

10 March 2026

Technology

Front-End Resilience, EMS Reset

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OVERWEIGHT



FX headwinds and the post-US tariff-induced movements were the key swing factors shaping the tech companies' performance in the 4QCY25 quarter. Front-end players continued to see a sustained pickup in project enquiries, underpinned by expanding global semiconductor fab investments. OSAT players' results and outlook, on the other hand, remained broadly steady as they recalibrate strategies in line with key customers' roadmaps, while ATE providers remain well positioned to ride the current up-cycle and are guiding for firmer automation demand into the coming year.

The EMS segment continues to face a challenging near-term operating environment, with end-customers in the process of reconfiguring their manufacturing footprints across Southeast Asia and Mexico. These transitions, coupled with the weakening of the USD, are slowing the pace of earnings recovery for EMS players.

All in, while the sector's 4QCY25 results marked a clear improvement versus prior quarters, our current OVERWEIGHT rating has yet to incorporate the latest risks stemming from firmer oil prices and inflation concerns following the on-going Iran war. These developments could have knock-on effects on already delicate supply chains, particularly for critical components and materials. We will address these potential implications in our forthcoming updates, as this note is intended primarily as a post-results wrap. We continue to prefer front-end (FE) names on clearer earnings visibility, with KGB (OP, TP: RM6.15) and UWC (TP: RM4.38) remaining as our top sector picks.

The sector's earnings delivery versus our forecasts in the recently concluded 4QCY25 reporting season was broadly satisfactory, with 8%, 46% and 46% of companies under our coverage reporting results above, in line with, and below our, expectation, respectively (see Exhibit 1). This marks a clear improvement from the prior quarter's outcome of 10%, 10% and 80%, respectively. The better showing is encouraging, as most front-end, OSAT, and ATE players have recalibrated strategies to align more closely with their key customers' roadmaps following the US tariff-related disruption. That said, the EMS segment recorded another quarter of earnings disappointments, weighed down by customer roadmap readjustments and sustained margin pressure, partly reflecting cost-sharing requirements imposed by certain key customers.

UNISEM was the sole standout in the sector, with its FY25 results beating both our and consensus expectations, underpinned by stronger operating execution and improved efficiency. Looking ahead, management remains constructive on FY26, supported by its Gopeng plant's ramp-up (although the profitability timeline has been pushed back by one quarter to 4QFY26 amid FX pressure), firmer loading from key customers — including those benefiting from the China+1/manufacturing de-risking trend — and continued traction from new customer wins. That said, the group guided for flattish QoQ revenue in 1QFY26 (in USD terms), reflecting seasonality. While we have already lifted our earnings forecasts in anticipation of further operational efficiency gains, we do not see this as sufficient to warrant a rating upgrade, as valuations remain demanding at FY26F/FY27F PER of 42x/35x; hence, we maintain our UNDERPERFORM call.

INARI's results, meanwhile, came in below expectations, weighed down by softer RF-related revenue and weaker margins. While its near-term outlook remains challenging — with key swing factors centred on RF content/mix, FX volatility and substrate/material tightness — its longer-term prospects remain constructive, with management positioning opto-electronics as the next growth engine going into FY27–FY28, underpinned by AI-led transceiver demand. For more on opto-electronics and the latest developments in the broader photonics landscape, please refer to Kenanga's **Asia Photonics Expo (APE) 2026** report concurrently published. Similarly, **D&O's** FY25 results also underwhelmed, dragged by ongoing inventory impairment clean-up and suboptimal utilisation. Management continues to frame FY26 as a transition year, with balance sheet expected to normalise progressively as impairment housekeeping and demand-led salvage efforts continue, alongside a targeted reduction in inventory days towards a healthier 3–4 months.

Front-end players (**KGB** and **UWC**) delivered results broadly in line with expectations. KGB's earnings remained anchored by a healthy order book (FY25: RM1.38b) and a sizeable tender book (RM4.6b), while UWC continued to benefit from the ongoing recovery in semiconductor-related demand. Looking ahead, with global semiconductor capex still firm and SEMI projecting wafer fab equipment (WFE) sales to rise 8% in 2026, we see a supportive backdrop for stronger order intake, higher utilisation and better revenue visibility — benefitting KGB (UHP process gas/chemical delivery systems and fab tool hook-ups) and UWC (precision-engineered modules and systems integration for front-end wafer fab equipment). Similarly, **PENTA's** results also came in within expectations with management viewing FY26 as an execution year, particularly for ATE, with prototype deliveries tied to AI ICs, advanced packaging and silicon photonics that could support broader conversion and potential mass-production programmes in FY27.

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EMS players, particularly **PIE**, delivered another disappointing quarterly results, with PIE dipping into losses due to reduced orders and low utilization in the EMS segment. This was primarily due to their main customer relocating production to US/Mexico since 3QCY25. However, the group have secured some new customers that could start contributing in 2HCY26, which may help cushion the weakness from their main customer. The outlook is highly dependent on their execution in the coming months. For **NATGATE**, its latest quarterly results were a letdown, as the weakening of the USD during the quarter weighed on operating performance. USD-referenced pricing led to lower MYR-equivalent revenue, while the revaluation of USD-denominated inventories downward pushed up COGS and compressed margins. With visibility on AI server orders remaining limited for the next few quarters, and the CPU segment growth constrained by the global memory shortage, we have downgraded the stock to MARKET PERFORM. Growth in the networking segment is unlikely to become meaningful until FY27, when contributions from new customers begin to ramp up. Next, **SKPRES** is facing headwinds, with revised order volumes from certain customers following tariff measures. Ongoing cost optimization initiatives by these customers have added further pricing pressure, compressing margins and weighing on profitability. As a result, we have also downgraded the stock to MARKET PERFORM, given the ongoing challenges and uncertainty surrounding the company's outlook.

Separately, street estimates have broadly moved in the same direction as our stance. Over the past month, consensus has cut earnings expectations for the EMS names under our coverage by 15%–33% (see Exhibit 2), while INARI and UNISEM have also been revised down by 9%–11% post the results review. In contrast, MPI and KGB saw marginal earnings upgrades, consistent with our more constructive view. Reflecting these revisions, consensus target prices have been recalibrated accordingly, with PIE seeing the steepest cut — down 47% to RM1.29.

Examining the target price spread (consensus TP versus last traded price, see Exhibit 2) reveals that 85% of the time (correlation using past five years data), stock prices would trade at a mid-to-high teens discount to consensus fair value. Notably, INARI, MPI, UNISEM, PENTA, PIE, OPPSTAR, KGB and INFOM are showing wider-than-normal TP spreads, which may indicate either (i) the market is overly cautious on these names, or (ii) consensus estimates remain too optimistic relative to near-term risks.

Exhibit 1: Quarterly Results Overview

	4QCY25						3QCY25					
	Kenanga			Consensus			Kenanga			Consensus		
	Above	Within	Below	Above	Within	Below	Above	Within	Below	Above	Within	Below
D&O			1			1			1			1
INARI			1			1			1			1
KGB		1			1			1			1	
LGMS		1			1			1			1	
MPI		1			1		1		1			
NATGATE			1			1			1			1
OPPSTAR			1			1			1			1
PIE			1			1			1			1
SKPRES			1			1			1			1
UNISEM	1			1					1		1	
UWC (new coverage)		1			1							
PENTA (new coverage)		1			1							
INFOMINA (new coverage)		1			1							
TOTAL	1	6	6	1	6	5	1	1	8	1	2	7
TOTAL (%)	8%	46%	46%	8%	50%	42%	10%	10%	80%	10%	20%	70%

Source: Companies, Kenanga, Bloomberg

All said, while the sector's 4QCY25 results marked a clear improvement versus prior quarters, our current OVERWEIGHT stance has yet to incorporate the latest risks stemming from firmer oil prices and inflation concerns following the Iran attacks. These developments could have knock-on effects on already delicate supply chains, particularly for critical components and materials. We will address these potential implications in our forthcoming updates, as this note is intended primarily as a post-results wrap. We continue to prefer front-end (FE) names on clearer earnings visibility, with **KGB (OP, TP: RM6.15)** and **UWC (TP: RM4.38)** remaining as our top sector picks.

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Exhibit 2: Consensus TP and Earnings Expectation

Name	INARI AMERTRON BHD	MALAYSIAN PACIFIC INDUSTRIES	UNISEM (M) BERHAD	PENTAMAST ER CORP BHD	D&O GREEN TECHNOLOG IES BHD	NATIONGATE HOLDINGS BHD	PIE INDUSTRIAL BHD	SKP RESOURCES BHD	OPPSTAR BHD	LGMS BHD	KELINGTON GROUP BHD	UWC BHD	INFOMINA BHD
Market Data													
Last Price (LP) @ 6 March	1.32	30.10	2.81	3.28	0.44	0.64	1.30	0.45	0.25	0.50	4.96	4.06	1.15
Consensus TP	1.86	35.58	3.13	3.99	0.47	1.07	1.29	0.58	0.28	0.60	6.40	4.66	1.84
Consensus TP (H)	2.90	41.00	3.80	4.90	0.54	1.70	1.40	0.64	0.28	0.61	6.70	4.98	1.90
Consensus TP (L)	1.41	33.14	2.22	3.35	0.43	0.75	1.08	0.52	0.28	0.58	6.12	4.18	1.80
TP chg (1 wk)	0.00	0.00	0.00	0.00	-0.06	-0.07	-0.38	0.00	0.00	-0.03	0.00	0.00	0.00
TP chg (1 mth)	-0.28	0.84	0.40	-0.19	-0.47	-0.37	-1.46	-0.38	-0.12	-0.03	0.14	0.00	0.00
TP chg (3 mth)	-0.38	1.04	0.18	-0.16	-0.47	-0.37	-1.54	-0.40	-0.12	-0.07	0.14	0.59	0.15
Premium/Discount (consensus TP vs. LP)	-29%	-15%	-10%	-18%	-8%	-41%	1%	-23%	-13%	-16%	-23%	-13%	-37%
5-yr Correlation (consensus TP vs. LP)	88%	79%	67%	84%	96%	68%	92%	95%	86%	94%	99%	91%	79%
1-year averag premium/discount (Con vs LP)	-14%	-8%	18%	-11%	-11%	-34%	-18%	-29%	-2%	-14%	-14%	-15%	-22%
3-year averag premium/discount (Con vs LP)	-13%	-5%	12%	-15%	-12%	-20%	-17%	-20%	-7%	-16%	-16%	-14%	-15%
5-year averag premium/discount (Con vs LP)	-15%	-9%	1%	-14%	-13%	#DIV/0!	-16%	-22%	#DIV/0!	-17%	-16%	-16%	#DIV/0!
Consensus Rating	BUY	BUY	HOLD	BUY	HOLD	HOLD	SELL	HOLD	HOLD	BUY	BUY	BUY	BUY
Fundamental Data													
FYE	06/2025	06/2025	12/2025	12/2025	12/2025	12/2025	12/2025	03/2025	03/2025	12/2025	12/2025	07/2025	05/2025
FY EPS (current)	6.1	100.9	7.5	11.5	2.6	5.7	11.6	5.5	-1.6	2.7	22.5	9.2	5.9
Est. Fwd EPS	7.3	122.1	10.7	14.0	3.3	7.0	12.0	5.3	1.0	3.2	25.8	12.8	7.5
Est. Fwd EPS (YoY Growth)	20%	21%	43%	22%	27%	23%	3%	-4%	-163%	19%	15%	39%	27%
FY EPS - 1 week chg (%) 1FY	-1.6	0.0	0.0	0.0	8.3	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY EPS - 1 mth chg (%) 1FY	-9.0	0.4	-10.7	-3.4	-25.7	-14.9	-32.9	-19.1	-23.1	0.0	0.9	0.0	0.0
FY EPS - 3 mth chg (%) 1FY	-11.6	1.9	-10.7	-3.4	-29.7	-20.8	-32.9	-21.4	-23.1	-3.6	0.0	3.4	1.7

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 9 Mar. (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	MP	0.445	0.470	5.6%	551.6	Y	12/2026	2.1	2.3	132.7%	39.9%	21.0	19.5	0.8	3.8%	1.0	2.2%
INARI AMERTRON BHD	OP	1.21	2.05	69.4%	4,604.2	Y	06/2026	5.7	7.5	-14.6%	30.6%	21.1	16.1	1.6	7.2%	5.0	4.1%
KELINGTON GROUP BHD	OP	4.76	6.15	29.2%	3,742.8	Y	12/2026	20.5	21.9	23.4%	6.8%	23.2	21.8	5.3	26.1%	13.0	2.7%
LGMS BHD	OP	0.490	0.580	18.4%	223.4	Y	12/2026	2.9	3.6	30.4%	21.8%	16.8	13.8	1.7	10.5%	2.0	4.1%
M'SIAN PACIFIC INDUSTRIES BHD	MP	29.04	35.30	21.6%	5,790.5	Y	06/2026	104.4	120.3	35.2%	15.2%	27.8	24.1	2.6	9.7%	35.0	1.2%
NATIONGATE HOLDINGS BHD	MP	0.580	0.850	46.6%	1,312.3	Y	12/2026	4.7	5.7	7.8%	21.1%	12.3	10.2	1.2	10.2%	2.0	3.4%
OPPSTAR BHD	MP	0.235	0.280	19.1%	150.7	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	23.9	1.2	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.24	1.40	12.9%	476.2	Y	12/2026	8.1	8.8	37.6%	8.0%	15.3	14.2	0.7	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.425	0.530	24.7%	664.0	Y	03/2026	5.7	4.4	-24.4%	-22.5%	7.5	9.7	0.6	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	2.64	2.22	-15.9%	4,258.5	Y	12/2026	7.6	9.2	94.1%	21.8%	34.9	28.6	2.0	5.8%	6.0	2.3%
UWC BHD	OP	3.95	4.38	10.9%	4,357.4	Y	07/2026	10.0	13.9	172.6%	38.8%	39.4	28.4	7.3	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.18	4.25	33.6%	2,262.0	Y	12/2026	12.1	13.1	39.0%	8.1%	26.2	24.3	2.6	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.08	1.90	75.9%	649.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.2	14.2	3.3	18.3%	1.0	0.9%
Simple Average					29,043.0					22.7%	19.2%	23.8	20.0	2.4	10.0%		1.7%

Source: 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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