

02 August 2021

## Unisem (M)

### Stronger Momentum Sequentially

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Despite the MCO 3.0, Unisem managed to deliver an outstanding 2QFY21 CNP of RM54.6m (+61% YoY; +20% QoQ). This brings 1HFY21 CNP to 100.1m (+222% YoY), in line with our/street expectation at 43/46% of full-year estimate. Margins continued to improve on better utilisation across all packages, especially WLCSP and MEMS. Its Chengdu plant's expansion (2x floor space) is under way to cater for very large demand in China which will sustain the group's growth trend. A 1-for-1 bonus issue was proposed. Maintain OUTPERFORM with an adjusted TP of RM9.80.

**Within expectations.** Despite the MCO 3.0 implementation with workforce restricted to 60%, Unisem managed to deliver 2QFY21 CNP of RM54.6m (+61% YoY; +20% QoQ). This brings 1HFY21 CNP to 100.1m (+222% YoY) which is in line with our/street expectation at 43/46% of full-year estimate.

**QoQ,** 2QFY21 CNP rose 20% on 7.6% higher revenue which was commendable given the MCO 3.0 lockdown which forced the group to operate at only 60% workforce. More importantly, the higher quantum of increase in CNP was mainly attributable to better loading volume for its products across the board, particularly for the higher margin wafer-level chip scale packaging (WLCSP) and micro-electromechanical systems (MEMS) bumping. As a result, EBIT margin rose 1.4ppt to 15.7% while CNP margin improved 1.5ppt to 13.6%. **YoY,** 2QFY21 revenue rose by 30% to RM402.2m (+36% in USD terms to US\$97.5m), while CNP jumped 60% to RM54.6m. Cumulatively, 1HFY21 revenue was 37% higher at RM776.2m while CNP leapt 222% to RM100.1m.

**Better 2H outlook intact.** Looking ahead, we expect the positive momentum to flow into the subsequent 3QFY21 with QoQ growth likely to be seen thanks to very solid demand from key customers in Chengdu, China. To cater for the surge in orders and forecast from customers, the group has started the Phase 3 expansion in Chengdu since early July 2021. Expected to be completed by 4QFY22, this will double its current floor space in Chengdu. Over in Ipoh site, utilisation for all its packages is at optimal level with the exception of the bumping facility which is still at suboptimal level due to insufficient wafer loading from customers. However, the group is confident that the overwhelming demand in its Chengdu operation will be able to offset the shortfall. The group has proposed a 1-for-1 bonus issue which will be finalised by end-Oct 2021.

**Maintain FY21E and FY22E CNP** of RM234.6m and RM254.6m.

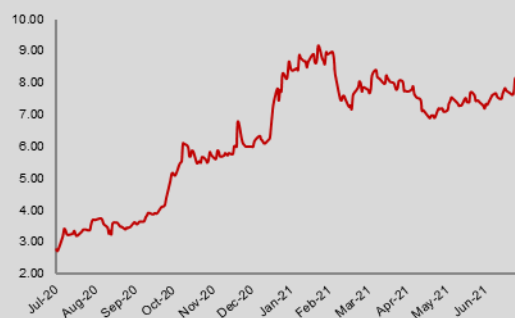
**Maintain OUTPERFORM with an adjusted Target Price of RM9.80** (previously RM10.00) after tweaking for a higher share base post sale of treasury shares to meet the public spread requirement. Our valuation is based on a rolled forward FY22E PER of 31x (+1.5SD 3-year mean).

**Risks to our call include:** (i) weaker-than-expected USD/MYR, (ii) slower-than-expected adoption of 5G, and (iii) worsening US-China trade war.

## OUTPERFORM ↔

Price : RM8.35  
Target Price : RM9.80 ↓

### Share Price Performance



KLCI	1,507.60
YTD KLCI chg	-7.3%
YTD stock price chg	35.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UNI MK Equity
Market Cap (RM m)	6,734.6
Shares Outstanding	806.5
52-week range (H)	9.43
52-week range (L)	2.79
3-mth avg daily vol:	587,023
Free Float	26.4%
Beta	0.5

### Major Shareholders

Huatian Technology Sdn Bhd	48.0%
Jayvest Holdings Sdn Bhd	10.9%
Sin Tet Chia	7.7%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	1,289	1,528	1,635
EBITDA	338.1	440.9	460.8
PBT	164.0	266.3	289.1
<b>Net Profit (NP)</b>	<b>142.8</b>	<b>234.6</b>	<b>254.6</b>
<b>Core NP</b>	<b>142.8</b>	<b>234.6</b>	<b>254.6</b>
Consensus (NP)	n.a.	215.3	246.9
Earnings Revision	n.a.	0%	0%
EPS (sen)	19.6	29.2	31.7
EPS growth (%)	1596	48.6	8.5
DPS (sen)	6.0	6.0	6.0
BV/Share (RM)	2.44	2.44	2.69
PER (x)	39.7	28.6	26.4
Price/BVPS (x)	3.2	3.4	3.1
Net Gearing (x)	(0.3)	(0.3)	(0.4)
Dividend Yield (%)	0.8	0.7	0.7



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Results Highlight								
	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
<b>Turnover</b>	<b>402.2</b>	<b>373.9</b>	<b>7.6%</b>	<b>310.1</b>	<b>29.7%</b>	<b>776.2</b>	<b>565.2</b>	<b>37.3%</b>
EBIT	63.1	53.5	17.9%	42.8	47.5%	116.6	54.4	114.2%
<b>Adjusted EBIT</b>	<b>63.1</b>	<b>53.5</b>	<b>17.9%</b>	<b>42.8</b>	<b>47.5%</b>	<b>116.6</b>	<b>45.4</b>	<b>156.5%</b>
PBT/(LBT)	62.5	52.8	18.4%	41.4	50.8%	115.2	51.5	123.7%
Taxation	-7.7	-7.0	-10.6%	-7.5	-2.6%	-14.7	-12.3	-19.6%
Net profit/(Net loss) after MI	54.6	45.4	20.3%	34.0	60.9%	100.1	31.1	221.5%
<b>Core NP/(NL) after MI</b>	<b>54.6</b>	<b>45.4</b>	<b>20.3%</b>	<b>34.0</b>	<b>60.9%</b>	<b>100.1</b>	<b>31.1</b>	<b>221.5%</b>
Core EPS (sen)	6.8	5.7	18.7%	4.7	45.6%	12.5	4.3	192.6%
DPS (sen)	2.0	0.0		2.0		2.0	2.0	
Adjusted EBIT margin	15.7%	14.3%		13.8%		15.0%	8.0%	
Pretax margin	15.5%	14.1%		13.4%		14.8%	9.1%	
Core NP margin	13.6%	12.1%		10.9%		12.9%	5.5%	
Effective tax rate	-12.4%	-13.2%		-18.2%		-12.8%	-23.8%	

Source: Kenanga Research

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## Malaysian Technology Peers Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
D&O GREEN TECHNOLOGIES BHD	5.30	6,277.0	Y	12/2021	76.6%	10.8%	165%	11.0%	101.6	38.4	34.6	12.2	10.6	26.3%	0.9%	5.50	OP
GHL SYSTEMS BHD	1.85	2,111.8	Y	12/2021	4.3%	36.3%	8.4%	41.8%	68.4	63.1	44.5	4.4	4.1	6.5%	0.0%	2.30	OP
INARI AMERTRON BHD	3.33	12,254.3	Y	06/2021	37.4%	27.7%	93.6%	24.5%	70.0	36.2	29.1	9.1	8.7	25.3%	2.9%	4.60	OP
JHM CONSOLIDATION BHD	2.28	1,271.3	Y	12/2020	29.8%	10.7%	72.2%	11.1%	41.9	24.3	21.9	4.7	3.8	15.8%	0.8%	2.00	MP
KELINGTON GROUP BHD	1.24	797.3	Y	12/2021	9.5%	13.3%	42.7%	14.1%	29.5	20.7	18.1	3.2	2.9	16.2%	1.2%	1.30	OP
KESM INDUSTRIES BHD	13.20	567.8	Y	07/2021	-3.0%	18.7%	10633%	113%	5959	55.5	26.1	1.6	1.6	2.8%	0.7%	12.00	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	44.50	8,850.9	Y	06/2021	20.0%	12.0%	65.4%	13.1%	46.2	29.2	25.8	6.2	5.8	16.1%	0.8%	47.50	OP
P.I.E. INDUSTRIAL BHD	3.00	1,152.1	Y	12/2021	59.9%	7.5%	31.2%	27.0%	24.0	18.3	14.4	2.3	2.0	11.1%	2.5%	3.30	OP
SKP RESOURCES BHD	1.66	2,593.5	Y	03/2022	20.0%	3.9%	25.9%	7.3%	20.0	15.9	14.8	3.6	3.3	19.9%	3.1%	2.40	OP
UNISEM (M) BHD	8.35	6,734.6	Y	12/2021	18.5%	7.0%	64.3%	8.5%	42.5	28.6	26.4	3.5	3.2	12.1%	0.7%	9.80	OP

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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