

27 April 2026

Unisem (M)

Recovery Priced In

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Unisem's 1QFY26 results missed expectations, with a core net loss of RM13.4m as higher production costs, weaker utilisation and forex pressure outweighed stronger automotive and industrial revenue. While management guided for a strong 2QFY26 rebound, supported by better Chengdu loading, ASP hikes, Gopeng ramp-up and high-ASP packages, we cut our FY26F net profit by 28% to RM88m but raise FY27F net profit by 3% to RM153m. We also raise our TP to RM2.47 after rolling forward our valuation base to FY27, but remain **UNDERPERFORM** as valuations remain stretched and, in our view, have largely priced in the expected earnings recovery.

Unisem posted a core net loss of RM13.4m in 1QFY26, coming in significantly below both our and consensus full-year net profit estimates of RM121m and RM131m, respectively. The weaker-than-expected performance was mainly attributable to margin compression, as higher production costs more than offset the increase in revenue. No dividend was declared during the quarter. In line with management's latest guidance, we cut our FY26 DPS forecast to zero, as management intends to preserve cash following the heavy capex incurred over the past few quarters.

YoY, revenue grew 10% to RM465m, or 22% to USD117m, supported by stronger contributions from the automotive segment (+22% to RM116m) and industrial segment (+48% to RM126m). The industrial uplift was mainly driven by higher demand for power management solutions, benefiting from increased AI and data centre build-outs. Despite the higher revenue base, Unisem recorded a net loss of RM13.3m, dragged by a sharp contraction in GP margin to 2.0% from 6.3% a year ago. This was mainly due to higher production costs, particularly elevated material costs, and weaker utilisation rates during the quarter.

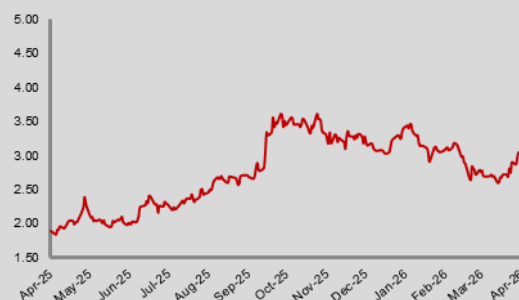
QoQ, revenue softened by 3.3% to RM465m, although it rose 1% in USD terms to USD116m, in line with management's earlier guidance for flattish USD revenue. The decline in MYR revenue was mainly due to sharp forex translation pressure, as the average USD/MYR rate weakened to RM3.95 from RM4.15 in 4QFY25. The group swung to a net loss of RM13.4m from a net profit of RM52.1m in 4QFY25, although the comparison was distorted by a RM23.8m one-off gain from the dissolution of foreign subsidiaries in the preceding quarter. Excluding this, the weaker 1QFY26 performance was mainly attributable to the weaker USD, higher material costs, salary increments following pay revisions, higher depreciation, and increased interest costs associated with the Gopeng facility and Chengdu plant expansion.

Outlook. Management guided for a 15%–20% QoQ increase in 2QFY26 USD revenue, which is unusually strong relative to its historical guidance range. The confidence is based on April run-rates, better UC utilisation, improving UM profitability, customer forecasts and incoming equipment for high-ASP packages. The key swing factors for earnings recovery are higher utilisation, ASP increases, Gopeng ramp-up, recovery at Chengdu, and contribution from high-ASP packages such as flip chip LGA, flip chip QFN and silicon microphones. Management also remains positive on the broader semiconductor upcycle, particularly AI/data centre-driven demand for power management chips.

UNDERPERFORM ↔

Price : **RM3.08**
Target Price : **RM2.47** ↑

Share Price Performance



KLCI 1,720.34
YTD KLCI chg 2.4%
YTD stock price chg 0.3%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker UNI MK EQUITY
Market Cap (RM m) 4,968.3
Shares Outstanding 1,613.1
52-week range (H) 3.73
52-week range (L) 1.89
3-mth avg. daily vol. 606,583
Free Float 23%
Beta 1.0

Major Shareholders

Huatian Technology 44.4%
Jayvest Holdings 11.1%
Chia Sin Tet 9.3%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	1,872	2,094	2,214
EBIT	102	133	206
PBT	113	113	187
Net Profit (NP)	87	88	153
Consensus (NP)	-	131	191
Earnings Revision	-	-28%	+3%
EPS (sen)	5.4	5.4	9.5
EPS Growth (%)	42.8	1.3	0.0
DPS (sen)	7	0	8
BV/Share (RM)	1.3	1.4	1.4
PER (x)	57.3	56.6	32.4
Price/BVPS (x)	2.4	2.3	2.2
Net Gearing (x)	0.1	0.0	0.0
Dividend Yield (%)	2.3%	0.0%	2.6%

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Capex expectation. Capex remained elevated in 1QFY26 at about RM102m, mainly for assembly and test equipment. Management said more than 50%–70% of capex was tied to one major customer, used to build capacity for flip-chip QFN and flip-chip LGA packages. These packages carry higher ASPs and are expected to contribute more meaningfully from 3QFY26 onward. Unisem also guided that capex has likely peaked in 1QFY26. While some additional capex is still expected for its automotive segment and selected customer lines, management intends to pause after 2QFY26 to allow recently installed capacity to ramp and generate returns.

Pricing action and margin recovery. Unisem has implemented ASP increases for most UM (Unisem Malaysia) customers, citing the weaker USD and higher material costs. Management said ASP increases ranged from 10% to 50%, with the higher end applied mainly to low-volume customers that consume disproportionate resources. Most customers accepted the increases, although a few requested a smaller quantum or delayed implementation. For Unisem Chengdu, management has not yet implemented ASP increases but expects to begin discussions around July/August. The group believes the timing is favourable, as demand is expected to exceed supply for most packages in the coming months, giving Unisem better pricing leverage.

Forecasts. We cut our FY26F net profit by 28% to RM88m after incorporating the weak 1QFY26 earnings, despite raising our full-year revenue forecast by 3% to reflect management's stronger 2QFY26 topline guidance. Meanwhile, in view of the expected ASP increases, we raise our FY27F revenue and net profit forecasts by c.3% each to RM2.2b and RM153m, respectively.

Valuations. Correspondingly, we raise our TP by 25% to RM2.47 from RM1.97 after rolling forward our valuation base year to FY27, based on an unchanged target PER of 26x. This is aligned with the historical average OSAT PER across the past three upcycles and implies c.0.5SD above KLTECH's five-year forward PER. We make no ESG adjustment to our TP, given Unisem's 3-star ESG rating as appraised by us. Despite the TP upgrade, the stock is already trading at demanding valuations of c.57x/c.32x FY26F/FY27F PER on our estimates, which we believe have largely priced in the anticipated earnings recovery. We therefore **maintain our UNDERPERFORM call**.

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)	1Q26	4Q25	QoQ Chg	1Q25	Chg	3M26	3M25	YoY Chg
Turnover	464.7	480.5	-3.3%	423.6	9.7%	464.7	423.6	9.7%
GP	9.1	43.4	-79.0%	26.5	-65.7%	9.1	26.5	-65.7%
EBITDA	58.7	103.8	-43.4%	70.7	-16.9%	58.7	70.7	-16.9%
EBIT	(5.9)	39.4	-114.9%	14.4	-140.8%	(5.9)	14.4	-140.8%
PBT/(LPT)	(10.3)	59.2	-117.4%	11.7	-188.2%	(10.3)	11.7	-188.2%
Taxation	(3.1)	(7.1)	-56.7%	(5.7)	-45.6%	(3.1)	(5.7)	-45.6%
MI	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
Net Profit	(13.4)	52.1	-125.6%	6.0	-322.4%	(13.4)	6.0	-322.4%
Core Net Profit	(13.4)	28.4	-147.1%	6.0	-322.4%	(13.4)	6.0	-322.4%
EPS (sen)	(0.8)	3.2	-125.6%	0.4	-322.4%	(0.8)	0.4	-322.4%
DPS (sen)	0.0	1.0	-100.0%	2.0	-100.0%	0.0	2.0	-100.0%
Gross Margin	2.0%	9.0%		6.3%		2.0%	6.3%	
EBITDA Margin	12.6%	21.6%		16.7%		12.6%	16.7%	
EBIT Margin	-1.3%	8.2%		3.4%		-1.3%	3.4%	
PBT Margin	-2.2%	12.3%		2.8%		-2.2%	2.8%	
NP Margin	-2.9%	10.8%		1.4%		-2.9%	1.4%	
CNP Margin	-2.9%	5.9%		1.4%		-2.9%	1.4%	
Taxation Rate	29.9%	-12.0%		-48.5%		29.9%	-48.5%	

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 24 Apr (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	0.480	0.470	-2.1%	595.0	Y	12/2026	2.1	2.3
FRONTKEN BHD	OP	4.32	4.70	8.8%	7,145.9	Y	12/2026	11.7	13.6	21.0%	16.0%	36.8	31.8	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	6.25	6.15	-1.6%	5,324.6	Y	12/2026	20.5	21.9	23.4%	6.8%	30.5	28.6	7.0	26.1%	13.0	2.1%
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%
M'SIAN PACIFIC INDUSTRIES BHD	MP	37.84	31.30	-17.3%	7,545.2	Y	06/2026	104.4	120.3	35.2%	15.2%	36.2	31.4	3.4	9.7%	35.0	0.9%
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	0.290	0.230	-20.7%	186.0	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	29.5	1.5	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.96	1.28	-34.7%	752.7	Y	12/2026	8.1	8.8	37.6%	8.0%	24.2	22.4	1.1	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.405	0.500	23.5%	632.8	Y	03/2026	5.7	4.4	-24.4%	-22.5%	7.2	9.2	0.6	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.08	2.47	-19.8%	4,968.3	Y	12/2026	5.4	9.5	39.6%	74.6%	56.6	32.4	2.3	4.1%	0.0	0.0%
UWC BHD	OP	5.42	4.70	-13.3%	5,979.0	Y	07/2026	9.0	14.3	143.3%	59.0%	60.5	38.0	10.4	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.98	3.65	-8.3%	2,831.0	Y	12/2026	12.1	13.1	39.0%	8.1%	32.8	30.4	3.3	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%
Simple Average					45,568.8					18.5%	23.4%	33.3	27.0	3.3	10.1%		1.2%

Source: Kenanga Research

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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.**

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