are strategically located near major ports and palm oil mills, significantly reducing raw material collection, storage, and transportation costs. This advantageous positioning enables efficient service of large-scale export markets with strong demand.

(ii) **Strong balance sheet.** Leveraging its net cash position, ELRIDGE can make upfront payments, securing two long-term contracts that collectively represent c.40% of total revenue. This strategy supports stable and predictable profit margins for its PKS business.

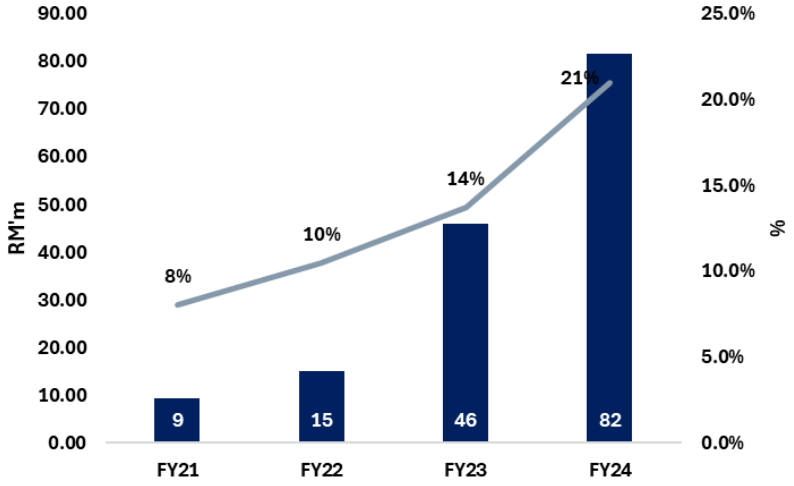
(iii) **Economic of scale.** As PKS is a byproduct of crude palm oil production, economies of scale are critical in lowering operational costs. Holding an estimated 20% market share in Malaysia, ELRIDGE's scale allows effective fixed cost absorption.

(iv) **Sustainability Certification.** ELRIDGE holds key certifications including PEFC for wood pellets, the Green Gold Label for PKS, and the Green Label Certification. These

credentials facilitate market access, particularly among Japanese customers prioritising ESG compliance. Certified biomass fuel products typically command a 15% price premium over standard PKS, enhancing ELRIDGE's ability to secure long-term contracts with Japanese buyers. Furthermore, ELRIDGE's trademarked PKS production process underscores its commitment to quality assurance and advanced technology, differentiating the Group in the global biomass market.

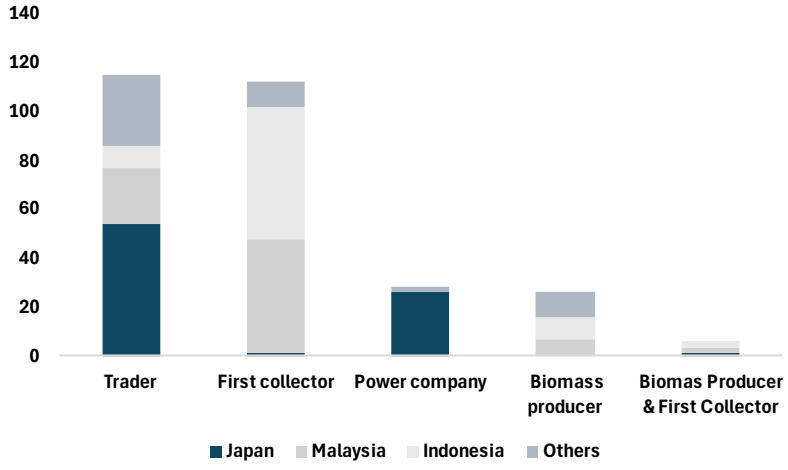
(v) **Reputable Japanese clients.** ELRIDGE has secured several long-term contracts with established Japanese buyers. These contracts require meeting strict product specifications and quality standards, as well as demonstrating sufficient production capacity. The Japanese due diligence process typically involves site visits and negotiations over at least two years before approving trial shipments and signing long-term agreements.

Figure 11: Gross Profit (LHS) and Gross Profit Margin (RHS) from FY21 to FY24



Source: ELRIDGE, Apex Securities

Figure 12: Overview of GGL Certificate Holders



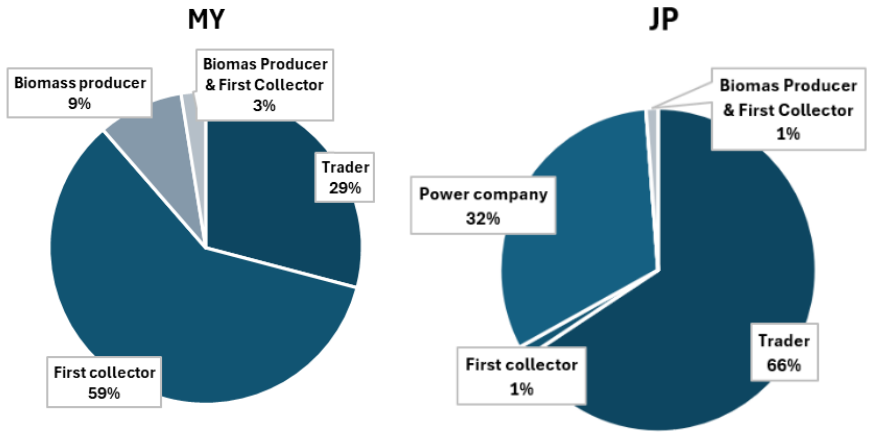
Source: ELRIDGE, Apex Securities

Figure 12 shows that Japan dominates the trader and power company segments, underlining its position as a major importer and user of sustainable biomass. In contrast, Malaysia and Indonesia account for the largest share of certified biomass producers, reinforcing their status as the world's primary sources of PKS and other biomass products.

Based on the latest GGL certificate holder data, Malaysia leads the regional biomass supply chain with 79 certificate holders, including 47 in First Collection, 23 Traders, and 7 Biomass Producers. This establishes Malaysia as a key sourcing and aggregation hub, second only to Indonesia. Japan, with 82 certificate holders predominantly comprising 54 Traders and 26 Power Companies, remains the primary importer and end-user, underscoring strong demand

in its power generation sector. Given Japan's robust demand, ELRIDGE's expansion plans in Malaysia are well-positioned to capitalise on this opportunity by leveraging its proximity to palm oil mills, key certifications (GGL, PEFC, Green Label), and its estimated 20% market share in the Japanese market. This strategic positioning supports ELRIDGE's ability to scale PKS production and exports, capture Japan's expanding biomass market, and enhance margins through the supply of certified, high-demand biomass products.

Figure 13: Overview of GGL Certificate Holders in MY and JP



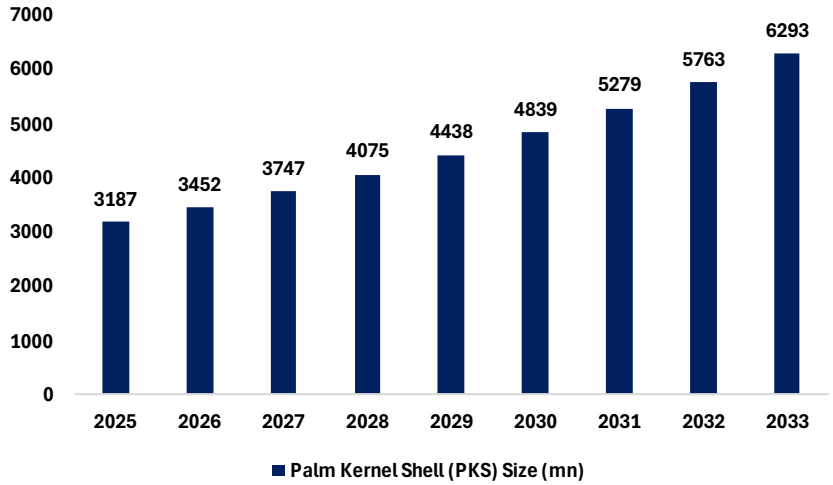
Source: ELRIDGE, Apex Securities

Orderbook. Given the nature of the biomass industry, up to 60% of ELRIDGE's revenue is generated from purchase orders requiring fast turnaround times. As a result, the order book is not a meaningful performance indicator. Typically, purchase orders and spot sales yield higher margins, making spot sales the Group's preferred sales approach.

Industry Overview

The global PKS fuel market, valued at USD3.2bn in 2025, is projected to grow at a CAGR of 8.9% through 2033, according to AMR. This growth is driven by high fossil fuel prices, stricter environmental regulations, and increased demand for renewable energy. PKS is gaining popularity as a cost-effective biomass alternative, especially in industrial heating and power generation. The Asia Pacific region is set to lead this expansion, supported by government clean energy mandates and growing environmental awareness among manufacturers and power plant operators.

Figure 14: PKS Market Forecast from 2025–2033

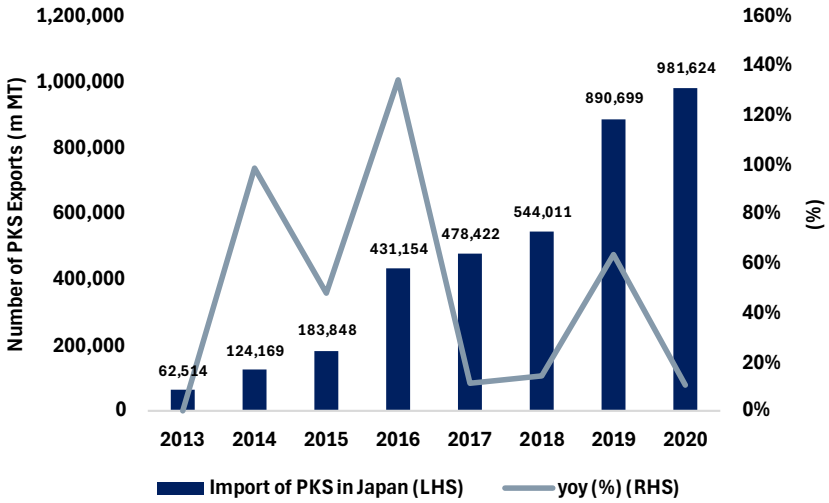


Source: ELRIDGE, Apex Securities

Given ELRIDGE's meaningful exposure to the Japanese market, this section provides an analysis of Japan's market dynamics and addressable opportunities. Driven by environmental degradation linked to fossil fuels and the nuclear disaster at Fukushima, Japan is undertaking significant measures to shift its energy mix. The country has set ambitious targets to reduce greenhouse gas emissions by 60% by 2035 and 73% by 2040, relative to 2013 levels. To achieve these objectives, Japan is accelerating the adoption of renewables such as biomass, solar, wind, geothermal, and hydro, while reducing reliance on crude oil and coal.

Within this framework, biomass energy is expected to account for c.4% of Japan's planned energy mix by 2030, supporting the ongoing transition away from fossil fuels. Japan's commitment to biomass began in 2002 with the introduction of the Biomass Nippon Strategy. This was followed by participation in the Kyoto Protocol in 2005 and the enactment of the Basic Act for the Promotion of Biomass Utilization in 2009. The Great Eastern Japan Earthquake and the Fukushima accident in 2011 further accelerated Japan's renewable energy agenda, leading to the launch of the Biomass Industrialization Strategy in 2012. In recent years, the 7th Strategic Energy Plan, approved in 2025, reaffirmed Japan's target for biomass to contribute between 5-6% of the nation's electricity mix by 2040. However, the government is now tightening restrictions on new large-scale biomass projects and is placing greater emphasis on sustainability and supply chain transparency for imported biomass. Imports, particularly wood pellets and PKS from Indonesia and Malaysia, remain essential for meeting these targets.

Figure 15: Malaysia-to-Japan PKS Export Volume from 2013 to 2020



Source: ELRIDGE, Apex Securities

Japan's biomass energy sector has embraced PKS as a vital renewable fuel, with imports from Malaysia surging from 62,000MT in 2013 to 981,000MT in 2020 marking an almost 15.7-fold increase over the period, driven by the Feed-in-Tariff (FIT) scheme's inclusion of biomass power in 2013. Indonesia and Malaysia remain Japan's primary PKS suppliers, supporting the nation's push for sustainable energy.

Complementing PKS, wood pellets are a cornerstone of Japan's biomass strategy, with the market projected to grow from USD631.4m in 2024 to USD1,159.2m by 2033 at a 7.0% CAGR. In 2021, Japan imported 3m MT of wood pellets, with 58% from Vietnam and 29% from Canada, while domestic production was limited to 150,000MT (4.8% of consumption). This underscores Japan's heavy reliance on imports, particularly as its 135 small-scale pellet facilities struggle to compete with large-scale foreign suppliers producing between 100 to 1,000 tons annually, far below the capacity of modern export facilities. The FIT program, alongside stricter sustainability certifications effective April 2024, further incentivises imports, particularly from Vietnam, which dominates the market.

Japan's Green Transformation Basic Policy approved in February 2023 further strengthens the nation's clean energy strategy. The GX roadmap allocates ¥20tr in public funds to mobilize ¥150tr in public-private investments, aiming for 36–38% renewable energy by 2030. The plan promotes sustainable biomass under the FIT scheme and prioritizes certifications such as Green Gold Label (GGL) for PKS and wood pellets, ensuring compliance with updated sustainability standards. The policy also advances regional collaboration through the Asia Zero Emissions Community (AZEC), strengthening biomass supply chains with Malaysia and Indonesia.

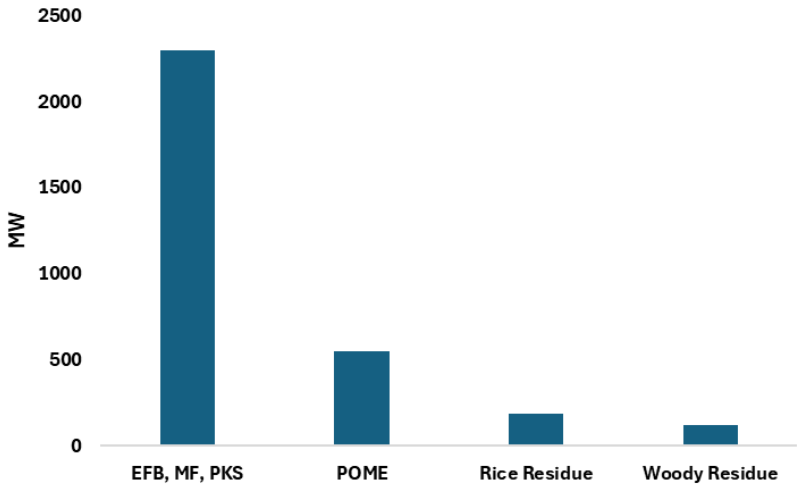
In recent years, PKS have outpaced wood pellets in Japan's biomass market, driven by their lower cost (USD 100–120/MT vs. USD 150–200/MT) and abundant supply from Indonesia and Malaysia. In 2022, Japan imported 1.2m MT of PKS, with exporters leveraging GGL certification to meet FIT sustainability standards. GGL-certified PKS qualifies for FIT tariffs of 21–24 yen/kWh, plus a 1.5 yen/kWh incentive, driving its adoption. Supported by long-term contracts and Japan's 36–38% renewable energy target by 2030, PKS imports are set to grow. Unlike wood pellets, constrained by domestic production of just 150,000MT in 2021 (4.8% of consumption), PKS offers superior scalability.

We believe Malaysian exporters including Eldridge with GGL-certified PKS, is well-positioned to capitalise on this demand, having secured a 15-year contract to supply 150,000MT/year to Japan's JFE Shoji Group starting April 2025, alongside a three-year deal with PT Orion APAC Indonesia. With a production capacity of 960,000MT/year and expansion plans in Pahang, Johor and Sabah, Eldridge's proven track record and strategic growth align with Japan's renewable energy policies, ensuring strong long-term prospects for the Group.

Malaysia Market. Malaysia, rich in biomass resources, aims to achieve 1.4GW of bioenergy capacity by 2050, as outlined in its National Energy Transition Roadmap (NETR). Despite bioenergy currently contributing less than 1% to national electricity generation, primarily through small-scale biogas plants, its growth potential is significant, driven by the integration of biomass co-firing in existing coal power infrastructure.

As the world's second-largest palm oil producer, Malaysia boasts around 5.7m hectares of oil palm plantations, generating >90m MT of biomass annually, primarily from empty fruit bunches (EFB) and palm kernel shells (PKS). This vast resource pool, combined with supportive policies and a pragmatic coal phase-out strategy, positions biomass as a cornerstone of Malaysia's renewable energy mix, offering a reliable, round-the-clock alternative to solar and driving progress toward a low-carbon and resilient future.

Figure 16: Malaysia's Biomass Feedstock Breakdown by Type (MW Capacity)



Source: MyRER

Malaysia is committed to phasing out coal-fired power plants, targeting a 50% reduction in coal capacity by 2035, a 4.2GW reduction by 2039, and complete retirement by 2044. With coal currently consuming 33m MT annually, transitioning to cleaner alternatives is critical to meeting Malaysia's Paris Agreement commitments. Biomass co-firing is a preferred solution due to its cost-efficiency and ability to leverage the high efficiency of existing coal boilers. Retrofitting coal plants to substitute up to 15% of coal with biomass thermally is a swift, scalable approach compared to building dedicated biomass plants, which typically have capacities of 6-14MW which involve a huge capex. Co-firing also creates a stable demand for biomass pellets, catalyzing the development of a robust domestic supply chain.

A leading example is Malakoff's Tanjung Bin Power Plant, where a flagship trial is already substituting 5% of coal with biomass (equivalent to 105MW), with plans to triple that share by 2027. This initiative draws on agricultural residues, mainly from the palm oil industry, aligning energy transition with rural development and waste valorization. Currently, most co-firing power plants in Malaysia adopt EFB pellets due to their abundant supply and economic viability, despite their higher moisture content compared to PKS pellets. Although most PKS is used for the export market, its high calorific value, low moisture, and ease of handling make it ideal for integration into coal boilers or biomass facilities.

Complementing these efforts, the National Biomass Action Plan 2023-2030 aims to scale up bioenergy capacity to 1.5GW by 2050, up from 440.5MW in 2023, while also targeting the production of 3.5bn liters of biofuels. The plan highlights PKS as an efficient and valuable feedstock, supporting a diversified biomass strategy and encouraging wider adoption in both biomass power plants and co-firing applications. To facilitate this growth, the government's FiT scheme offers a rate of 21 sen/kWh for biomass power, complemented by cluster initiatives targeting 444MW from palm oil mill clusters, providing strong market incentives and logistical advantages.

While Malaysia has significant solar potential, biomass stands out as the "second major pillar" of the renewable energy mix because (i) biomass plants operate continuously, providing grid stability without the intermittency challenges faced by solar, which depends on daylight and requires costly BESS, (ii) biomass faces fewer grid integration issues compared to solar, which can cause voltage fluctuations and necessitate extensive grid upgrades, (iii) due to intense competition, utility-scale solar projects even with BESS often yield lower IRRs, whereas biomass projects continue to enjoy double-digit IRRs; and (iv) biomass utilisation addresses waste disposal challenges, particularly for palm oil mills, by converting residues into valuable energy and products, thus supporting rural economic development.

As a PKS manufacturer, ELRIDGE is well placed to capitalise on this transition, supported by strong domestic and export demand, favourable government policies, and opportunities to diversify into higher-value PKS products. These strengths position ELRIDGE as a leader in Malaysia's biomass industry, driving sustainable growth and supporting the nation's low-carbon ambitions.

Investment Highlights

Earnings Visibility Backed by Long-Term Contracts. ELRIDGE's earnings profile is underpinned by the stability of long-term sales agreements, with c.40–50% of existing production capacity secured under contracts exceeding five years. These agreements provide predictable offtake volumes, supporting capacity utilisation and revenue visibility across market cycles. The inclusion of market-linked pricing mechanisms within these contracts allows the Group to periodically adjust selling prices in line with prevailing biomass market conditions, helping to preserve margins while ensuring competitiveness. This contractual structure mitigates demand risk, enhances cash flow predictability, and strengthens the Group's ability to plan capacity expansion with confidence.

Proxy to Japan's Growing Biomass Demand. Japan's biomass market is experiencing a seismic shift, driven by its Green Transformation Basic Policy and a projected power market

expansion from 965.4TWh in 2024 to 1,348.5TWh by 2033. Japan's Feed-in-Tariff (FiT) programme is further accelerating RE adoption, offering attractive FiT rates of 21-24 yen/kWh supplemented by an additional 1.5 yen/kWh incentive for biomass producers using GGL-certified PKS. We believe ELRIDGE is strategically positioned to capture this opportunity, leveraging longstanding relationships with key client in Japan, which accounted for ~20% of FY24 revenue and its status as one of Malaysia's largest GGL-certified manufacturers. With a planned expansion in production capacity and a proven 14-year operating track record, we expect ELRIDGE to deliver significant earnings growth, projecting a 23.9% CAGR for FY25F-FY27F.

Aggressive Capacity Expansion. ELRIDGE is aggressively scaling its production capacity to meet growing demand from both existing and new industries, with expansion projects underway at its facilities in Kuantan, Pasir Gudang, and Lahad Datu. By end-FY25, total capacity is expected to rise by ~50%, from 960,000MT/year to 1,440,000MT/year, with a further 17% increase anticipated in FY26F. Additionally, the Kapar site offers the potential to be scaled up by an additional 240,000 MT per year, representing a further 14% expansion beyond the projected 1,680,000 MT per year. Notably, at least 40% of current capacity 960,000 MT/year is already secured through long-term agreements, reflecting robust demand for PKS products. With inquiries and new orders continuing to rise, we believe this capacity enhancements are likely to materialise, positioning ELRIDGE on a strong growth trajectory over the medium term.

Lucrative Margin. ELRIDGE has consistently delivered impressive margins, with CNP margin averaging c.12% over the past four quarters, significantly surpassing the single-digit industry benchmark for general manufacturers. We attribute this superior performance to several key factors: (i) prime plant locations in Telok Gong and Kapar, which are near major ports and palm oil mills, significantly lowering transportation costs; (ii) robust cash flow, enabling the Group to secure favorable terms in negotiations; (iii) economies of scale, stemming from an estimated 20% market share in Malaysia; (iv) the ability to command up to 15% price premium for its Green Gold Label (GGL)-certified PKS; (v) the added assurance of a trademarked PKS production process; and (vi) established Japanese partners, secured following stringent standards testing and a typical two-year onboarding process, highlighting ELRIDGE's dedication to quality and further distinguishing its products in the global biomass market.

Margin Expansion. We project ELRIDGE's CNP margin to expand to 13.8% in FY27F from 12.0% in FY24, primarily driven by a higher proportion of premium GGL-certified products. Currently ELRIDGE's long-term agreements comprised a three-year MoU with PT Orion APAC for 150,000MT/year of PKS, a landmark 15-year MoU with JFE Shoji, commencing April 2025, to supply 150,000MT/year of premium, GGL-certified PKS through March 2040. Combined with other recently secured long-term contracts, these agreements now cover c.40% of ELRIDGE's ~960,000 MT/year production capacity, ensuring robust revenue visibility and operational stability over the medium term. Among these, JFE Shoji MoU is a cornerstone of ELRIDGE's growth strategy, driving significant margin accretion through premium-priced GGL-certified PKS. JFE Shoji is a leading importer in Japan's growing biomass market. It also benefits from stable demand backed by its sister subsidiary JFE Engineering, which operates key biomass facilities including Tahara (112MWac) and Hachinohe (75MWac). These plants collectively require ~100,000MT/year, reinforcing the reliability of JFE Shoji's offtake commitment. Leveraging its strategic partnership with JFE Shoji, ELRIDGE is well positioned to capture Japan's accelerating shift toward GGL-certified biomass fuels.

Compelling Valuation. We believe ELRIDGE's current share price has yet to fully reflect its compelling growth prospects. Compared to solar EPCC peers, ELRIDGE appears undervalued due to (i) predictable cash flows from long-term off-take agreements covering up to 40% of its c.960,000MT/year capacity, unlike solar EPCC firms, which rely on a more volatile contract-based model; (ii) stable operating margins of around 12%, versus the compressed 5-8% margins for solar EPCC players, especially those in utility-scale projects due to intense competition; (iii) potential capacity expansions at its Kapar and Telok Gong sites, adding

240,000 MT/year each; and (iv) a forward PER below 15x, significantly lower than the 20-30x valuations for solar EPCC peers, despite their thinner margins and sector hype.

Main Market Transfer. ELRIDGE also meets the key requirements for transfer to the Main Market of Bursa Malaysia, having achieved PAT exceeding RM20m for at least three consecutive years and a market capitalisation well above RM500m. This move holds strong re-rating potential by broadening ELRIDGE's investor base and enabling increased participation from both institutional funds and a wider spectrum of retail investors.

Financial Highlights

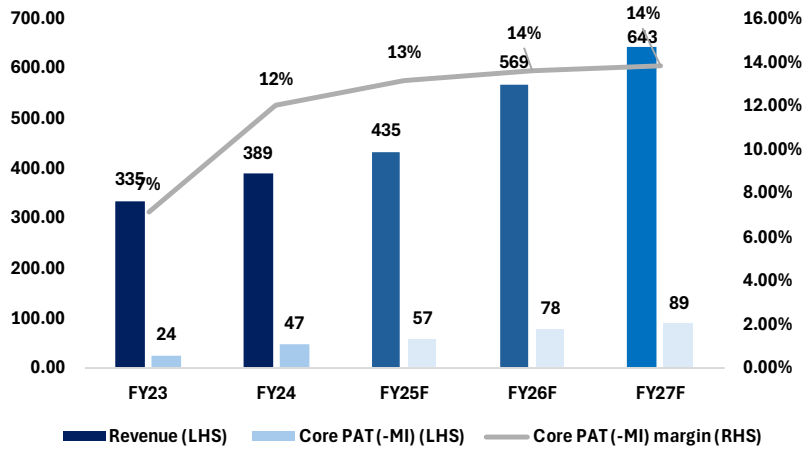
ELRIDGE has delivered outstanding financial growth, posting a remarkable three-year CAGR of 418.2%, with core net profit surging from RM1.7m in FY21 to RM46.8m in FY24. This robust performance has been underpinned by long-term contracts and strong demand for GGL-certified products, as well as strategic capacity expansions that have enabled ELRIDGE to capture a larger share of the PKS market. As a result, core net margins improved significantly, rising from 1.5% in FY21 to 12% in FY24. ELRIDGE also maintains a strong balance sheet, with a net cash position and an average ROE exceeding 60%, reflecting operational efficiency and financial resilience.

Although ELRIDGE lacks a formal dividend policy and maintains a net cash position, we anticipate a potential dividend payout starting in FY26F. Our forecasts assume a 30% payout ratio from FY26F onwards, reflecting ELRIDGE's strong cash flow profile.

Earnings outlook. Looking ahead, we project ELRIDGE's core earnings to grow 39.2% YoY in FY25F to RM57.3m, driven primarily by a stronger product mix with a greater contribution from GGL-certified PKS. Long-term contracts for these premium-margin products are estimated to account for c.30% of volumes sold. GGL-certified PKS typically commands up to a 15% price premium and delivers roughly double the margins of standard PKS. We have also factored in a planned 50% increase in production capacity, which will raise total output to 1.44m MT per year.

FY26F-FY27F: We forecast ELRIDGE's core earnings to rise 35.7% and 14.4% YoY to RM77.8m and RM89.0m respectively, mainly supported by (i) a strategic shift towards higher-margin GGL-certified PKS, (ii) accelerated demand capture aligned with a 17% capacity uplift to 1,680k MT/year, and (iii) prudent cost management, resulting in stable margins.

Figure 17: Revenue, Core Earnings and Profit Margin from FY23 to FY27F



Source: ELRIDGE, Apex Securities

Valuation & Recommendation

Initiate with BUY. We initiate coverage of ELRIDGE with a **BUY** recommendation and a TP of **RM0.86**, derived by applying a 22x price-to-earnings (P/E) ratio to our FY26F earnings per share EPS estimate of 3.9 sen, along with a three-star ESG rating. The valuation remains

undemanding, with a price/earnings-to-growth (PEG) ratio of 0.92x based on our projected EPS CAGR of 23.9% for FY24-FY27F.

We believe ELRIDGE merits a premium 22x P/E valuation due to (i) its 15-year contract to supply 150,000 MT/year, ensuring stable demand; (ii) the potential to scale up capacity at existing plants to capture additional demand, highlighting strong growth prospects; and (iii) its 20% market share in Malaysia, which provides ample room for expansion and opportunities to enter other regions, such as the EU market, amid the global shift to green energy. In our view, the current share price has yet to fully reflect ELRIDGE's robust growth prospects and re-rating catalysts, making it an attractive investment opportunity. opportunity. opportunity.

Peers Comparison

Given the absence of direct listed peers in the PKS space, our valuation benchmarking references solar EPCC companies as the closest comparable.

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) as at 14Aug25	TP (RM)	Potental Upside	P/E (x) CY25	P/E (x) CY26	Div Yield (%) CY25	Div Yield (%) CY26	ESG Rating
Elridge Energy Holdings Berh	Dec	1370.0	Buy	0.69	0.86	24.9%	25.1	18.9	0.0	0.0	★★★
Solarvest Holdings Bhd	Mar	1972.6	Buy	2.44	2.61	7.0%	29.0	22.4	0.0	0.0	★★★
Samaiden Group Bhd	Jun	544.8	Buy	1.21	1.60	32.2%	32.4	23.4	0.0	0.0	★★★
*Sunview Group Bhd	Sep	244.1	N/A	0.43	N/A	N/A	18.3	15.8	N/A	N/A	N/A
Pekat Group Bhd	Dec	980.4	Buy	1.52	1.87	23.0%	16.2	15.1	0.0	0.0	★★★
Average							**24.0**	**19.2**	**0.0**	**0.0**	

** Based on Bloomberg consensus*

Source: Apex Securities

*Peers * P/E (x) based on Bloomberg consensus estimates*
Source: Bloomberg, Apex Securities

Investment Risk

Policy risk. Any adverse policy shifts in Malaysia or key export markets particularly changes in certification standards, sustainability requirements, or the imposition of new trade tariffs, which could materially affect ELRIDGE's market access and financial performance.

Forex risk. Given that a significant portion of revenue comes from exports, particularly to Japan, ELRIDGE is exposed to currency fluctuations between MYR, JPY, and USD. Unfavourable exchange rate movements may negatively affect reported earnings and profit margin

Competition risk. ELRIDGE faces growing competition from domestic and international biomass producers. Increased rivalry could result in pricing pressures, loss of market share, or reduced profitability, especially if competitors develop more cost-efficient or technologically advanced products.

Financial Highlights

Income Statement

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	**335.3**	**389.1**	**434.8**	**569.2**	**642.6**
Gross Profit	**46.0**	**81.7**	**105.8**	**141.0**	**160.1**
EBITDA	**31.4**	**67.2**	**93.4**	**125.0**	**142.6**
Depreciation & Amortisation	-1.7	-7.5	-7.3	-9.9	-11.7
EBIT	**29.7**	**59.7**	**86.1**	**115.2**	**130.9**
Net Finance Income/ (Cost)	-1.8	-3.4	-4.2	-4.0	-3.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**28.0**	**56.4**	**81.9**	**111.1**	**127.1**
Tax	-4.4	-15.2	-24.6	-33.3	-38.1
Profit After Tax	**23.6**	**41.2**	**57.3**	**77.8**	**89.0**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**23.6**	**41.2**	**57.3**	**77.8**	**89.0**
Exceptionals	-0.5	-5.6	0.0	0.0	0.0
Core Net Profit	**24.1**	**46.8**	**57.3**	**77.8**	**89.0**

Key Ratios

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	1.2	2.3	2.9	3.9	4.4
P/E (x)	56.9	29.3	23.9	17.6	15.4
P/B (x)	39.1	7.8	5.9	4.8	3.9
EV/EBITDA (x)	43.7	21.8	16.5	12.7	11.5
DPS (sen)	0.0	0.0	0.0	1.2	1.3
Dividend Yield (%)	0.0%	0.0%	0.0%	1.7%	1.9%
EBITDA margin (%)	9.4%	17.3%	21.5%	22.0%	22.2%
EBIT margin (%)	8.9%	15.3%	19.8%	20.2%	20.4%
PBT margin (%)	8.3%	14.5%	18.8%	19.5%	19.8%
PAT margin (%)	7.0%	10.6%	13.2%	13.7%	13.8%
NP margin (%)	7.0%	10.6%	13.2%	13.7%	13.8%
CNP margin (%)	7.2%	12.0%	13.2%	13.7%	13.8%
ROE (%)	68.7%	26.8%	24.7%	27.2%	25.5%
ROA (%)	19.4%	17.6%	15.6%	17.7%	17.0%
Gearing (%)	139.9%	36.7%	27.0%	20.9%	16.1%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.04
P/E multiple (x)	22.0
Fair Value (RM)	**0.86**
ESG premium/ discount	0.0%
Implied Fair Value (RM)	**0.86**

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	51.8	162.0	239.0	277.4	322.2
Receivables	21.2	50.7	65.9	85.6	111.3
Inventories	21.0	23.5	29.4	36.7	45.9
Other current assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	**94.0**	**236.2**	**334.3**	**399.7**	**479.5**
Fixed Assets	6.0	12.0	15.4	21.3	25.6
Intangibles	21.3	15.7	16.0	16.2	16.5
Other non-current assets	2.6	2.5	2.5	2.5	2.5
Total Non-Current Assets	**29.8**	**30.2**	**33.9**	**40.0**	**44.6**
Short-term debt	33.4	54.1	54.4	53.0	50.4
Payables	37.6	19.9	65.9	85.6	111.3
Other current liabilities	1.4	6.2	6.2	6.2	6.2
Total Current Liabilities	**72.4**	**80.2**	**126.5**	**144.8**	**167.9**
Long-term debt	15.6	10.1	8.2	7.0	5.9
Other non-current liabilities	0.7	1.5	1.5	1.5	1.5
Total Non-Current Liabilitie	**16.3**	**11.6**	**9.7**	**8.5**	**7.4**
Shareholder'sequity	35.0	174.7	232.0	286.5	348.8
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**35.0**	**174.7**	**232.0**	**286.5**	**348.8**

Cash Flow

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	**28.0**	**56.4**	**81.9**	**111.1**	**127.1**
Depreciation & amortisation	1.7	7.5	7.3	9.9	11.7
Changes in working capital	-8.1	-50.0	24.9	-7.3	-9.2
Others	-2.6	-8.6	-24.6	-33.3	-38.1
Operating cash flow	**18.9**	**5.3**	**89.5**	**80.3**	**91.5**
Capex	-0.7	-7.2	-11.0	-16.0	-16.3
Others	0.0	0.0	0.0	0.0	0.0
Investing cash flow	**-0.7**	**-7.2**	**-11.0**	**-16.0**	**-16.3**
Dividends paid	0.0	0.0	0.0	-23.3	-26.7
Others	3.6	112.1	-1.5	-2.6	-3.7
Financing cash flow	**3.6**	**112.1**	**-1.5**	**-26.0**	**-30.4**
Net cash flow	**21.9**	**110.2**	**77.0**	**38.4**	**44.9**
Forex	0.2	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	29.7	51.8	162.0	239.0	277.4
Ending cash	**51.8**	**162.0**	**239.0**	**277.4**	**322.2**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Joined Bursa Carbon Exchange (BCX) in Feb 2025, positioning itself for carbon trading and actively supporting Malaysia's national decarbonisation and net-zero ambitions.
Waste & Effluent	★★★	Applies circular economy principles: rocks and stones from production are reused for road surfacing around factory sites, metals are fully collected for recycling.
Energy	★★★	All main production machinery is powered by electricity, reducing on-site fossil fuel combustion.
Water	★★★	Compliance with environmental laws regarding effluent and water discharge.
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★	Female workforce stands at 40%. While women are underrepresented in senior management, there are two female directors on the board, representing 28.6% of total board members.
Human Rights	★★★	Enforces strict policies against human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★	Zero fatalities in 2024 with 100% of operations staff received safety and health training.
Labour Practices	★★★	Adheres to all relevant labor laws.

Governance

CSR Strategy	★★★	Complies with principles and practices set out in the Malaysian Code on Corporate Governance (MCCG).
Management	★★	Board consists of 28.6% female directors (2 out of 7) and 57.1% independent non-executive directors (4 out of 7), which is slightly below the MCCG recommended threshold of 30% for both gender and independent board representation.
Stakeholders	★★★	Regularly organizes corporate events and holds an annual general meeting (AGM) for investors.

Overall ESG Scoring: ★★★

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Thursday, 14 Aug, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.