Oppstar

2Q Missed; Timing and Orders Matter

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OPPSTAR's 6MFY27 results came in below expectations, which we believe could partly reflect the timing of revenue recognition given the milestone-based nature of its design projects, alongside slower-than-expected order book replenishment. Nevertheless, management remains optimistic on the outlook, underpinned by resilient demand for AI and HPC-related chips, which continues to expand its project pipeline despite softness in consumer electronics and automotive segments. Post results, we trimmed our FY27F/FY28F net profit forecasts by 34%/17%, respectively, resulting in a lower TP of RM0.50 (from RM0.75). Maintain MARKET PERFORM.

OPPSTAR's 6MFY27 results missed expectations, with net profit of RM4.1m accounting for only 30% of our full-year forecast. Notably, revenue made up just 40% of our full-year forecast, resulting in weaker operating leverage as costs continued to be incurred ahead of milestone-based revenue recognition.

YoY, revenue grew by 86% to RM28.5m, driven by higher contributions from specific design services (+RM6.6m), turnkey design projects (+RM4.3m) and post-silicon validation services (+RM2.2m), reflecting higher milestone-based revenue recognition in 1QFY27. The stronger topline, coupled with a relatively modest increase in cost of sales (+RM1.3m), led to improved operating leverage, with gross profit turning positive at RM7.7m versus a gross loss of RM4.1m a year ago. Consequently, the group recorded a PBT of RM4.4m, reversing from a LBT of RM7.2m in the corresponding period.

QoQ, revenue declined 21% to RM12.6m, primarily due to lower turnkey design revenue (-RM4.0m), reflecting the timing of milestone-based revenue recognition, partially cushioned by higher contributions from post-silicon validation and specific design services. The weaker topline, coupled with relatively unchanged cost of sales as engineering costs continued to be incurred ahead of revenue recognition, resulted in weaker operating leverage, with GPM narrowing to 14.7% from 36.8% previously. Consequently, the group recorded a marginal PBT of RM0.01m versus RM4.4m in the preceding quarter.

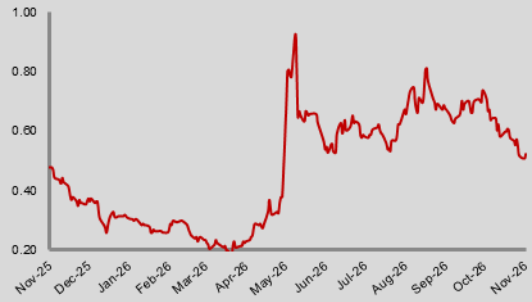
Outlook. We see signs of stabilization in OPPSTAR's core operations, with capacity utilization improving as its engineering headcount becomes better aligned with active billable projects. This is supported by an unbilled order book of c.RM35m as at end-Sept 2026, of which c.40% comprised AI-related projects. Notably, our back-of-the-envelope calculation suggests new project wins of c.RM8m during the quarter, up from c.RM6m last quarter, indicating improving order momentum, albeit at a slower pace than our earlier expectations, with the implied book-to-bill ratio of 0.64x suggesting further room for improvement in order replenishment.. Meanwhile, OPPSTAR is strategically transitioning from a pure IC design service provider towards a higher-value silicon architect, leveraging its proprietary IPs and edge-AI solutions across industrial automation, robotics, physical AI and automotive applications. The group has also been awarded an Arm Compute Subsystem (CSS) access token and is currently evaluating the offer's terms. Should it proceed, we believe access to Arm's pre-integrated and validated compute subsystems could strengthen OPPSTAR's competitiveness in securing AI SoC projects by shortening development cycles, reducing design risks and lowering development costs. Nevertheless, the first CSS-based chip could take approximately two years to tape out, with meaningful

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Price: **RM0.525**

Target Price: **RM0.50** ↓

Share Price Performance



KLCI	1,595.19
YTD KLCI chg	-5.1%
YTD stock price chg	69.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	OPPSTAR MK EQUITY
Market Cap (RM m)	339.7
Shares Outstanding	647.0
52-week range (H)	1.06
52-week range (L)	0.18
3-mth avg. daily vol.	10,853,627
Free Float	33%
Beta	1.0

Major Shareholders

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

Summary Earnings Table

FYE Mar (RM m)	2026A	2027F	2028F
Turnover	34.5	60.0	73.9
EBIT	-16.0	9.6	12.7
PBT	-16.0	9.6	12.7
Net Profit	-16.1	9.1	12.4
Consensus	-	13.7	14.9
Earnings Revision	-	-34%	-17%
Core EPS (sen)	-2.5	1.4	1.9
EPS Growth (%)	-31	156	37
NDPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	-20.8	37.1	27.0
P/BV (x)	2.8	2.6	2.4
Gearing (x)	Net Cash	Net Cash	Net Cash
Net Dvd. Yield (%)	0.0%	0.0%	0.0%

commercial contributions likely to materialise over the longer term.

Forecasts. We trim our FY27F/FY28F net profit forecasts by 34%/17%, respectively, following downward revenue revisions of 15%/12% to reflect weaker-than-expected order book replenishment, which could weigh on revenue growth and operating leverage.

Valuations. We lower our TP to RM0.50 (from RM0.75) based on an unchanged FY27F PER of 35x. No ESG adjustment is applied given our 3-star ESG rating (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.

Result Highlight

FYE Mar (RM m)	2Q27	1Q27	QoQ Chg	2Q26	YoY Chg	6M27	6M26	YoY Chg
Turnover	12.6	15.9	-20.6%	7.4	70.6%	28.5	15.3	85.5%
Gross Profit	1.9	5.8	-68.3%	(2.3)	-179.6%	7.7	(4.1)	-287.3%
EBIT	0.0	4.4	99.3%	(3.2)	-101.0%	4.5	(7.1)	-162.8%
PBT/(LPT)	0.0	4.4	99.8%	(3.2)	-100.2%	4.4	(7.2)	-161.6%
Net Profit	(0.1)	4.1	101.4%	(3.2)	-98.1%	4.1	(7.2)	-156.5%
EPS (sen)	(1.0)	64.0	101.6%	(50.0)	-98.0%	63.0	(1.1)	-5675.2%
GP Margin	14.7%	36.8%	-22.1 ppt	-31.6%	46.3 ppt	27.0%	-26.8%	53.8 ppt
EBIT Margin	0.3%	27.9%	-27.7 ppt	-43.5%	43.7 ppt	15.7%	-46.4%	62.0 ppt
PBT Margin	0.1%	27.8%	-27.7 ppt	-43.8%	43.9 ppt	15.5%	-46.7%	62.2 ppt
NP Margin	-0.5%	26.1%	-26.6 ppt	-43.0%	42.6 ppt	14.3%	-47.1%	61.5 ppt

Source: Kenanga Research

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.
AMBEST GROUP BHD	OP	1.20	1.80	50.0%	612.0	Y	06/2027	3.0	6.9	151.6%	128.0%	39.7	17.4	8.2	22.1%	0.0	0.0%
D&O GREEN TECHNOLOGIES BHD	MP	0.410	0.440	7.3%	508.2	Y	12/2026	(1.7)	2.0	-287.6%	51.9%	N.A.	20.6	1.0	-22.7%	1.0	2.4%
FRONTKEN BHD	OP	4.99	5.72	14.6%	9,046.6	Y	12/2026	12.3	15.2	27.3%	22.9%	40.5	32.9	7.1	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.27	2.77	22.0%	8,797.6	Y	06/2027	8.1	8.7	61.3%	8.2%	28.1	26.0	3.1	11.0%	7.3	3.2%
KELINGTON GROUP BHD	OP	7.85	10.10	28.7%	6,911.1	Y	12/2026	21.7	27.3	30.6%	26.0%	36.2	28.7	8.9	27.8%	15.0	1.9%
LGMS BHD	OP	0.585	0.600	2.6%	266.8	Y	12/2026	2.2	3.0	-2.0%	38.0%	26.7	19.3	2.1	8.0%	2.0	3.4%
MALAYSIAN PACIFIC INDUSTRIES	MP	38.30	43.70	14.1%	7,636.9	Y	06/2027	134.1	149.1	41.9%	11.2%	28.6	25.7	3.2	11.6%	40.0	1.0%
NATIONGATE HOLDINGS BHD	OP	1.87	2.14	14.4%	4,208.8	Y	12/2026	1.8	10.3	-58.0%	462.4%	101.9	18.1	4.2	4.1%	2.0	1.1%
OPPSTAR BHD	UP	0.525	0.500	-4.8%	339.7	Y	03/2027	1.4	1.9	-43.5%	36.3%	36.9	27.1	2.6	7.3%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.55	1.51	-2.6%	595.3	Y	12/2026	5.9	8.4	0.4%	42.3%	26.2	18.4	0.9	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.315	0.270	-14.3%	469.6	Y	03/2027	2.5	3.5	-19.4%	42.0%	12.8	9.0	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.48	3.64	46.8%	4,454.2	Y	03/2027	3.6	4.6	34.8%	25.4%	68.1	54.3	8.3	18.4%	70.0	28.2%
UNISEM (M) BHD	UP	3.68	3.55	-3.5%	6,310.2	Y	12/2026	5.0	10.9	27.5%	133.8%	74.0	33.7	2.4	2.8%	2.0	0.5%
UWC BHD	OP	6.68	7.83	17.2%	7,373.5	Y	07/2027	15.9	19.6	87.2%	22.8%	41.9	34.1	9.9	26.6%	0.0	0.0%
PENTAMASTER CORP BHD	MP	5.29	5.40	2.1%	3,762.9	Y	12/2026	11.2	15.1	29.0%	34.6%	47.0	34.9	4.4	9.7%	2.0	0.4%
INFOMINA BHD	OP	1.83	2.40	31.1%	1,092.6	Y	05/2027	7.6	9.6	30.5%	26.5%	24.0	19.0	5.8	26.1%	3.0	1.6%
SECTOR AGGREGATE					**61,773.7**					**30.5%**	**41.8%**	**40.6**	**28.6**	**4.3**	**10.4%**		**3.0%**

Source: Kenanga Research

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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