

29 May 2026

# Oppstar

## On Track for FY27 Turnaround

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FY26 has been a challenging year for Oppstar, as the company recorded losses due to weaker demand in its IC design segment. We believe the worst may be behind the company, and FY27 is expected to return to profitability, supported by a rising orderbook and new project wins. Across the IC design industry, we see increasing demand for customized chip solutions optimized for power efficiency, performance, integration, and footprint, as off-the-shelf chips often fail to meet the specific requirements of AI, HPC, automotive, and edge computing applications. While Oppstar is well-positioned to benefit from this trend, management cautioned that margins are likely to remain tight, with talent competition and project execution quality being key determinants for any further rerating. Following the briefing, we raised our FY27 net profit forecast by 24% and introduced our FY28 forecast. We also revise our TP to RM0.42 (from RM0.28), based on a higher FY27F PER of 35x (previously 28x), applying a 30% discount to peer Skyechip to reflect Oppstar's ongoing recovery and current loss-making position. Despite the higher TP, we believe the current share price has outpaced fundamentals, and therefore downgrade the stock to UNDERPERFORM.

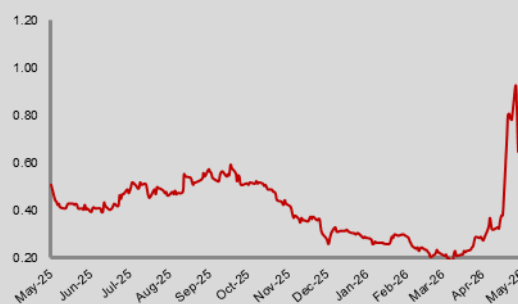
**Earnings Recap.** OPPSTAR's FY26 results fell short of expectations, with a net loss of RM16.1m, wider than our forecasted RM11.0m. The shortfall was mainly driven by a RM4.2m impairment on trade receivables from two long-overdue China customers; excluding this, core net loss was RM12.0m. Management indicated that collection is ongoing and there are no further outstanding receivables from these customers. However, total revenue fell 46% YoY to RM35m, raising concern as the IC design segment faces a slowdown in orders across specific design services, task-based projects, and full turnkey solutions. With a fixed cost base, this has compressed margins and weighed on profitability, contributing to the net loss. Management also highlighted that the project pipeline has expanded over the last few quarters, supporting expectations for gradual operational improvement as demand for specialized design functions remains sustained.

- Core business likely bottomed.** Management indicated that the core business has bottomed, with capacity utilization fully stabilized in 1H FY27. Internal engineering headcount is now aligned with active billable projects, supported by a ~RM50mn unbilled orderbook (+67% QoQ, the highest in the past two years), of which ~40% relates to AI-focused projects. Notably, this includes the May 18 project with Tokyo Artisan Intelligence (TAI) to develop AI chips for image-processing applications, targeting automation in robotics, industrial systems, and railway safety monitoring. The full-turnkey project covers design, validation, and OSAT enablement, aiming to automate manpower-intensive tasks in Japan and potentially Malaysia, with the first test chip expected early 2027 ahead of commercial production. Management also highlighted several similar projects in the pipeline, underpinning the path to profitability in FY27.
- Strategic shift in business focus.** Post-briefing, we learnt that Oppstar is evolving from a pure IC design service provider toward a core silicon architect, focusing on edge AI solutions through strategic partnerships in key markets such as Taiwan and Japan. The company is building proprietary IP libraries and reconfigurable AI chips, customizable for partner systems in industrial automation, robotics, physical AI, and automotive applications. Management emphasized that Oppstar's IP forms the foundation, while partner systems integrate AI applications. This strategy aligns with its three-prong direction—owning IP, strategic investments, and engineering services—leveraging a triple

# UNDERPERFORM

Price : RM0.655  
Target Price : RM0.430

### Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-60.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	OPPSTAR MK EQUITY
Market Cap (RM m)	431.1
Shares Outstanding	643.5
52-week range (H)	1.06
52-week range (L)	0.18
3-mth avg. daily vol.	18,002,090
Free Float	28%
Beta	1.1

### Major Shareholders

Cheah Hun Wah	20.4%
Ng Meng Thai	19.5%
Tan Chun Chiat	12.5%

### Summary Earnings Table

FYE Dec (RM m)	2026A	2027F	2028F
Turnover	35	60	80
EBIT	-16	8	13
PBT	-16	8	13
<b>Net Profit</b>	-16	8	13
Consensus		6	-
Earnings Revision (%)	-	24%	NEW
Core EPS (sen)	-2.5	1.2	2.0
EPS Growth (%)	-31	-149	0
NDPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	-10.7	21.9	13.8
P/BV (x)	1.4	1.3	1.2
Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Net Dvd Yield (%)	0.0%	0.0%	0.0%

synergy of DSP techniques, edge AI soft IPs, and AI SoC turnkey solutions to strengthen its position in the AI semiconductor ecosystem. Management also noted that, following the recent ARM AFA token win, Oppstar has begun engaging customers to integrate ARM IP into its AI SoC solutions, which is expected to shorten development cycles and deliver meaningful cost savings.

**Forecasts.** We raise our FY27 net profit forecast by 24%, after factor in the recent project wins into our assumptions. We also take this opportunity to introduce our FY28F forecasts.

**Valuation.** Post earnings revisions, we downgrade the stock to UNDERPERFORM and revise our TP up to RM0.43 (from RM0.28), pegged to a higher 35x FY27F PER (30% discount to Skyechip as its peers) to reflect Oppstar's ongoing recovery and current loss-making position. There is no ESG-related adjustment to our TP, given our 3-star rating for the group (see Page 4).

**Risks to our call include:** (i) shorter-than-expected gestation period for its new semiconductor wafer and component sales business, (ii) better-than-expected margin due to higher production yield, and (iii) potential aggressive US-China sanctions on semiconductor components, which could lead to customers shifting away from China and increasing development orders for new ICs in SEA including Malaysia.

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2024A	2025A	2026A	2027F	2028F	FY Dec	2024A	2025A	2026A	2027F	2028F
Revenue	57	64	35	60	80	<b>Growth (%)</b>					
EBITDA	25	0	-14	3	14	Turnover	-1.7	12.3	-46.0	73.6	33.5
Dep & Amort.	1	2	2	3	4	EBITDA	0.2	-98.2	-3022.9	119.2	-452.5
Operating Profit	21	-11	-16	0	10	Operating Profit	-15.7	-150.8	-51.7	-100.5	11368
Other Income	5	5	8	6	8	PBT	-21.4	-151.5	-49.9	-100.5	11369
Interest Exp	-0	-0	0	0	0	Net Profit	-23.9	-179.5	-30.7	-148.6	83.0
PBT	21	-11	-16	0	10	<b>Profitability (%)</b>					
Taxation	-5	-2	-0	1	2	EBITDA Margin	44.4	0.7	-39.2	2.0	15.8
MI	0	0	-0	-0	-0	Operating Margin	36.5	-16.5	-46.4	-2.2	10.3
Net Profit	16	-12	-16	8	14	PBT Margin	36.5	-16.7	-46.4	-2.2	10.3
Core Net Profit	16	-12	-16	8	14	Core Net Margin	27.3	-19.3	-46.7	13.2	15.6
						Effective Tax Rate	-24.0	15.6	0.8	0.0	0.0
						ROA	11.2	9.9	-8.8	-12.8	6.0
						ROE	10.5	-9.1	-13.4	6.1	8.8
						<b>DuPont Analysis</b>					
						Net Margin (%)	27%	-19%	-47%	13%	16%
						Assets Turnover (x)	0.4x	0.5x	0.3x	0.5x	0.6x
						Leverage Factor (x)	1.1x	1.0x	1.0x	1.0x	1.0x
						ROE (%)	10.5	-9.1	-13.4	6.1	8.8
						<b>Leverage</b>					
						Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
						Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
						Net Cash/(Debt)	103	74	71	69	68
						Net Debt/Equity (x)	-0.7	-0.5	-0.6	-0.5	-0.5
						<b>Valuations</b>					
						Core EPS (sen)	2.4	-1.9	-2.5	1.2	2.0
						DPS (sen)	0.8	0.0	0.0	0.0	0.0
						BVPS (RM)	0.23	0.21	0.19	0.20	0.22
						PER (x)	11.1	-14.0	-10.7	21.9	13.8
						Gross Div. Yield (%)	3.0%	0.0%	0.0%	0.0%	0.0%
						P/BV (x)	1.2	1.3	1.4	1.3	1.2

### Balance Sheet

FY Dec (RM m)	2024A	2025A	2026A	2027F	2028F
Fixed Assets	2	4	3	1	(1)
Intangible Assets	-	-	-	-	-
Other FA	3	4	4	4	4
Inventories	-	0	-	0	0
Receivables	28	23	13	22	38
Other CA	21	35	35	29	26
Cash	103	74	71	69	70
Total Assets	157	140	126	126	138
Payables	7	2	2	2	2
ST Borrowings	0	1	2	2	2
Other ST Liability	0	0	0	(0)	(0)
LT Borrowings	0	1	1	1	1
Other LT Liability	1	1	1	(6)	(9)
MI	(0)	(0)	(0)	0	1
<b>Net Assets</b>	<b>148</b>	<b>136</b>	<b>120</b>	<b>128</b>	<b>143</b>
Shr. Equity	112	113	113	113	113
Reserves	36	23	7	15	29
<b>Total Equity</b>					

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148 136 120 128 143

**Cashflow Statement**

<b>FY Dec (RM m)</b>	<b>2024A</b>	<b>2025A</b>	<b>2026A</b>	<b>2027F</b>	<b>2028F</b>
Operating CF	8.6	-7.3	-2.8	-0.3	3.3
Investing CF	-20.2	-12.5	-1.1	-1.8	-2.4
Financing CF	-3.3	-6.0	1.5	0.0	0.0

*Source: Kenanga Research*

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## Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 28 Aug. (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	0.415	0.440	6.0%	514.4	Y	12/2026	(2.6)	2.0	-385.8%	-0.3%	N.A.	20.8	0.9	-16.6%	1.0	2.4%
FRONTKEN BHD	OP	4.88	5.10	4.5%	8,847.1	Y	12/2026	12.8	13.9	31.9%	8.7%	38.2	35.2	6.8	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	2.35	2.42	3.0%	8,948.4	Y	06/2026	4.8	8.0	-28.1%	64.6%	48.6	29.5	3.2	5.9%	5.0	2.1%
KELINGTON GROUP BHD	OP	7.43	9.05	21.8%	6,395.7	Y	12/2026	21.4	24.5	29.1%	14.1%	34.7	30.4	8.4	27.5%	15.0	2.0%
LGMS BHD	OP	0.515	0.580	12.6%	234.8	Y	12/2026	2.9	3.6	30.4%	21.8%	17.7	14.5	1.8	10.5%	2.0	3.9%
MALAYSIAN PACIFIC INDUSTRIES	MP	49.12	38.90	-20.8%	9,794.4	Y	06/2026	104.7	134.1	35.6%	28.0%	46.9	36.6	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.760	0.780	2.6%	1,719.6	Y	12/2026	3.5	5.2	-20.1%	49.3%	21.8	14.6	1.6	7.6%	2.0	2.6%
OPPSTAR BHD	UP	0.655	0.430	-34.4%	421.5	Y	03/2027	1.2	2.0	-50.9%	58.2%	53.1	33.6	3.3	6.3%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.42	1.45	2.1%	545.3	Y	12/2026	5.9	8.4	0.4%	42.3%	24.0	16.9	0.8	3.5%	0.0	0.0%
SKP RESOURCES BHD	MP	0.335	0.500	49.3%	523.4	Y	03/2026	5.7	4.4	-24.4%	-22.5%	5.9	7.6	0.5	8.0%	0.0	0.0%
SKYECHIP BHD	OP	2.82	2.00	-29.1%	5,064.7	Y	03/2027	2.6	3.4	30.1%	32.1%	108.5	82.1	29.2	31.2%	70.0	24.8%
UNISEM (M) BHD	UP	5.00	2.47	-50.6%	8,065.4	Y	12/2026	5.4	9.5	39.6%	74.6%	91.9	52.6	3.7	4.1%	0.0	0.0%
UWC BHD	OP	5.80	4.70	-19.0%	6,399.3	Y	07/2026	9.0	14.3	143.3%	59.0%	64.7	40.7	11.1	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.61	3.95	-14.3%	3,279.2	Y	12/2026	12.1	13.1	39.0%	8.1%	38.0	35.2	3.8	10.4%	2.0	0.4%
INFOMINA BHD	OP	1.09	1.90	74.3%	655.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.3	14.3	3.3	18.3%	1.0	0.9%
<b>SECTOR AGGREGATE</b>					<b>61,408.6</b>					<b>12.1%</b>	<b>36.1%</b>	<b>46.1</b>	<b>33.9</b>	<b>5.5</b>	<b>11.0%</b>		<b>2.7%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

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

☆ 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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