Technology

Malaysia Tech Power Check

MARKET PERFORM

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Energy is becoming an increasingly material consideration for Malaysia's technology sector, especially where even brief outages can result in yield loss and downtime, rendering semiconductor and electronics manufacturing processes highly sensitive to power disruptions. This is despite the fact that energy, constituting about 5%-10% of cost based on our estimates, could typically be passed on with a 1-2 quarter lag. More importantly, energy (Scope 1 + 2) form >95% of total carbon emissions footprint, and to this end we are encouraged to note that industry is increasingly moving into renewables, despite modest penetration so far which is unlikely to be sufficient to fully insulate against energy shocks. Overall, we make no changes to the ESG ratings of the stocks under our coverage.

Energy Exposure is Structural

Exhibit 1: Malaysia Tech: Energy Exposure and Solar Adoption Landscape

Company	Energy (GJ)	Electricity	Fuel Exposure	Solar	Solar Contribution	Remarks
Hardware						
MPI	1,021,590	✓	Low	✓	<1%	Kickstarted solar energy generation of 3.4 MWp at Carsem M sites in 2025
Unisem	970,344	925,125 GJ (~95%)	Diversified (diesel, petrol, LPG, gas)	✓	~19%	Energy is 9% of production cost. RE makes up 19% of total energy consumed as of end FY25
Inari	487,384	0.99	Minimal (~1% diesel)	✓	2.7%	Installed solar panel in P1, P3, P5, P21, P13. As of end FY24, 2,333 tCO2e GHG emission since 2022
SKPRES	347,828	345,841 GJ (~99%)	Minimal	✓	<1%	Allocated additional RM14m capex for solar panel installation as of end FY25
NATGATE	186,939	NA	High (45,524 litre diesel)	✓	NA	Installed solar panel at rooftop of P1, P2, P3, P5 and P7
D&O	159,248	Not disclosed	Not disclosed	✓	<1%	Solar energy system generated over 107,000 kWh of clean energy as of end FY24. Additional solar panels in 2025 could potentially add 14,000GJ of solar capacity
PIE	132,833	109,086 GJ (~82%)	Low	✓	17.88%	Installed solar panels since 2023, with solar energy comprised 17.88% of the total energy consumption as of end FY25
KGB	70,855	NA	Low	✓	<1%	Installed solar panels since 2011, and in continuous effort to expand
UWC	49,341	✓	Low (diesel + LPG)	✓	~8%	Installed Solar Panel on the rooftop, ~8% of total energy
Penta	33,520	NA	Petrol (23,871.45 litre)	✓	NA	23,871.45 litre of Petrol used; Campus 3 incorporated solar panels
Software						
Oppstar	661	✓	Minimal	No	NA	NA
LGMS	522	NA	NA	No	NA	NA
Infomina	307	NA	NA	No	NA	NA

Source: Company Report, Kenanga Research

Grid Reliance Dominates Across the Sector. Our review of company-level latest annual report disclosures indicates that grid electricity remains the primary energy source for Malaysian technology players, with data showing a heavy skew toward electricity consumption across most names. For instance, Inari (~483k GJ out of ~487k GJ total) and Unisem (~925k GJ electricity out of ~970k GJ total) derive the vast majority of their energy needs from electricity, while SKPRES (~346k GJ) and PIE (~109k GJ) also show clear dependence on grid supply. Even among smaller players such as UWC, electricity remains the core energy input, with only limited use of alternative fuels. This consistent pattern across companies highlights a structurally grid-centric energy model, with diesel, petrol, and natural gas used primarily as supplementary or backup sources rather than core inputs.

Fuel Exposure is Concentrated but Creates Incremental Risk. While fuel usage is not widespread across the sector, it is meaningful for select players, introducing pockets of higher sensitivity to oil-linked price volatility. Most notably, NATGATE reports 45,524 litres of diesel consumption, indicating a more direct exposure to fuel price swings, while Unisem (diesel, petrol, LPG, and gas usage) reflects a more diversified but still partially fuel-reliant energy mix. In contrast, many peers disclose minimal or no fuel usage, reinforcing the sector's overall reliance on electricity. However, this does not eliminate risk - electricity tariffs themselves are indirectly linked to broader energy markets, meaning that any spike in global oil and gas prices (e.g. from US–Iran geopolitical tensions) is likely to cascade into higher operating costs across the board. As such, despite limited direct fuel dependence for most players, the sector remains structurally exposed to energy price shocks via both direct and indirect channels.

Growing Solar Adoption, but Not Yet Transformational

Solar Adoption Rising but Still Nascent. Solar adoption is steadily gaining traction in the Malaysian tech sector, with a growing number of hardware companies beginning their solar initiatives. Notably, all the companies within our sample have either already embarked on their solar journey or have outlined plans to do so. However, despite this progress, solar energy remains in the early stages of integration and has not yet reached a transformative level in terms of the overall energy mix. Based on the updated disclosures, only a small number of companies have achieved meaningful renewable contribution, most notably Unisem (~19%) and PIE (~18%), which remain the clear leaders in solar penetration. By contrast, most other adopters - including MPI, SKPRES, D&O, and KGB - still appear to be contributing less than 1% of total energy needs from solar, while Inari (2.7%) and UWC (~8%) sit modestly above that level. This suggests that, although solar installations are becoming more common across the sector, actual renewable contribution remains relatively small for most companies, with grid electricity still the dominant energy source. On average, Scope 2 emissions make up >90% of total emissions in our sample. This highlights solar's potential to further reduce Scope 2 emissions, as increasing solar adoption can lower reliance on grid electricity and drive meaningful carbon footprint reductions.

Expansion Momentum Builds, but Near-Term Impact Limited. The updated table also shows that solar adoption is becoming more widespread at the operational level, with installations now disclosed across a broader set of companies including MPI, Inari, NATGATE, SKPRES, D&O, PIE, KGB, UWC, and Penta. Expansion efforts remain ongoing, as seen in MPI's 3.4MWp rollout at Carsem M in 2025, SKPRES's additional RM14m capex allocation, and D&O's plan to add 14,000GJ of solar capacity in 2025. While this points to a strengthening pipeline, current renewable penetration remains below 20% for nearly all companies except Unisem and PIE, indicating that solar is still insufficient to fully offset near-term energy shocks or meaningfully shield margins in the immediate term. In our view, this supports a medium-term positive read-through, but not yet a near-term earnings hedge.

Solar as a Strategic Lever for Transition Readiness. The rationale for solar investment is evolving beyond sustainability disclosures toward a more tangible cost hedge and energy security strategy. For semiconductor and electronics manufacturers, on-site solar generation can help mitigate exposure to rising electricity tariffs, improve visibility over operating costs, and partially reduce dependence on external grid supply. This is particularly relevant in an environment of geopolitical-driven energy volatility, where energy security is becoming more financially material. This shift is increasingly critical as global clients increasingly favour suppliers with lower-carbon operating models to mitigate their own Scope 3 emissions and avoid potential EU-CBAM penalties. Hence, solar is emerging as a strategic operational lever, supporting cost control, supply chain credibility, and long-term resilience, even if its current earnings impact remains modest for most players.

Conclusion

Cost Pass-Through Mitigates... From an investor perspective, while the sector is structurally exposed to energy cost volatility, the earnings impact is partially mitigated by cost pass-through mechanisms. Broadly across the Malaysian tech sector, fluctuations in key input costs such as electricity are typically passed through to customers with a lag of ~1–2 quarters, cushioning longer-term margin erosion. Our engagement with management indicates that, given the industry's reliance on short-cycle purchase orders (rather than long-term fixed contracts), pricing for new orders is regularly adjusted to reflect prevailing cost dynamics, including energy prices.

…**but Does Not Eliminate Near-Term Risk.** That said, this lag effect implies that companies could still face temporary margin compression in the near term, particularly during periods of sharp energy price spikes. As such, while we do not see energy cost inflation as a structural threat to profitability, it remains a timing-driven earnings risk, with near-term margins more vulnerable for players with higher energy intensity or limited hedging mechanisms. Over the medium term, companies with stronger pricing discipline, higher renewable adoption, and better energy management are likely to outperform on margin resilience.

Malaysian Technology Peers Comparison

Name	Rating	Last Price (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	0.485	0.470	-3.1%	601.1	Y	12/2026	2.1	2.3	132.7%	39.9%	22.8	21.3	0.9	3.8%	1.0	2.1%
FRONTKEN BHD	OP	4.29	4.70	9.6%	7,096.3	Y	12/2026	11.7	13.6	21.0%	16.0%	36.6	31.5	6.1	17.6%	4.0	0.9%
INARI AMERTRON BHD	OP	1.82	2.02	11.0%	6,925.3	Y	06/2026	5.7	7.5	-14.6%	30.6%	31.7	24.3	2.5	7.2%	5.0	2.7%
KELINGTON GROUP BHD	OP	5.98	6.15	2.8%	5,094.6	Y	12/2026	20.5	21.9	23.4%	6.8%	29.2	27.3	6.7	26.1%	13.0	2.2%
LGMS BHD	OP	0.525	0.580	10.5%	239.4	Y	12/2026	2.9	3.6	30.4%	21.8%	18.0	14.8	1.8	10.5%	2.0	3.8%
MALAYSIAN PACIFIC INDUSTRIES	MP	36.34	31.30	-13.9%	7,246.1	Y	06/2026	104.4	120.3	35.2%	15.2%	34.8	30.2	3.3	9.7%	35.0	1.0%
NATIONGATE HOLDINGS BHD	MP	0.785	0.660	-15.9%	1,776.2	Y	12/2026	4.7	5.7	7.8%	21.1%	16.7	13.8	1.6	10.2%	2.0	2.5%
OPPSTAR BHD	MP	0.275	0.230	-16.4%	176.4	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	28.0	1.4	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.79	1.28	-28.5%	687.4	Y	12/2026	8.1	8.8	37.6%	8.0%	22.1	20.5	1.0	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.415	0.500	20.5%	648.4	Y	03/2026	5.7	4.4	-24.4%	-22.5%	7.3	9.5	0.6	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.10	1.97	-36.5%	5,000.5	Y	12/2026	7.6	9.2	94.1%	21.8%	41.0	33.6	2.4	5.8%	6.0	1.9%
UWC BHD	OP	5.00	4.70	-6.0%	5,515.7	Y	07/2026	9.0	14.3	143.3%	59.0%	55.8	35.1	9.6	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.85	3.65	-5.2%	2,738.6	Y	12/2026	12.1	13.1	39.0%	8.1%	31.8	29.4	3.2	10.4%	2.0	0.5%
INFOMINA BHD	OP	1.11	1.90	71.2%	667.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.7	14.6	3.4	18.3%	1.0	0.9%
SECTOR AGGREGATE					44,413.4					21.5%	20.0%	31.7	26.4	3.2	10.2%		1.3%

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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