# Unisem (M)

## Earnings Beat, But Not Cheap

*By Cheow Ming Liang l cheowml@kenanga.com.my*

## UNDERPERFORM ↔

| | |
|---|---|
| Price : | RM3.18 |
| Target Price : | RM2.22 ↑ |

**UNISEM's FY25 results beat both our and consensus expectations, driven by stronger operating execution and improved efficiency. Management remains constructive on FY26, supported by its Gopeng plant 's ramp-up, stronger customer loading and new wins, and is targeting FY26 USD revenue growth of c.20%–25%, despite guiding for flattish 1QFY26 revenue QoQ (in USD terms) due to seasonality. We raise our FY26F net profit by 17% to RM122m (and introduce FY27F set) after lifting our revenue and margin assumptions, and correspondingly raise our TP by 17% to RM2.22 (based on an unchanged FY26F PER of 29.3x). However, we maintain it at UNDERPERFORM as valuations remain stretched and, in our view, have largely priced in the earnings recovery.**

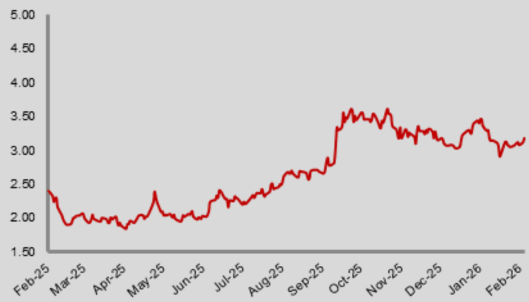
UNISEM's FY25 core net profit of RM63m (+3.6% YoY, excluding the RM23.8m gain from the dissolution of foreign subsidiaries) came in above both our and consensus expectations. The earnings outperformance was primarily driven by stronger operating execution and improved efficiency. A lower fourth interim dividend of 1.0 sen was announced, bringing its full-year DPS to 7.0 sen (vs. FY24: 8.0 sen). Management attributed the temporary dividend restraint to elevated capex, but indicated its intention to revert to the usual quarterly 2.0 sen DPS once revenue contribution becomes more meaningful in 2HFY26.

**YoY**, revenue grew 18% to RM1.87b (or +26% to USD439m), supported by stronger volumes from key automotive customers and continued growth in industrial power-management products. Gross profit rose 22%, while gross margin improved to 7.4% (from 7.2%) on a more favourable product mix. Despite higher depreciation and a larger workforce (7.3k vs 6.6k), EBIT increased 15% on better operational efficiency, which in turn drove a 4% rise in core net profit to RM63m. The group also recorded a RM14.6m FX gain in FY25 (vs RM6.7m in FY24).

**QoQ,** revenue softened by 2.5% to RM480m (-0.9% to USD116m vs. 0%-5% guidance), while core net profit rose to RM28m (+46% QoQ), supported by better margins from improved operational efficiency. In addition, ongoing cost optimisation efforts over the past two quarters — including waste reduction and tighter utility usage — have generated monthly savings. Utilisation remained healthy, with Unisem Chengdu (UC) operating at 80%–85% (close to the optimal level) and Unisem Malaysia (UM) at c.50%–55% (with the caveat that utilisation is not static as capacity continues to be added). More than half of the group's sales mix was generated from China; UC remained profitable and helped offset losses at UM.

**Outlook.** Management guided for flattish 1QFY26 sequential revenue (in USD terms), mainly due to seasonal factors. Beyond near-term seasonality, the group remains constructive on FY26, supported by the Gopeng plant's ramp-up, stronger loading from key customers (including beneficiaries of the China+1 / manufacturing de-risking trend), and continued traction from new customer wins. Management also indicated that FY26 USD revenue growth of c.20%–25% is within its plan. Its Gopeng plant remains the key earnings driver, with output expected to scale up progressively month by month, and its earnings contribution should become more meaningful as utilisation improves. That said, the key risks remain USD/MYR weakness (with management noting that, at current FX rates, the group may need to grow USD sales by another 10% just to keep bottom-line earnings flat), as well as geopolitical/tariff uncertainty and normal qualification/ramp timing risks

### Share Price Performance




| | |
|---|---|
| KLCI | 1,754.01 |
| YTD KLCI chg | 4.4% |
| YTD stock price chg | 3.6% |

### Stock Information

| | |
|---|---|
| Shariah Compliant | Yes |
| Bloomberg Ticker | UNI MK EQUITY |
| Market Cap (RM m) | 5,129.6 |
| Shares Outstanding | 1,613.1 |
| 52-week range (H) | 3.73 |
| 52-week range (L) | 1.81 |
| 3-mth avg. daily vol. | 697,322 |
| Free Float | 19% |
| Beta | 1.0 |

### Major Shareholders

| | |
|---|---|
| Huatian Technology S | 44.4% |
| Chia Sin Tet | 12.9% |
| Jayvest Holdings Sdn | 11.1% |

### Summary Earnings Table

| FY Dec (RM m) | 2025A | 2026F | 2027F |
|---|---|---|---|
| Turnover | 1,872 | 2,029 | 2,155 |
| EBIT | 102 | 168 | 200 |
| PBT | 113 | 149 | 181 |
| **Net Profit (NP)** | 87 | 122 | 149 |
| Consensus (NP) | - | 135 | 174 |
| Earnings Revision | - | +17% | NEW |
| EPS (sen) | 5.4 | 7.6 | 9.2 |
| EPS Growth (%) | 42.8 | 40.9 | 0.0 |
| DPS (sen) | 7 | 6 | 8 |
| BV/Share (RM) | 1.3 | 1.3 | 1.3 |
| PER (x) | 59.2 | 42.0 | 34.5 |
| Price/BVPS (x) | 2.4 | 2.4 | 2.4 |
| Net Gearing (x) | 0.1 | 0.1 | 0.1 |
| Dividend Yield (%) | 2.2% | 1.9% | 2.5% |

for newly installed capacity. On Gopeng specifically, management expects the profitability timeline to be delayed by another quarter (to 4QFY26) due to FX pressure, while ongoing cost optimisation and better operating efficiency should continue to support group earnings.

**Forecasts.** We raise our FY26F net profit by 17% to RM122m, after increasing our revenue and operating profit margin assumptions (OP margin: 8.3% from 7.3%) to reflect stronger operating execution and improved efficiency. We also take this opportunity to introduce our FY27F forecasts.

**Valuations.** Correspondingly, we raise our target price by 17% to RM2.22 (from RM1.90 previously) based on an unchanged FY26F PER of 29.3x, in line with its peers' average. There is no adjustment to TP based on ESG given a 3-star ESG rating as appraised by us (see Page 4). Despite the earnings and TP upgrades, the stock is already trading at around 42x/35x FY26/FY27F PER (c. 0.5x SD above its 5-year mean) on our estimates, which we believe have largely priced in the earnings recovery. We therefore **maintain it at UNDERPERFORM.**

**Risks to our call include**: (i) a stronger-than-expected recovery in global consumer electronics demand; (ii) moderate US-Sino chip wars, and (iii) a steep depreciation of the MYR against the USD.

**Results Highlight**

| FYE Dec (RM m) | 4Q25 | 3Q25 | QoQ Chg | 4Q24 | Chg | FY25 | FY24 | YoY Chg |
|---|---|---|---|---|---|---|---|---|
| Turnover | 480.5 | 492.7 | -2.5% | 411.8 | 16.7% | 1,872.1 | 1,580.9 | 18.4% |
| GP | 43.4 | 44.9 | -3.5% | 27.3 | 58.6% | 138.4 | 113.2 | 22.3% |
| EBITDA | 103.8 | 97.0 | 7.0% | 72.8 | 42.6% | 346.5 | 293.4 | 18.1% |
| EBIT | 39.4 | 31.3 | 26.0% | 19.0 | 107.1% | 102.2 | 89.3 | 14.5% |
| PBT/(LPT) | 59.2 | 27.8 | 113.1% | 16.2 | 265.8% | 113.2 | 82.3 | 37.5% |
| Taxation | (7.1) | (8.4) | -15.7% | (7.5) | -5.3% | (26.5) | (21.6) | 22.5% |
| MI | 0.0 | 0.0 | NA | 0.0 | NA | 0.0 | 0.0 | NA |
| Net Profit | 52.1 | 19.4 | 168.9% | 8.7 | 499.2% | 86.7 | 60.7 | 42.8% |
| Core Net Profit | 28.4 | 19.4 | 46.3% | 8.7 | 226.0% | 62.9 | 60.7 | 3.6% |
| EPS (sen) | 3.2 | 1.2 | 168.9% | 0.5 | 499.2% | 5.4 | 3.8 | 42.8% |
| DPS (sen) | 1.0 | 2.0 | -50.0% | 2.0 | -50.0% | 7.0 | 8.0 | -12.5% |
| | | | | | | | | |
| Gross Margin | 9.0% | 9.1% | | 6.6% | | 7.4% | 7.2% | 9.0% |
| EBITDA Margin | 21.6% | 19.7% | | 17.7% | | 18.5% | 18.6% | 21.6% |
| EBIT Margin | 8.2% | 6.3% | | 4.6% | | 5.5% | 5.6% | 8.2% |
| PBT Margin | 12.3% | 5.6% | | 3.9% | | 6.0% | 5.2% | 12.3% |
| NP Margin | 10.8% | 3.9% | | 2.1% | | 4.6% | 3.8% | 10.8% |
| CNP Margin | 5.9% | 3.9% | | 2.1% | | 3.4% | 3.8% | 5.9% |
| Taxation Rate | -12.0% | -30.3% | | -46.3% | | -23.4% | -26.3% | |

*Source: Kenanga Research*

*This section is intentionally left blank*

## Malaysian Technology Peers Comparison

| Name | Rating | Last Price @ 24 Feb. (RM) | Target Price (RM) | Upside | Mkt Cap (RM m) | Shariah Compliant | Current FYE | Core EPS (sen) | | Core EPS Growth | | PER (x) – Core Earnings | | PBV (x) | ROE | Net. Div. (sen) | Net. Div. Yld |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. |
| D&O GREEN TECHNOLOGIES BHD | 0.515 | 0.810 | 57.3% | 638.3 | Y | 12/2025 | 1.1 | 2.7 | -66.1% | 149.3% | 47.6 | 19.1 | 0.9 | -19.5% | 1.0 | 1.9% | 0.515 |
| INARI AMERTRON BHD | 1.48 | 2.20 | 48.6% | 5,631.6 | Y | 06/2026 | 6.8 | 7.6 | 1.5% | 10.9% | 21.7 | 19.6 | 2.0 | 9.3% | 7.0 | 4.7% | 1.48 |
| KELINGTON GROUP BHD | 5.06 | 6.15 | 21.5% | 3,970.7 | Y | 12/2025 | 20.4 | 20.4 | 25.3% | 21.4% | 24.8 | 24.8 | 5.8 | 27.1% | 13.0 | 2.6% | 5.06 |
| LGMS BHD | 0.500 | 0.650 | 30.0% | 228.0 | Y | 12/2026 | 2.2 | 2.7 | -18.7% | 23.0% | 22.8 | 18.5 | 2.3 | 10.3% | 2.0 | 4.0% | 0.500 |
| M'SIAN PACIFIC INDUSTRIES BHD | 31.22 | 35.30 | 13.1% | 6,225.2 | Y | 06/2026 | 104.4 | 120.3 | 35.2% | 15.2% | 29.9 | 25.9 | 2.8 | 9.7% | 35.0 | 1.1% | 31.22 |
| NATIONGATE HOLDINGS BHD | 1.02 | 1.15 | 12.7% | 2,307.9 | Y | 12/2025 | 6.7 | 6.4 | -13.7% | -4.3% | 15.3 | 16.0 | 2.3 | 15.9% | 2.0 | 2.0% | 1.02 |
| OPPSTAR BHD | 0.285 | 0.280 | -1.8% | 182.8 | Y | 03/2026 | (1.6) | 1.0 | -184.7% | -40.0% | N.A. | 29.0 | 1.5 | -8.0% | 0.0 | 0.0% | 0.285 |
| P.I.E. INDUSTRIAL BHD | 1.69 | 2.54 | 50.3% | 649.0 | Y | 12/2025 | 7.9 | 14.8 | -42.7% | 86.5% | 21.3 | 11.4 | 1.0 | 4.7% | 0.0 | 0.0% | 1.69 |
| SKP RESOURCES BHD | 0.510 | 0.530 | 3.9% | 796.8 | Y | 03/2026 | 5.7 | 4.4 | -24.4% | -22.5% | 9.0 | 11.6 | 0.7 | 8.0% | 0.0 | 0.0% | 0.510 |
| UNISEM (M) BHD | 3.18 | 2.22 | -30.2% | 5,129.6 | Y | 12/2026 | 7.6 | 9.2 | 94.1% | 21.8% | 42.0 | 34.5 | 2.4 | 5.8% | 6.0 | 1.9% | 3.18 |
| UWC BHD | 4.35 | 4.38 | 0.7% | 4,797.6 | Y | 07/2026 | 10.0 | 13.9 | 172.6% | 38.8% | 43.4 | 31.3 | 8.0 | 22.6% | 0.0 | 0.0% | 4.35 |
| PENTAMASTER CORP BHD | 3.26 | 4.25 | 30.4% | 2,318.9 | Y | 12/2025 | 8.7 | 12.1 | -4.9% | 38.9% | 37.4 | 26.9 | 2.9 | 8.0% | 2.0 | 0.6% | 3.26 |
| INFOMINA BHD | 1.20 | 1.90 | 58.3% | 721.5 | Y | 05/2026 | 5.6 | 7.6 | 60.7% | 34.8% | 21.3 | 15.8 | 3.6 | 18.3% | 1.0 | 0.8% | 1.20 |
| **Simple Average** | | | | **33,597.9** | | | | | **11.4%** | **19.2%** | **27.3** | **22.9** | **2.8** | **8.6%** | | **1.5%** | |

*Source: Kenanga Research*

*This section is intentionally left blank*

## Stock ESG Ratings:

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ☆ | |
| | Community Investment | ★ | ★ | ★ | ☆ | |
| | Workers Safety & Wellbeing | ★ | ★ | ★ | ☆ | |
| | Corporate Governance | ★ | ★ | ★ | | |
| | Anti-Corruption Policy | ★ | ★ | ★ | | |
| | Emission Management | ★ | ★ | ★ | | |
| SPECIFIC | Ethical Practices | ★ | ★ | ★ | | |
| | Supply Chain Management | ★ | ★ | ★ | ☆ | |
| | Effluent/Water Management | ★ | ★ | ★ | ☆ | |
| | Energy Efficiency | ★ | ★ | ★ | | |
| | Waste Management | ★ | ★ | ☆ | | |
| | Technology & Innovation | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

## 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.***



Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my