

Research Team

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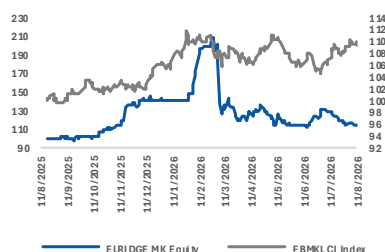
Current Price:	RM0.82
Previous Target Price:	-
Target Price:	N/A
Capital Upside/ Downside:	N/A
Dividend Yield (%):	N/A
Total Upside/ Downside:	N/A

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)	1,630.0
52-Week Price Range (RM)	1.52-0.69
Beta (x)	N/A
Free float (%)	30.4
3M Average Volume (m)	2.3
3M Average Value (RM' m)	2.0

Top 3 Shareholders

	(%)
Mikro Msc Bhd	20.6
Kayavest Sdn Bhd	16.8
Rhb Trustees Bhd	12.1

Share Price Performance

	1M	3M	12M
Absolute (%)	-6.9	-1.8	14.0
Relative (%)	-7.0	-2.2	4.6

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	432.0	569.2	642.6
PATAMI (RM'm)	57.3	78.4	89.8
CNP (RM'm)	57.8	78.4	89.8
EPS - core (sen)	2.9	3.9	4.49
P/E(x)	28.2	20.8	18.2

ELRIDGE Energy Holdings Berhad

Leaning on the spread

- Elridge Energy Holdings Berhad manufactures biomass fuel products through Bio Eneco Sdn Bhd, particularly palm kernel shells (PKS) and wood pellets.
- Key customers include biomass fuel trading companies and end-users across Malaysia, Indonesia, Singapore, Thailand and Japan.
- ELRIDGE is well positioned to capture further biomass demand growth, with diversification away from the Japanese markets, with offtake agreements signed with Berkana Power in Thailand in January 2026 increasing its customer demographic outside Japan.
- We expect earnings growth to be volume-led, with capacity rising to 1.92m MT by FY2026 following Kuantan 2, while Lahad Datu is deferred to FY2027.
- We assigned a 23.6x P/E multiple based on ELRIDGE's one-year average P/E, to our FY27F core EPS of 4.49 sen, arriving at a Fair Value of RM1.06.

Investment Highlights

Qualification Is the Moat, while scale earns contracts. ELRIDGE is Malaysia's only listed pure-play PKS producer. While PKS processing requires standard manufacturing licences, the Group's real competitive advantage lies in its ability to supply Green Gold Label (GGL)-certified palm kernel shells with fully traceable and sustainable sourcing. Combined with customer qualification cycles that typically span one to three years, this creates a meaningful barrier to entry, particularly in Japan where long-term relationships underpin contract awards.

Projected Future Expansion. We expect earnings growth to remain volume-led, supported by capacity expansion to 1.92 million MT upon commissioning of Kuantan 2 in FY2026. The planned Lahad Datu facility is expected to provide a further expansion leg in FY2027. The secured offtake with Berkana Power Thailand (100,000 MT p.a., signed January 2026 for ten shipments) marks a deliberate push to diversify beyond Japan and build a regional presence in the Thai market. The agreement reprices every three months, with purchase orders placed at least 90 days before first loading, adding contracted volume as the new capacity comes online.

Demand Is Long-Dated but Closed. Japan's Ministry of Economy, Trade and Industry (METI) has excluded woody biomass of 10MW and above from the FIT and FIP schemes from FY2026 and has approved no new projects since 2017. The current approved fleet of 900 plants against 586 operating carries 20 to 25 year lives, making the pool durable but finite. Growth must come from displacing competing supply, which is currently helped by Indonesia's CPO-linked export levy, increasing appeal for alternative PKS supply.

Activated Carbon Optionality. ELRIDGE is evaluating activated carbon, a downstream product derived from processed palm kernel shells (PKS), as part of its strategy to move further up the biomass value chain and capture higher processing margins. While still at an early stage with no near-term earnings contribution assumed, successful commercialisation could provide a meaningful long-term growth opportunity.

RM1.06 Fair Value on 23.6x Forward P/E. We value ELRIDGE at RM1.06, applying 23.6x, its one-year average blended forward P/E, to our FY27F core EPS of 4.49 sen. As ELRIDGE has no peers, we find that valuing it at an average blended multiple of 23.6x to be appropriate. Re-rating hinges on converting the remaining MOUs into binding offtake and commissioning the Kuantan 2 plant on schedule.

Key risks include: policy-dependent demand, customer and receivable concentration, weak cash conversion, spread reversal, and execution/upstream competition.

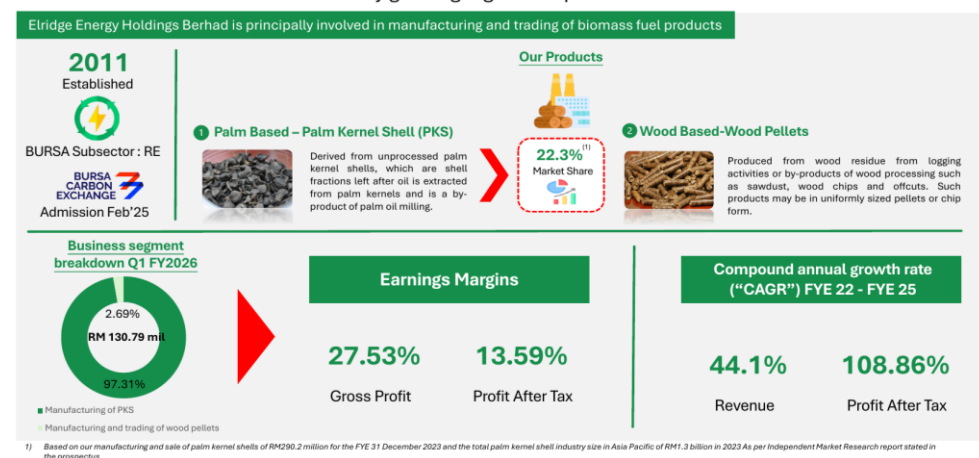
Company Background

ELRIDGE Energy Holdings Berhad is an investment holding company. Its operating subsidiary, Bio Eneco Sdn Bhd, has manufactured and traded biomass fuel products since 2011. The Group specialises in manufacturing and exporting palm kernel shells (PKS) and wood pellets, serving both domestic and Asia-Pacific markets. The Group's customer base spans Japan, Thailand, Indonesia, Malaysia and Singapore, underpinned by long-term relationships and stringent quality compliance.

Founded in 2011, the business started with supplying PKS to local customers before securing its first export contract in 2013. With its wood pellets product obtaining Green Label certification in 2019, and GGL certification for PKS in 2023. ELRIDGE's upcoming Kuantan and Lahad Datu plants are expected to represent another milestone for ELRIDGE as it scales its production capacity to match growing export demand.

Figure 1: Company Snapshot

Commendable CAGR Growth backed by growing regional exposure



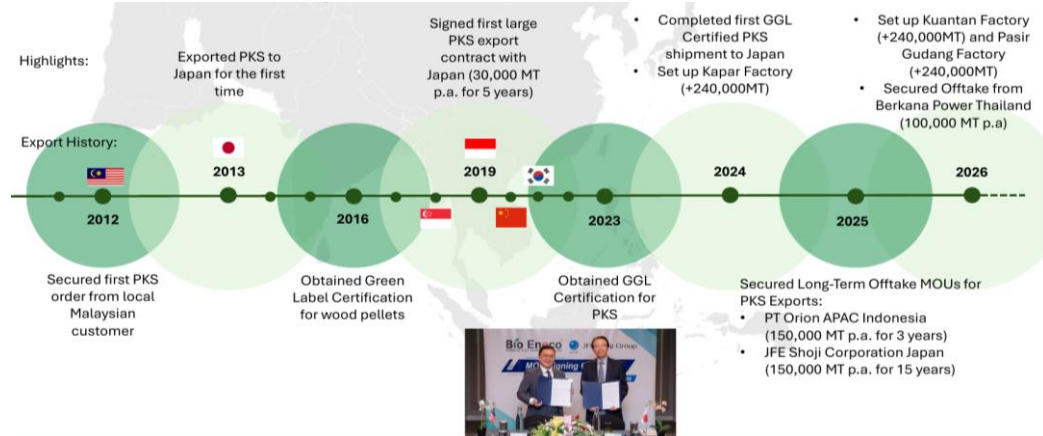
Source: Company

Business Overview

Core Operations. ELRIDGE's operations are anchored by 2 core activities, the manufacturing of PKS and wood pellets. With PKS taking **90%** of revenue and wood pellets 10% of revenue as of FY25. The Group sources unprocessed PKS from approximately 500 palm oil mills across Malaysia, largely under contract, and has begun sourcing from Indonesia. Processing runs at Telok Gong, Kapar, Kuantan and Pasir Gudang. Finished product is stored on site or at two bonded warehouses at Northport, roughly 100 metres from berth. Sales are **FOB**, with third-party surveyor inspection before loading. The Group sells mainly to biomass fuel trading companies and end-users **based in Malaysia and overseas markets, including Japan, Thailand, Indonesia and Singapore**, with direct sales accounting for **30% to 40%** of volume.

Cargo is transported by mother vessels of around 10,000 MT to Japan, or barges of around 8,000 MT to Thailand, the Philippines and Singapore. Segment revenue is reported based on the location of the **immediate customer**, rather than the end market. Malaysia accounted for 76.3% of FY25 revenue on this basis, while Japanese-billed revenue remained broadly stable at RM82.5m to RM83.7m. Management attributes the shift to which group entity of the trading counterparty takes title.

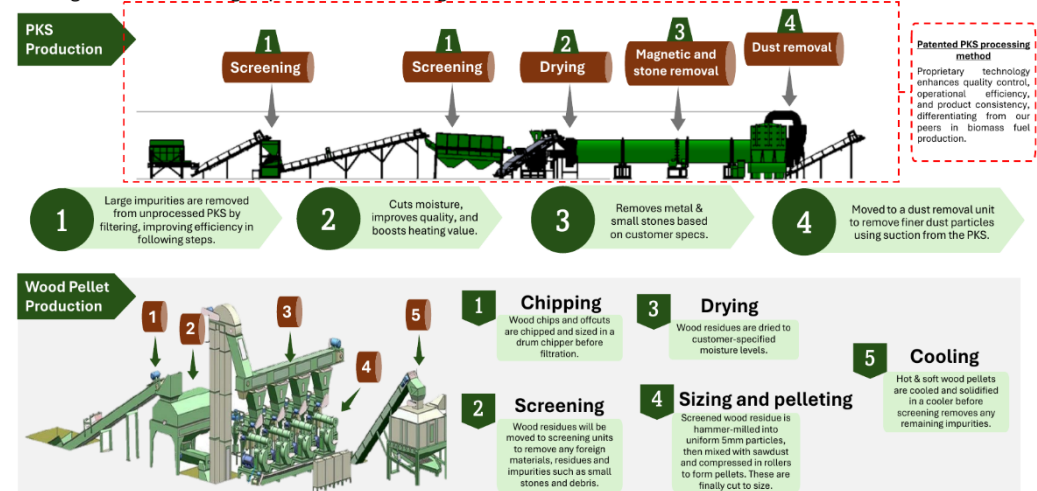
Figure 2: Proven Track Record and Export History



Source: Company

Figure 3: PKS and Wood Pellet Production Process

Strategic manufacturing capabilities to meet global biomass demand



Source: Company

Palm Kernel Shell (PKS) is the shell left after oil extraction from palm kernels, a by-product of milling. Its output carries a calorific value of **3,800 to 4,000 kcal/kg**, moisture of 16% to 20% and ash of 3% to 7%, against thermal coal at 6% to 12%. The lower ash percentage means less slagging, less residue and lower maintenance for the operator. PKS's high calorific value and lower levels of moisture, ash, and impurities also make it greatly suitable as an alternative to coal for applications such as power plants and industrial purposes.

Wood Pellets are compressed biomass made from sawdust, chips and offcuts through chipping, screening, drying, hammer-milling, compression and cooling. They carry a higher calorific value of 4,000 to 4,600 kcal/kg and lower ash of 1% to 3%. Its high energy content, low moisture, and minimal ash and pollutants make them ideal for heating and power generation purposes.

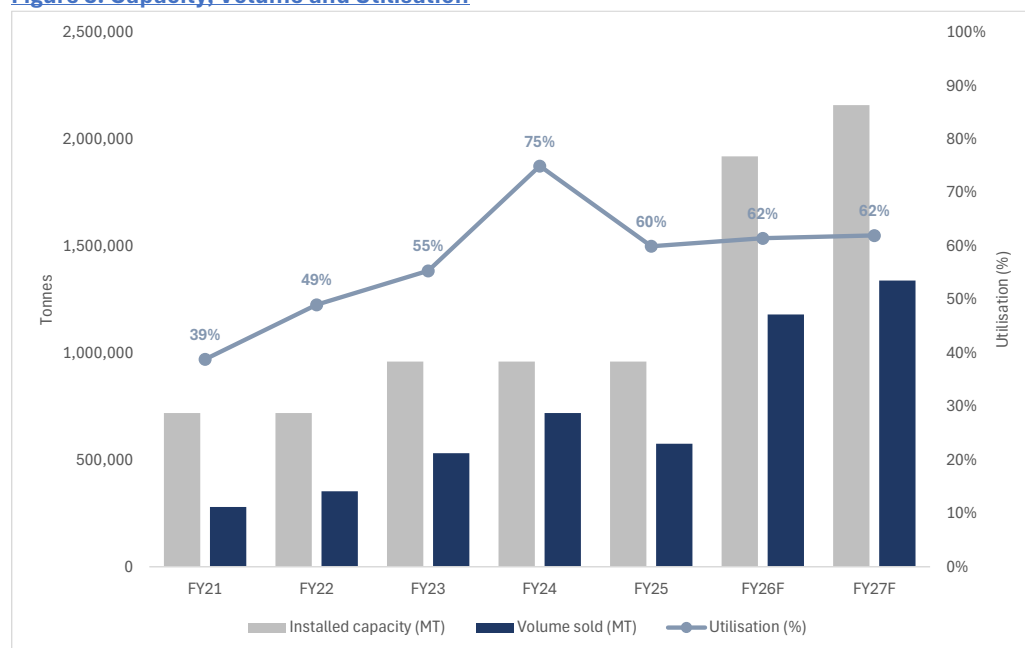
Figure 4: Current Locations and Expansion



Source: Company

Capacity and the Expansion Programme. Current installed capacity stood at 960,000 MT in FY25, comprising Telok Gong (720,000 MT) and Kapar (240,000 MT), equivalent to c.576,000 MT of annualised production at 60% utilisation. Kuantan 1 and Pasir Gudang subsequently lifted capacity to 1.44m MT, while Kuantan 2 will add 480,000 MT, taking total capacity to 1.92m MT by FY2026. The Lahad Datu expansion is planned for FY2027. Management expects volume to rise to c.1.18m MT in FY26F and c.1.34m MT in FY27F.

Figure 5: Capacity, Volume and Utilisation



Source: Apex Securities

Routes to Market and Contracted Volume. Long-term volumes total **400k MT p.a.**: MOUs with **JFE Shoji Corporation** (150k MT p.a. over 15 years, April 2025 to March 2040) and **PT Orion APAC Indonesia** (150k MT p.a. over three years), plus a secured offtake from **Berkana Power Thailand** (100k MT p.a.) signed in January 2026 for ten shipments, with purchase orders at least 90 days before first loading. That is 41.7% of the original capacity base against a management target of a 60:40 long-term to spot mix. The Berkana agreement reprices **every three months**. **The long-term volume pipeline therefore provides volume visibility rather than price certainty**, with blended realised pricing tracking regional benchmarks with roughly a quarter's lag.

Figure 6: Product Comparison against Thermal Coal

Product Comparison			Key Applications	
Coal	PKS	Wood Pellets	Application	Industry
			- Electricity Generation - Industrial Heat Production - Renewable Energy Mix - Boiler Fuel Substitution	- Biomass Power Plants - Food Processing, Textile, Rubber - Energy Utilities - Manufacturing & Heavy Industries
- High calorific values: 2,000kcal/kg – 8,000 kcal/kg - Higher moisture level: 10.0% – 15.0% → energy loss - High ash volume: 6.0% – 12.0% → slag, disposal issues - Non-renewable: Fossil fuel → net CO₂ emissions	- High calorific values: 3,800 kcal/kg – 4,000 kcal/kg - Low moisture level: 16.0% – 20.0% - Low ash volume: 3.0% – 7.0% - Carbon-neutral Lower moisture level = less energy loss, better combustion Lower ash = minimal residue, lower maintenance	- High calorific value: 4,000 kcal/kg – 4,600 kcal/kg - Very Low moisture level: 7.0% – 20.0% - Ultra Low ash volume: 1.0% – 3.0% - Carbon-neutral	Switching Benefits: - Relatively Low Switching Cost (if user already uses biomass or co-firing tech) - Economic Offset: often eligible for government incentive, lower O&M cost over time - ESG Mandate	

Elridge's dual-product strategy offers sustainable, low-emission alternatives to coal. The products deliver efficient, cleaner combustion with minimal waste. By supplying to selected end user for energy and biomass production through traders allowing Elridge tapping into the multiple biomass chain value and built resilience revenue over the years.

Source: Company

Downstream Optionality: Activated Carbon. ELRIDGE is evaluating activated carbon as potential downstream applications of its existing PKS feedstock, as part of its efforts to enhance value creation from its biomass resources and broaden its product portfolio. Activated carbon is a higher-value application that could allow the Group to capture additional processing margins currently earned by third-party converters, while reducing its reliance on the PKS procurement spread that drives its existing business. These initiatives remain at an evaluation stage, with no disclosed capacity, capex or commercialisation timeline, and are therefore not expected to contribute materially in the near term. Nonetheless, successful commercialisation could provide an additional avenue for long-term value creation from ELRIDGE's existing feedstock base.

Management and Board

Board composition. The Board comprises seven directors: two executives and five non-executives. Four of the seven are independent, at 57.1%, and the chair is an Independent Non-Executive Chairman, so the chair and chief executive roles are separated. Two of seven directors are female, at 28.6%, which sits marginally below the 30% threshold recommended under the Malaysian Code on Corporate Governance. The Audit and Risk Management Committee is chaired by a director with an investment banking and audit background. The Group reported no related party transactions of a trading nature in FY2025.

Figure 7: Board of Directors

Director	Designation	Background
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	Independent Non-Executive Chairman	Chairs the Board. The chair is independent and separated from the executive line, which is a stronger structure than the MCCG requires.
Yeo Hock Cheong	Executive Director and Chief Executive Officer	Founder of the Bio Eneco business and the executive holding the customer relationships that underpin the Japanese qualification process and the JFE Shoji, PT Orion and Berkana offtakes.
Salihudin	Executive Director and Finance Director	Holds the finance mandate alongside a board seat, covering reporting, treasury and the utilisation of the RM101.5m IPO proceeds.

Dr Wang Hong	Non-Independent Non-Executive Director	The sole non-independent non-executive seat on the Board.
Tan Suat Hoon	Independent Non-Executive Director	One of two female directors on a seven-member Board.
Ahmad Lutfi B. Abdull Motalip @ Talib	Independent Non-Executive Director	Independent non-executive seat.
Rozainah Binti Baharuddin	Independent Non-Executive Director	One of two female directors on a seven-member Board.

Source: Company, Apex Securities

Figure 8: Key Senior Management

Name	Designation	Remit
Yeo Hock Cheong	Chief Executive Officer	Group leadership, customer relationships and offtake negotiation.
Salihudin	Finance Director	Financial reporting, treasury and capital allocation.
Teoh Soon Tek	Chief Operating Officer	Plant operations across Telok Gong, Kapar, Kuantan and Pasir Gudang.
Loo Ze Hui	Head of Finance and Project	Project finance and the capacity expansion programme.
Choo Mun Chen	Operation Manager	Day-to-day production and logistics.

Source: Company, Apex Securities

Ownership is concentrated and one holder is itself listed. The three largest shareholders are Mikro MSC Bhd at 20.6%, Kayavest Sdn Bhd at 16.8% and RHB Trustees Bhd at 12.1%, against a free float of 30.4%. The Mikro MSC holding originates from a January 2024 share exchange in which Mikro MSC, itself listed on Bursa, swapped its 25% interest in Bio Eneco Sdn Bhd for a 25% interest in ELRIDGE ahead of the ACE Market listing, diluting to c.20.6% at IPO. Mikro MSC equity accounts the stake, which means a second listed vehicle carries a direct earnings sensitivity to ELRIDGE and gives the register a holder whose own disclosure cycle is a secondary source on the Group. The chief executive is also a substantial shareholder in Mikro MSC on prior filings, so the two registers are linked; this is disclosed but is a related-party consideration worth monitoring.

Competitive Positioning

The competitive set is smaller than the headline count suggests. The independent market researcher appointed for the IPO identified 14 Malaysian biomass fuel producers with revenue above RM1.0m, of which nine manufacture wood pellets only. Just five manufacture PKS, and ELRIDGE accounts for roughly 80% of that revenue pool. The largest PKS competitor identified had revenue equivalent to c.17% of ELRIDGE's in the same period, while the remaining three were each below RM10m. All are private. On the same data, ELRIDGE's FY23 gross margin ranked second among the four PKS producers with disclosed margins, suggesting that its competitive distinction lies less in historical margin levels and more in the scale-up achieved since then. **Barriers to entry are structural rather than primarily regulatory:** while PKS processing requires standard manufacturing licences, there is no specialised product-specific licence comparable to the Malaysian Timber Industry Board (MTIB) licence required for wood pellet manufacturers. The independent market researcher therefore rated entry barriers as only moderately high for manufacturers and low for traders. **In our view, the more meaningful barriers lie in access to quality feedstock, certification, production scale and, most importantly, customer qualification.**

Certification is both a gate and a premium. Since April 2024 Japan's FIT requires PKS certified under one of four schemes: Roundtable on Sustainable Biomaterials, Green Gold Label, ISCC or MSPO. Certification is therefore a gate to the only export market of scale. It is also priced: GGL volume carries a c.20% premium to standard PKS and c.55% more gross profit per tonne on our estimates, and at 30% of segment volume it generates roughly two fifths of segment gross profit. Raising the GGL share is the one margin lever the Group controls directly. The durable competitive barrier sits one step beyond certification, in customer qualification: a two-to-three-year process of repeated Japanese site visits across multiple departments and separate safety audits, which rewards demonstrated shipment track record and cannot be bought.

Investment Thesis

The only listed pure-play on a structural Japanese demand pool. ELRIDGE is the sole Bursa-listed pure-play palm kernel shell producer, positioned against a Japanese biomass import market that is large, growing and effectively closed to new large-scale entrants from FY2026. The investment case is a volume story, with installed capacity rising from 1.44m MT to 1.92m MT following Kuantan 2, while Lahad Datu provides a further expansion leg in FY2027.

Demand is long-dated but closed. METI has excluded woody biomass of 10MW and above from Japan's FIT and FIP schemes from FY2026 and has approved no new projects since 2017. The approved fleet of roughly 900 plants against 586 operating carries 20 to 25 year lives, making the demand pool durable but finite and effectively closed to new large-scale supply. Growth therefore comes from displacing competing supply, a shift currently aided by Indonesia's CPO-linked export levy, which raises the appeal of alternative PKS sources such as ELRIDGE.

Capacity expansion is the volume engine. Installed capacity stood at **960,000 MT in FY25**, comprising Telok Gong (720,000 MT) and Kapar (240,000 MT), with annualised production of c.576,000 MT at 60% utilisation. Kuantan 1 and Pasir Gudang subsequently lifted capacity to 1.44m MT, while Kuantan 2 will add 480,000 MT, taking total capacity to **1.92m MT by FY2026**. The Lahad Datu expansion is planned for **FY2027**. Management guides to volume of about 1.18m MT in FY26F and 1.34m MT in FY27F.

Thailand extends the long-term volume pipeline beyond Japan. The January 2026 offtake with Berkana Power Thailand (100,000 MT p.a. over ten shipments) is the first deliberate step to diversify demand away from Japan and build a regional presence, sitting alongside longer MOUs with JFE Shoji Corporation (150,000 MT p.a. through to 2040) and PT Orion APAC Indonesia (150,000 MT p.a. over three years). Together, the long-term volume pipeline totals 400,000 MT p.a., about 41.7% of the original capacity base against management's 60:40 long-term-to-spot target. The Berkana agreement reprices every three months, with purchase orders placed at least 90 days before first loading, so it locks in volume rather than price as the new capacity comes online.

Activated Carbon Optionality. ELRIDGE is evaluating downstream applications for its PKS feedstock, including activated carbon, which could significantly increase the value extracted per tonne of shell versus its current biomass fuel business. While still at the evaluation stage and with no near-term contribution assumed in our forecasts, the opportunity could allow ELRIDGE to move further up the biomass value chain, capture processing margins currently earned by downstream converters and diversify beyond conventional PKS fuel sales. Given the potentially higher value-add nature of these products, successful commercialisation could provide a meaningful long-term earnings growth avenue, although the required capex, execution and customer qualification timelines remain uncertain.

Industry Overview

Biomass Fuel and the Japanese Demand Pool. According to both Global Growth Insights and Grandview Research, the global PKS market was USD1.66bn in 2025 and is forecast to reach USD2.32bn by 2033, a 4.3% CAGR, and the global wood pellet market is forecast to grow from USD9.3bn in 2024 to USD13.4bn by 2030 at a 6.3% CAGR.

We would note that a separate independent estimate places the global PKS market at roughly doubles these levels, so the figures are best treated as indicative of direction rather than precise. The addressable pool is narrower than those headline figures imply: the Independent Market Research in the IPO prospectus (Providence Strategic Partners, 15 July 2024) sized the Asia Pacific PKS industry at USD283.3m in 2023, growing at a forecast 8.9% CAGR to USD366.1m by 2026, and put ELRIDGE's share of it at 13.1% in 2022 and 22.3% in 2023. Japan dominates regional demand.

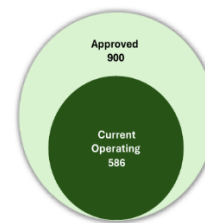
As Figure 10 shows, on Japan Ministry of Finance customs data total Japanese imports of palm kernel residues reached 7.16m tonnes in 2025, of which Malaysia supplied 1.48m tonnes, a 20.7% share; on the same series Malaysian volume rose from 62,514 tonnes in 2013 to a record 1.48m tonnes in 2025, a 29% CAGR. Japanese renewable energy is targeted to reach 36.0% of electricity consumption by Japanese Fiscal Year 2030 from 22.6% in Japanese Fiscal Year 2022.

Figure 9: Japan FIT Framework and GGL Certification

Japan's strong demand is the key catalyst shaping Malaysian PKS export market. By aligning with Japanese regulations and quality standards (like GGL), we secure direct access to this high-demand, premium market.

- Japan's **Feed-in Tariff (FIT)** program, started in 2012, guarantees above-market prices for renewable energy, making biomass a key pillar in its energy transition.
- Biomass energy (esp. from PKS) qualifies for FIT premium pricing, creating **long-term, regulated demand**.
- While Japan's main PKS imports currently come from Indonesia, the country imposes an export levy tied to CPO, increasing the landed cost for Japanese buyers.

Biomass Power Plants in Japan (2022)



Source: ANRE

MOU with JFE SHOJI Corp (Jp)

- Quantity - Supply of **150,000 MT per annum**
 - Tenure - **15 years** (Apr 2025 – Mar 2040)
 - Financial Impact
- Higher Margin Products Sustainable Earnings Visibility

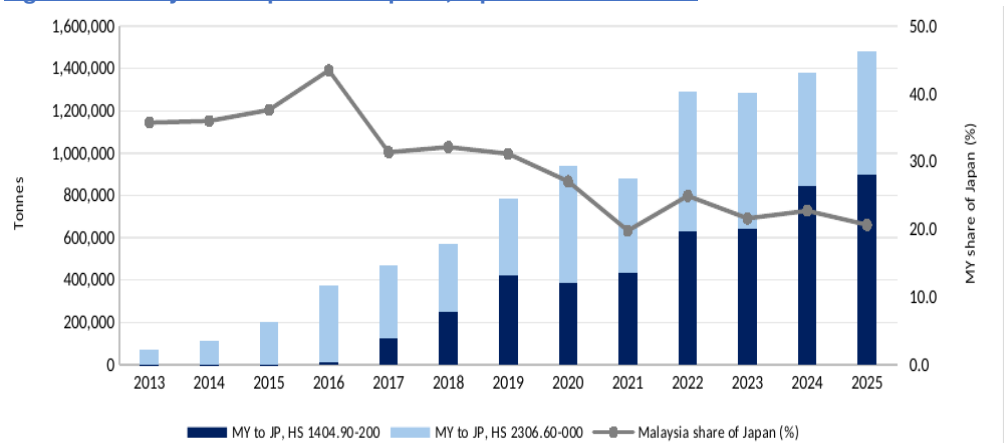
High-Barrier, High-Reward Certification

GGL is an internationally recognized certification for sustainable biomass, ensuring:

- ✓ **Full traceability** across entire supply chain (mill → transport → export)
- ✓ **Third-party audits** (initial + annual) by ISO-accredited bodies
- ✓ **Sustainability standards**: must source from certified mills (e.g. RSPO/MSPO)
- ✓ **Social compliance**: no forced/child labour, fair labour practices
- ✓ **High documentation standards** and process transparency
- ✓ **Costly and complex** to obtain and maintain
- ✓ **Japan FIT compliance** requires additional GGL modules and strict quality control

Source: Company

Figure 10: Malaysia to Japan PKS Exports, Japan Customs Mirror

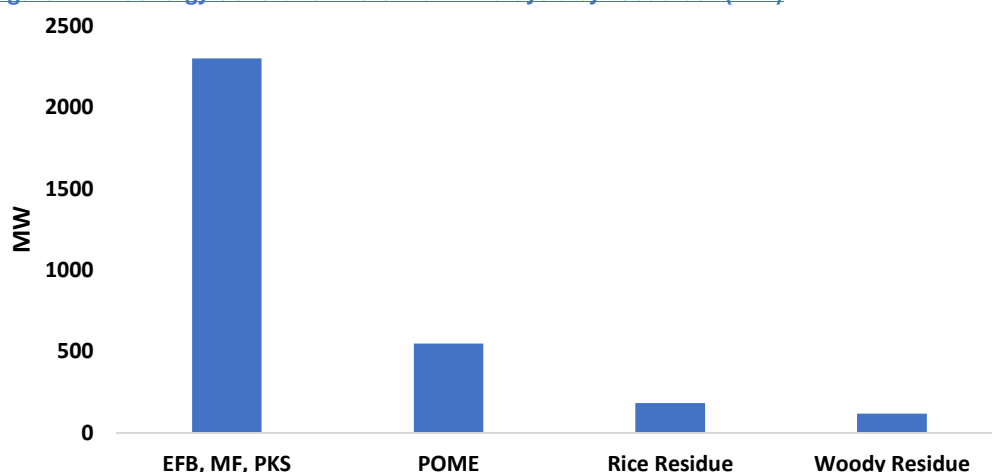


Source: Japan MOF, Apex Securities

The FIT Framework Is Closing to New Entrants. Japan's FIT programme, launched in 2012, pays above-market prices for renewable generation, with imported biomass earning ¥21 to ¥24 per kWh against ¥32 to ¥40 for domestic forest thinning. The development that matters for this sector is that METI has excluded woody biomass plants of 10MW and above, and all liquid biomass, from the FIT and FIP schemes from FY2026, and has approved no new biomass projects since 2017, while beginning to discuss measures to stop existing plants converting to fossil fuels or decommissioning after their contracts expire. Support continues below 10MW at ¥24/kWh, unchanged for FY2025-26. We therefore see the addressable Japanese pool as a fixed,

administratively set stock of certified plants working through 20-to-25-year procurement periods, so that any producer's growth must displace competing supply. Per ANRE, 900 plants have been approved against 586 operating, leaving over 300 under construction, and Figure 9 sets out the framework and the certification requirement.

Figure 11: Bioenergy Generation Potential in Malaysia by Feedstock (MW)



Source: Company, Apex Securities.

The Indonesian Levy Is the Sector's Swing Factor. Indonesia is the larger origin, supplying roughly 70% of Japanese palm kernel residue demand against Malaysia's 30%, and exported 5.2m tonnes under HS 140490 in 2023 against Malaysia's 1.36m tonnes. Indonesia applies a PKS export levy **indexed to the CPO benchmark**. When CPO passed USD1,000/MT in May 2026, the combined export tax and levy reached **USD15/MT**, the highest in almost four years and well above the 2025 average of USD10.60/MT. The levy raises Indonesian landed cost without touching Malaysian material. That makes it the most consequential variable for Malaysian PKS producers over the next twelve months, ahead of any change in Japanese demand, which is now largely fixed.

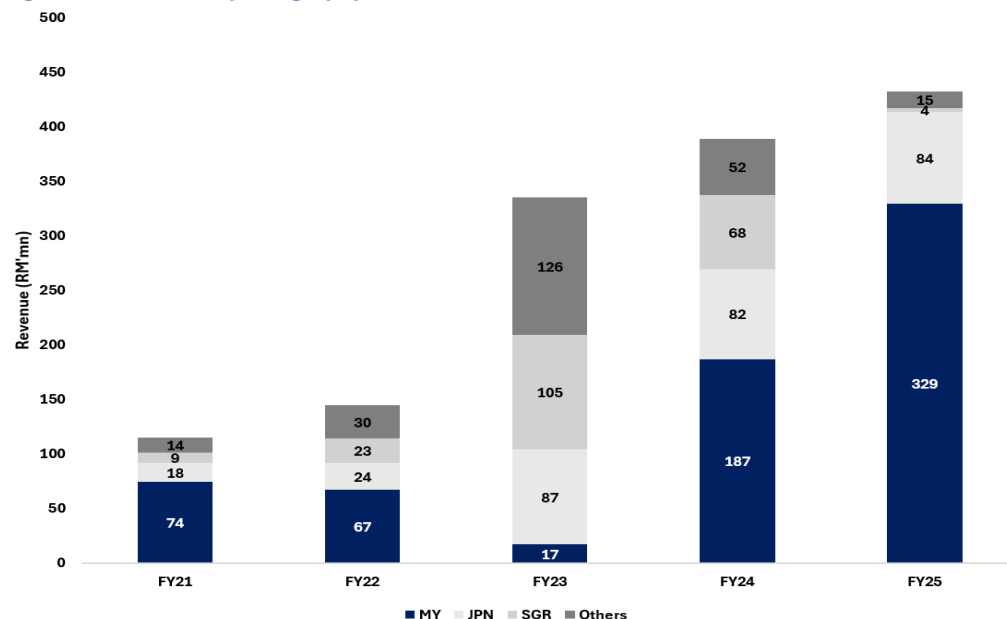
Fuel Economics, Competition and the Coal Linkage. PKS is not cost-competitive with coal on an energy-equivalent basis, delivering energy at a c.18% premium to Newcastle 6,000 kcal coal on our estimates, or 20% to 30% on management's delivered basis after lower ash handling. PKS demand is therefore positively correlated with coal prices, and a coal bear market shrinks the addressable market while leaving input costs unchanged. On competition, the IPO market research identified only five Malaysian PKS manufacturers, all bar ELRIDGE private. The bigger development is upstream integration by buyers, with eRex building PKS collection and manufacturing in Malaysia and Indonesia.

Financial Highlights

Revenue trend. Revenue grew at a **44.1% CAGR** between FY22 and FY25, rising from RM144.4m to RM432.0m. Growth moderated to 11.0% in FY25 as the revenue base expanded, with a 24.9% decline in wood pellet revenue to RM43.3m partly offsetting a 17.3% increase in PKS revenue to RM388.6m. Growth momentum subsequently improved in 1QFY26, with revenue rising **19.2% YoY** to RM130.8m and 15.4% QoQ from RM113.3m, driven by higher PKS sales to Japan, Malaysia and Thailand.

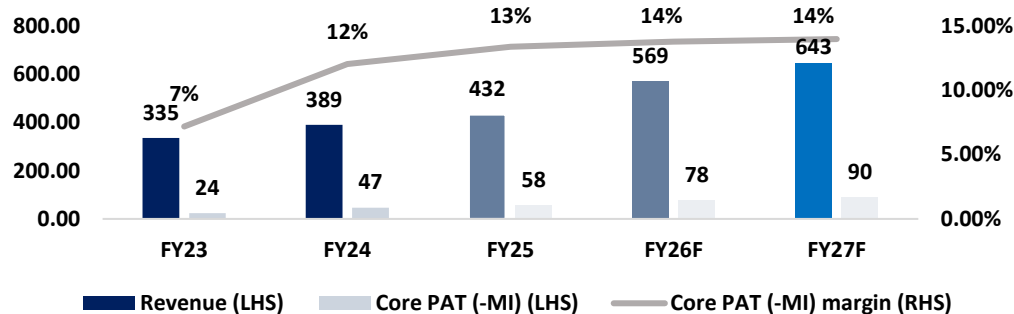
The geographical revenue mix has also shifted, with **Malaysia accounting for RM329.5m or 76% of FY25 revenue**, as trading counterparties increasingly booked purchases through their Malaysian entities, while Japanese-billed revenue remained broadly stable at RM83.7m (see Figure 12). Looking ahead, we expect core net profit to rise to **RM89.8m by FY27F**, supported by continued revenue growth and a core net profit margin of around 14% (see Figure 13).

Figure 12: Revenue by Geography



Source: Company, Apex Securities

Figure 13: Revenue and Core Net Profit Trend



Source: Company, Apex Securities

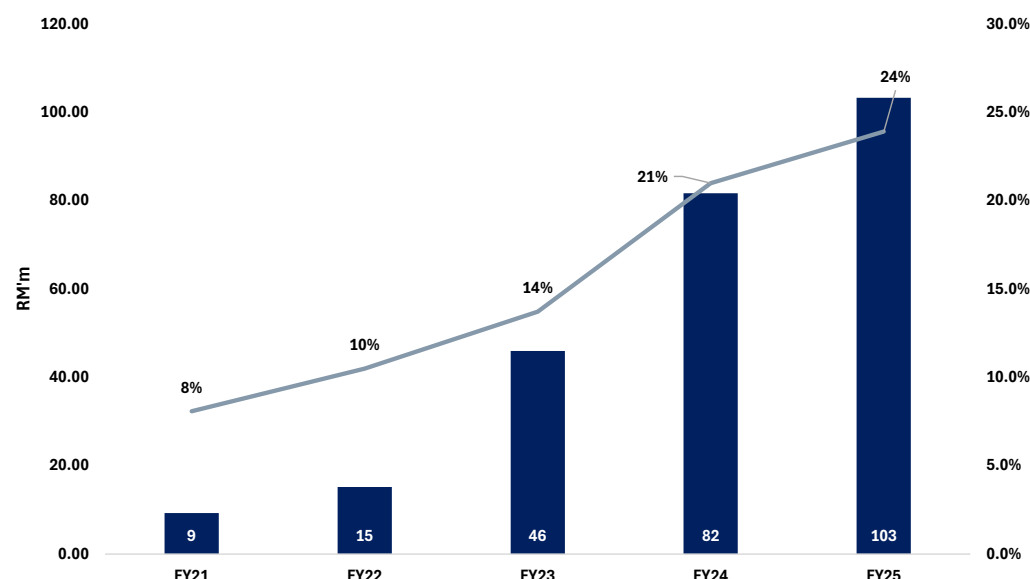
Figure 14: Financial Summary

FYE Dec (RM m)	FY 23	FY 24	FY 25	FY26F	FY27F
Revenue	335.3	389.1	432.0	569.2	642.6
Gross Profit	46.0	81.7	103.3	141.0	160.1
EBITDA	31.4	67.2	87.8	129.4	146.0
Depreciation & Amortisation	-1.7	-7.5	-8.7	-13.8	-14.7
EBIT	29.7	59.7	79.1	115.6	131.3
Net Finance Income/(Cost)	-1.8	-3.4	-3.2	-3.6	-3.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	28.0	56.4	75.9	112.0	128.2
Tax	-4.4	-15.2	-18.6	-33.6	-38.5
Profit After Tax	23.6	41.2	57.3	78.4	89.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	23.6	41.2	57.3	78.4	89.8
Exceptionals	-0.5	-5.6	-0.5	0.0	0.0
Core Net Profit	24.1	46.8	57.8	78.4	89.8

Source: Apex Securities

Profitability trend. Gross margin has risen every year for four years, from 10.5% in FY22 to 13.7%, 21.0% and **23.9%** in FY25, with PAT margins improving from 4.4% to 13.3% over the same period. FY25 PAT of RM57.3m grew 39.2% y-o-y from RM41.17m in FY24. In 1QFY26, gross profit rose 50.9% YoY to RM36.0m and PBT 33.5% to RM24.1m, while PAT grew 30.9% to RM17.8m at a 26.2% effective tax rate, for a 1QFY26 PAT margin of 13.6%. Sequentially, revenue rose 15.4% QoQ but PAT was broadly unchanged at plus 0.4%, as gross margin held at 27.5% against 27.8% in 4QFY25.

Figure 15: Gross Profit and Margin Trend



Source: Company, Apex Securities.

Financial position. ELRIDGE carries a liquid balance sheet. Total assets were RM472.3m at 30 June 2026 against RM364.4m at FY25, and cash rose to RM280.6m from RM176.4m. Borrowings of RM103.7m are entirely short-term trade facilities, comprising bankers' acceptances of RM74.9m, trade financing of RM10.6m, trust receipts RM9.2m, invoice financing RM6.6m and supplier financing RM2.4m, with no term debt, leaving net cash of RM176.9m, gearing of 0.38x and a current ratio of 2.39x, against 0.79x and 1.30x at FYE23.

Shareholders' funds rose to RM272.0m, for NAPS of 13.60 sen. Cash conversion, previously a weak point, has flipped, with operating cash flow at RM75.6m in 1HFY26 against RM2.3m in 1HFY25, or 189% of PAT, and free cash flow after RM0.4m of capex was RM75.1m, with working capital the reason as trade and other receivables released RM12.3m in 1HFY26 against absorbing RM11.0m in 1HFY25, trade receivables fell to RM60.4m from RM89.8m in FY25 despite higher revenue, cutting receivable days to 42 from 76. Terms are 30 to 90 days with nothing past due.

Earnings outlook. We forecast FY26F revenue of RM569.2m (+31.8% YoY) and FY27F revenue of RM642.6m (+12.9%), driven by a full year of Kuantan 1 and Pasir Gudang, and volume rising to 1.18m MT in FY26F and 1.34m MT in FY27F. We hold our estimated blended realised price per tonne flat at the FY25 level, so the forecast assumes no price recovery and growth is entirely volume-led. We model gross margin of 24.8% and 24.9%, in line with FY25, giving core PAT of RM78.4m and RM89.8m, or core EPS of 3.92 sen and 4.49 sen.

Valuation & Recommendation

Not Rated. We value ELRIDGE at RM1.06, applying 23.6x, its one-year average blended forward P/E, to our FY27F core EPS of 4.49 sen, with a three-star ESG rating. As ELRIDGE has no peers, we find that valuing it at an average blended multiple of 23.6x to be appropriate. The case rests on volume-led growth as capacity rises to 1.92m MT by FY2026, with Lahad Datu providing a further expansion leg in FY2027. Key re-rating triggers are the conversion of remaining MOUs into binding offtake and timely commissioning of Kuantan 2.

Figure 16: ELRIDGE Blended Forward P/E, 1-Year



Source: Bloomberg, Apex Securities

Investment Risk

Policy-dependent demand. PKS carries a premium to thermal coal on an energy-equivalent basis, so demand rests on regulation rather than fuel economics. METI has excluded woody biomass plants of 10MW and above, and all liquid biomass, from the FIT and FIP schemes from FY2026, and has approved no new projects since 2017. The approved fleet of 900 plants carries 20 to 25 year lives and over 300 remain under construction, but the pool is finite and administratively set. A cut to the imported biomass tariff band, tighter lifecycle GHG thresholds, or de-prioritisation of biomass would compress demand with no migration to a cheaper substitute. Lower coal prices widen the gap and raise the subsidy required, so the market contracts precisely when input economics improve.

Customer and receivable concentration. ELRIDGE's receivables orderbook currently consists of two customers holding c.92% of trade receivables at FYE25, equal to 36% of shareholders funds, and three customers each represented 10% or more of revenue. The Group sells to trading intermediaries rather than end operators, which limits visibility on ultimate counterparty credit. Receivables rose 108% in FY25 against 11% revenue growth, lifting days outstanding to 76 from 40. Nothing was past due in either year and the loss allowance is 0.15% of the gross book, but on 90-day terms an absence of past due balances is arithmetic rather than evidence of collection quality. An impairment against either balance would be material against annual earnings.

Cash conversion. The Group converted RM57.3m of FY25 net profit into RM2.7m of free cash flow, and RM98.5m of cumulative FY24 and FY25 net profit into under RM1m. The 79-day cash conversion cycle, 76 days of receivables and 24 of inventory against 19 of payables, means every increment of revenue growth absorbs working capital. At the growth rates the capacity programme implies, that is a recurring call on cash and the main constraint on dividend capacity.

Spread reversal. The four-year gross margin expansion comes from raw shell cost falling faster than realised price, not from pricing power or operating leverage. Raw material is 89% of cost of sales, so processing efficiency cannot influence margin at this magnitude. Any tightening of Malaysian feedstock, whether from **competition for the same shell or a regional price recovery that is not passed through**, compresses the spread. On our estimate, roughly 60% of volume is sold spot, and with **long-term volumes repricing quarterly**, any reversal would show in earnings within two quarters.

Execution and upstream competition. At 31 March 2026, RM55.3m of the RM101.5m IPO proceeds was unutilised, including the entire RM47.0m allocated towards future construction and expansion. The Group has taken extensions of time on three proceeds line items and reported no capital commitments at quarter end. Delay at Kuantan 2 or Lahad Datu would defer the volume growth our FY27F estimates depend on, and the forecast assumes no price recovery to offset a shortfall. Separately, PKS supply follows CPO milling throughput, and the Group cannot originate feedstock. Furthermore, Japanese buyers have begun integrating upstream, as eRex owns Singapore procurement subsidiary and is developing PKS collection and manufacturing in Malaysia and Indonesia to supply third parties.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	389.1	432.0	569.2	642.6	690.4
Gross Profit	81.7	103.3	141.0	160.1	174.7
EBITDA	67.2	87.8	129.4	146.0	159.1
Depreciation & Amortisation	-7.5	-8.7	-13.8	-14.7	-15.4
EBIT	59.7	79.1	115.6	131.3	143.7
Net Finance Income/ (Cost)	-3.4	-3.2	-3.6	-3.1	-2.6
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	56.4	75.9	112.0	128.2	141.1
Tax	-15.2	-18.6	-33.6	-38.5	-42.3
Profit After Tax	41.2	57.3	78.4	89.8	98.8
Minority Interest	0.0	0.0	0.0	0.0	1.0
Net Profit	41.2	57.3	78.4	89.8	98.8
Exceptionals	-5.6	-0.5	0.0	0.0	0.0
Core Net Profit	46.8	57.8	78.4	89.8	98.8

Key Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	2.3	2.9	3.9	4.5	4.9
P/E(x)	35.1	28.4	20.9	18.3	16.6
P/B(x)	9.4	7.1	5.3	4.1	3.3
EV/EBITDA(x)	25.9	19.5	13.9	12.6	11.8
EBITDA margin (%)	17.3%	20.3%	22.7%	22.7%	23.0%
EBIT margin (%)	15.3%	18.3%	20.3%	20.4%	20.8%
PBT margin (%)	14.5%	17.6%	19.7%	20.0%	20.4%
PAT margin (%)	10.6%	13.3%	13.8%	14.0%	14.3%
NP margin (%)	10.6%	13.3%	13.8%	14.0%	14.3%
CNP margin (%)	12.0%	13.4%	13.8%	14.0%	14.3%
ROE(%)	26.8%	24.9%	25.3%	22.4%	19.8%
ROA (%)	17.6%	15.9%	16.5%	15.8%	14.8%
Gearing (%)	0.0%	43.6%	30.8%	22.4%	16.8%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY27F
Core EPS (RM)	0.0449
P/E multiple (x)	23.6
Fair Value (RM)	1.06
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.06

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash and bank balances	162.0	176.4	248.8	291.6	327.4
Receivables	50.7	100.9	131.2	170.5	221.7
Inventories	23.5	25.3	31.6	39.5	49.4
Other current assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	236.2	302.5	411.6	501.6	598.4
Fixed Assets	12.0	25.8	28.6	30.7	32.4
Intangibles	15.7	33.6	33.1	32.6	32.1
Other non-current assets	2.5	2.5	2.5	2.5	2.5
Total Non-Current Assets	30.2	61.9	64.1	65.7	67.0
Short-term debt	54.1	76.2	78.6	74.9	71.4
Payables	19.9	25.8	64.2	72.4	77.4
Other current liabilities	6.2	2.9	2.9	2.9	2.9
Total Current Liabilities	80.2	104.8	145.7	150.2	151.7
Long-term debt	10.1	25.1	17.1	14.5	12.4
Other non-current liabilities	1.5	2.4	2.4	2.4	2.4
Total Non-Current Liabilities	11.6	27.5	19.5	17.0	14.8
Shareholder's equity	174.7	232.0	310.4	400.2	498.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	174.7	232.0	310.4	400.2	498.9

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	56.4	75.9	112.0	128.2	141.1
Depreciation & amortisation	7.5	8.7	13.8	14.7	15.4
Changes in working capital	-50.9	-46.7	1.9	-39.1	-56.1
Others	-7.5	-19.9	-33.6	-38.5	-42.3
Operating cash flow	5.4	18.0	94.0	65.3	58.1
Capex	-7.2	-15.4	-16.0	-16.3	-16.6
Others	0.0	0.0	0.0	0.0	0.0
Investing cash flow	-7.2	-15.4	-16.0	-16.3	-16.6
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	112.1	12.0	-5.6	-6.2	-5.7
Financing cash flow	112.1	12.0	-5.6	-6.2	-5.7
Net cash flow	110.3	14.6	72.4	42.8	35.8
Forex	-0.1	-0.3	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	51.8	162.0	176.4	248.8	291.6
Ending cash	162.0	176.4	248.8	291.6	327.4

ESG Matrix Framework:**Environment**

Parameters	Rating	Comments
Climate	★★★	The Group directly contributes to global climate action by providing renewable biomass fuel alternatives that reduce carbon emissions and enable industries to transition to cleaner energy sources.
Waste & Effluent	★★★	Their circular business model creates economic value by transforming agricultural and timber waste (such as PKS and wood residues) into high-quality biomass fuel.
Energy	★★★	They established baseline energy consumption data in FY2025 (5,125 MWh total) and are committed to enhancing efficiency and exploring renewable energy sources for their own operations.
Water	★★★	Operations are non-water-intensive, as their production processes for PKS and wood pellets do not require water; consumption is limited to domestic and sanitary purposes.
Compliance	★★★	The Group maintains recognized green certifications, such as the Green Gold Label and PEFC, to ensure sustainable sourcing and conformance with environmental standards.

Social

Diversity	★★★	Elridge Energy promotes an inclusive workplace; as of December 2025, 36% of its 56 employees were female, and women representation on the Board stood at 29%.
Human Rights	★★	The Group strictly prohibits forced and child labour within its direct operations and reported zero human rights violations or grievances in FY2025.
Occupational Safety and Health	★★★	Safety is a core priority, with a zero-tolerance approach to unsafe conditions and a target to train 100% of employees on health and safety standards by FY2026.
Labour Practices	★★★	They uphold fair practices by ensuring compliance with employment laws, providing competitive wages, and investing in continuous employee training and development.

Governance

CSR Strategy	★★★	Their sustainability strategy is guided by a formal materiality assessment that identifies and prioritizes the ESG issues most relevant to the business and its stakeholders.
Management	★★★	A strong governance structure is in place, featuring ultimate Board oversight supported by a dedicated management-level Sustainability Working Committee for strategy execution.
Stakeholders	★★	The Group actively engages with primary stakeholders—including shareholders, employees, customers, and suppliers—to ensure their voices inform decision-making and material priorities.

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

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

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(a) nil.