

Oppstar

Closing the Chapter on a Tough Year

By Tan Woon Pin | woonpin@kenanga.com.my

OPPSTAR's FY26 came in below expectations, driven mainly by a one-off impairment loss on trade receivables. Management remains cautiously optimistic, supported by improving IC design momentum and stronger demand for AI-related chips. Its proprietary IPs, technical know-how, and shift towards higher-margin turnkey design projects could support further recovery and help narrow losses ahead. We maintain our earnings forecasts and target price of RM0.28, with an unchanged MARKET PERFORM rating, pending guidance from the government issued AFA token before we can impute any impact, in addition to details on recent projects they have won in today's upcoming results' briefing.

OPPSTAR's FY26 results fell short of expectations, with net loss of RM16.1m exceeding our FY26F net loss of RM11.0m. The miss was mainly due to a RM4.2m impairment loss on trade receivables; excluding this, core net loss came in at RM12.0m. That said, FY26 revenue came in at 105% of our forecast, driven by stronger contribution from the IC design segment.

YoY, revenue contracted 46% to RM35m primarily due to the absence of sales from the semiconductor wafers and components segment, which contributed last year, and lower project billings from IC design services following the completion of certain major projects. The weaker revenue resulted in a GL of about RM4.3m vs. a GP of RM0.4m a year ago, with margins further compressed by higher labour costs associated with maintaining engineering headcount, leading the group to a LAT of RM16.1m compared to a LAT of RM12.4m a year ago.

QoQ, revenue rose 21% to RM10.5m, mainly driven by a RM1.83m increase in specific design services, supported by ongoing project progress and stronger customer demand. Post-silicon validation services also rose by RM0.3m on additional orders from existing and new customers, partially offset by a RM0.31m decline in turnkey design services revenue. However, the Group's LBT widened to RM6.7m from RM2.2m previously, due to a one-off impairment loss on trade receivables of RM4.2m.

Outlook. The Group expects steady improvement in design engagements, supported by the shift in semiconductor demand towards AI-related chips, which has strengthened its project pipeline. While management remains cautious on the broader macro backdrop, it acknowledges improving semiconductor momentum, with the Group's IC design order book rising to ~RM50m (from ~RM30m in 3QFY26) despite continued softness in consumer electronics and automotive. The Group expects revenue to improve and losses to narrow further as engagement levels pick up, although margins are likely to remain tight due to competition for engineering talent. To enhance profitability and long-term value, management is prioritising higher-margin turnkey design projects and exploring AI hardware collaborations, including AI accelerators and NPUs, while leveraging its proprietary IPs, ARM-related technical capabilities and complex design know-how.

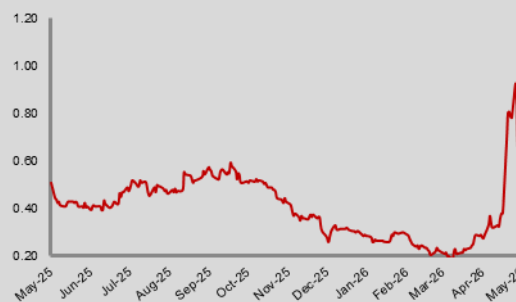
Forecasts. We are maintaining our forecasts for now, awaiting further insights from today results' briefing.

Valuations. We maintain our TP of RM0.28 based on a FY27F PER of 28x, implying a 30% discount to the regional peer-group forward PER to reflect OPPSTAR's smaller scale and narrower capabilities versus global peers. No ESG adjustment is applied given our 3-star ESG rating (see Page 4).

MARKET PERFORM ↔

Price: RM0.67
Target Price: RM0.28 ↔

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	116.1%

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 Mar (RM m)	2025A	2026F	2027F
Turnover	64	35	56
EBIT	-11	-16	0
PBT	-11	-16	-0
Net Profit	-12	-16	7
Consensus		-11	7
Earnings Revision	-	-	-
Core EPS (sen)	-1.9	-2.5	1.1
EPS Growth (%)	-179	-31	-144
NDPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	-14.0	-10.7	24.4
P/BV (x)	1.3	1.4	1.4
Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Net Dvd. Yield (%)	0.0%	0.0%	0.0%

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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.

Result Highlight								
FYE Mar (RM m)	4Q26	3Q26	QoQ Chg	4Q25	YoY Chg	FY26	FY25	YoY Chg
Turnover	10.5	8.7	20.8%	6.3	66.9%	34.5	64.0	-46.0%
Gross Profit	(0.0)	(0.2)	98.1%	(2.5)	-99.8%	(4.3)	0.4	-1082.7%
EBIT	(6.7)	(2.2)	-200.6%	(6.7)	0.0%	(16.0)	(10.6)	51.7%
Interest exp.	0.0	0.0	13.9%	(0.0)	-186.1%	0.0	(0.1)	-113.6%
PBT/(LBT)	(6.7)	(2.2)	-204.1%	(6.7)	-1.0%	(16.0)	(10.7)	49.9%
Taxation	0.0	0.0	NA	(0.6)	-100.0%	(0.1)	(1.7)	-92.7%
Net Profit/(Loss)	(6.7)	(2.2)	-209.0%	(7.3)	-7.8%	(16.1)	(12.4)	30.7%
EPS (sen)	(1.1)	(0.3)	-209.0%	(1.1)	-7.9%	(2.5)	(1.9)	30.6%
DPS (sen)	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
GP Margin	0.0%	-2.4%		-40.3%		-12.5%	0.7%	
EBIT Margin	-63.8%	-25.6%		-106.4%		-46.4%	-16.5%	
PBT Margin	-63.5%	-25.2%		-107.0%		-46.4%	-16.7%	
NP Margin	-64.2%	-25.1%		-116.2%		-46.7%	-19.3%	

Source: Kenanga Research

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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	0.440	0.470	6.8%	545.4	Y	12/2026	2.1	2.3	132.7%	39.9%	20.7	19.3	0.8	3.8%	1.0	2.3%
FRONTKEN BHD	OP	4.85	5.10	5.2%	8,792.7	Y	12/2026	12.8	13.9	31.9%	8.7%	38.0	34.9	6.8	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	2.22	2.42	9.0%	8,453.3	Y	06/2026	4.8	8.0	-28.1%	64.6%	45.9	27.9	3.1	5.9%	5.0	2.3%
KELINGTON GROUP BHD	OP	7.32	9.05	23.6%	6,301.0	Y	12/2026	21.4	24.5	29.1%	14.1%	34.1	29.9	8.3	27.5%	15.0	2.0%
LGMS BHD	OP	0.530	0.580	9.4%	241.7	Y	12/2026	2.9	3.6	30.4%	21.8%	18.2	14.9	1.8	10.5%	2.0	3.8%
MALAYSIAN PACIFIC INDUSTRIES	MP	49.14	38.90	-20.8%	9,798.4	Y	06/2026	104.7	134.1	35.6%	28.0%	46.9	36.7	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.725	0.660	-9.0%	1,640.4	Y	12/2026	4.7	5.7	7.8%	21.1%	15.4	12.7	1.5	10.2%	2.0	2.8%
OPPSTAR BHD	MP	0.670	0.230	-65.7%	431.1	Y	03/2027	(1.6)	1.0	-184.7%	-40.0%	N.A.	68.1	3.4	-8.0%	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	0.355	0.500	40.8%	554.6	Y	03/2026	5.7	4.4	-24.4%	-22.5%	6.3	8.1	0.5	8.0%	0.0	0.0%
SKYECHIP BHD	OP	2.89	2.00	-30.8%	5,190.4	Y	03/2027	2.6	3.4	30.1%	32.1%	111.1	84.1	29.9	31.2%	70.0	24.2%
UNISEM (M) BHD	UP	5.10	2.47	-51.6%	8,226.7	Y	12/2026	5.4	9.5	39.6%	74.6%	93.7	53.7	3.8	4.1%	0.0	0.0%
UWC BHD	OP	5.89	4.70	-20.2%	6,498.6	Y	07/2026	9.0	14.3	143.3%	59.0%	65.7	41.3	11.3	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.60	3.95	-14.1%	3,272.1	Y	12/2026	12.1	13.1	39.0%	8.1%	38.0	35.1	3.8	10.4%	2.0	0.4%
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%
SECTOR AGGREGATE					61,141.2					17.5%	30.2%	43.7	33.6	5.6	11.5%		2.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Occupational Health & Safety	★	★	★	★	
	Protection of Customer Data	★	★	★	★	
	Cybersecurity	★	★	★	☆	
	Energy Efficiency	★	★	★		
	Digital Transformation	★	★	★		
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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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

