Unisem (M)

Recovery Already Priced In

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Unisem's 9MFY26 core net profit of RM43.2m (+25% YoY) fell below expectations, accounting for only 48%/43% of our/consensus full-year forecasts, mainly due to weaker-than-expected revenue and gross margins. Nevertheless, we anticipate a gradual earnings recovery, supported by robust AI-related power management demand, Chengdu's capacity expansion and improving Malaysian operations. While upstream wafer shortages remain a near-term constraint, the ramp-up of Infineon's MEMS programme and ongoing cost optimization should support margin recovery. Longer term, the proposed Gopeng G2 wafer bumping facility offers additional growth potential from FY28. We cut our FY26F core net profit forecast by 12% to RM80m but maintain FY27F earnings. Meanwhile, we lower our TP by 6% to RM3.55 (32.6x FY27F PER) to reflect dilution from the recent private placement. Maintain UNDERPERFORM, as we believe the anticipated earnings recovery is largely priced in at current valuations.

Unisem's 9MFY26 core net profit of RM43.2m fell short of expectations, accounting for only 48%/43% of our/consensus full-year forecasts, mainly due to weaker-than-expected revenue and softened GP margin. The group declared a first interim DPS of 1.0 sen, bringing 9MFY26 DPS to 1.0 sen, compared with 6.0 sen in 9MFY25.

YoY, revenue rose 18% to RM1.64b, or 26% in USD terms to USD408m, driven by stronger automotive revenue (+20% to RM375m) and industrial revenue, which more than doubled to RM656m. Growth in the industrial segment was primarily fuelled by robust demand for power-management solutions, supported by continued AI and data-centre infrastructure expansion. Consequently, core net profit increased 25% YoY to RM43.2m.

QoQ, revenue grew 6.6% to RM608m, or 4.7% in USD terms to USD149m, falling short of management's guidance of 10%–15% sequential growth. Nevertheless, gross margin improved to 10.2% from 8.4% in 2QFY26, while EBIT margin expanded to 7.2% from 3.8%, reflecting stronger operating leverage. Chengdu remained the key earnings driver, contributing over RM40m in profits during the quarter, while its Malaysian operations continued to weigh on group profitability.

Outlook. Management guided for flat to 5% QoQ revenue growth in USD terms for 4QFY26, with stronger earnings improvement anticipated from higher utilization and ongoing cost optimization. Chengdu is expected to remain the key growth driver, supported by capacity expansion and sustained demand from major customers, particularly Monolithic Power Systems (MPS). Meanwhile, Malaysian operations are poised for a gradual turnaround, driven by the ramp-up of Infineon's MEMS microphone programme, additional customer volumes and cost savings following the consolidation of production activities. Nevertheless, upstream wafer shortages continue to constrain utilization of the five newly commissioned flip-chip lines. Longer term, the proposed Gopeng G2 wafer bumping facility, with an initial targeted capacity of 35,000 wafers per month, could provide a meaningful earnings catalyst from FY28 onwards, subject to securing long-term customer commitments and successful execution.

UNDERPERFORM ↔

Price :	**RM3.70**
Target Price :	**RM3.55** ↓

Share Price Performance



KLCI	1,616.58
YTD KLCI chg	-3.8%
YTD stock price chg	20.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UNI MK Equity
Market Cap (RM m)	6,344.5
Shares Outstanding	1,714.7
52-week range (H)	5.30
52-week range (L)	2.60
3-mth avg. daily vol.	2,651,368
Free Float	25%
Beta	0.74

Major Shareholders

Huatian Technology	41.8%
Jayvest Holdings	10.5%
Chia Sin Tet	8.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	1,872	2,260	2,644
EBIT	102	109	244
PBT	113	92	229
Net Profit (NP)	87	64	187
Core NP	63	80	187
Consensus (NP)		91	209
Earnings Revision	-	-12%	-
EPS (sen)	5.4	5.0	10.9
EPS Growth (%)	42.8	-7.5	0.0
DPS (sen)	7	2	8
BV/Share (RM)	1.3	1.5	1.6
PER (x)	68.9	74.5	33.8
Price/BVPS (x)	2.8	2.5	2.3
Net Gearing (x)	0.1	0.0	-0.1
Dividend Yield (%)	1.9%	0.5%	2.2%

Chengdu remains the key earnings driver. Chengdu generated over RM40m profit in 3QFY26, supported by robust demand from its largest customer, Monolithic Power Systems (MPS), and growing contributions from Chinese IC design houses. Management expects further growth in FY27, underpinned by MPS's projected 30%–40% expansion and additional cleanroom capacity. Nevertheless, upstream wafer shortages remain a constraint on utilization.

Malaysian operations approaching a turnaround. All five new flip-chip lines have been commissioned and qualified, although utilization remains below 50% due to wafer supply constraints. Meanwhile, Infineon's MEMS microphone programme has entered mass production, while Mitsubishi-related production continues to ramp up. Coupled with the completion of production transfers from Simpang Pulai to Gopeng and ongoing cost rationalisation, management is optimistic about a return to profitability in 4QFY26.

Gopeng G2 expansion offers a longer-term growth catalyst. Unisem plans to develop a higher-margin wafer bumping, probing and WLCSP facility, with an initial targeted capacity of approximately 35,000 wafers per month. The project could entail investments exceeding RM1bn, subject to phased implementation. Management is engaging at least three existing US and Japanese customers to secure long-term agreements covering 50%–60% of the proposed capacity. Successful execution could materially enhance Unisem's earnings potential from FY28 onwards, although customer commitments and investment returns remain key considerations.

Forecasts. We trimmed our FY26F core net profit by 12% to RM80m to reflect the weaker-than-expected 3QFY26 results. Nevertheless, we maintain we maintain our FY27F earnings forecast, anticipating improved operating efficiency from higher utilization at Gopeng and a continued recovery at UM.

Valuations. We lower our PER-based TP by 6% to RM3.55, after factoring in the enlarged share base of 1.714b shares (from 1.613b previously), following the recent private placement of 101.6m shares. We retain our target FY27F PER of 32.6x, representing approximately +1SD above its two-year historical mean, which we believe remains justified by the ongoing OSAT upcycle. No ESG adjustment is applied to our TP, given Unisem's 3-star ESG rating under our assessment. We maintain our UNDERPERFORM call, as we believe the anticipated earnings recovery is largely priced in at current valuations.

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)	3Q26	2Q26	QoQ Chg	3Q25	Chg	9M26	9M25	YoY Chg
Turnover	607.7	570.1	6.6%	492.7	23.3%	1,642.5	1,391.5	18.0%
GP	62.2	47.9	29.7%	44.9	38.4%	119.2	95.1	25.4%
EBITDA	113.2	87.6	29.2%	97.0	16.7%	258.1	242.7	6.4%
EBIT	43.7	21.6	101.7%	31.3	39.6%	59.4	62.8	-5.4%
PBT/(LPT)	39.2	16.4	139.0%	27.8	41.0%	45.3	53.9	-16.0%
Taxation	(8.5)	(6.5)	30.5%	(8.4)	0.6%	(18.0)	(19.4)	-7.1%
MI	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
Net Profit	30.7	9.9	210.1%	19.4	58.5%	27.3	34.5	-21.0%
Core Net Profit	30.7	25.8	19.1%	19.4	58.5%	43.2	34.5	25.1%
EPS (sen)	1.9	0.6	203.7%	1.2	55.3%	1.7	2.1	-22.8%
DPS (sen)	1.0	0.0	NA	2.0	-50.0%	1.0	6.0	-83.3%
Gross Margin	10.2%	8.4%		9.1%		7.3%	6.8%	
EBITDA Margin	18.6%	15.4%		19.7%		15.7%	17.4%	
EBIT Margin	7.2%	3.8%		6.3%		3.6%	4.5%	
PBT Margin	6.4%	2.9%		5.6%		2.8%	3.9%	
NP Margin	5.1%	1.7%		3.9%		1.7%	2.5%	
CNP Margin	5.1%	4.5%		3.9%		2.6%	2.5%	
Taxation Rate	-21.6%	-39.6%		-30.3%		-39.8%	-36.0%	

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 6 Nov (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	1.13	1.80	59.3%	576.3	Y	06/2027	3.0	6.9	151.6%	128.0%	37.4	16.4	7.7	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	4.72	5.72	21.2%	8,557.1	Y	12/2026	12.3	15.2	27.3%	22.9%	38.3	31.1	6.7	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.12	2.77	30.7%	8,216.3	Y	06/2027	8.1	8.7	61.3%	8.2%	26.3	24.3	2.9	11.0%	7.3	3.4%
KELINGTON GROUP BHD	OP	7.64	10.10	32.2%	6,726.2	Y	12/2026	21.7	27.3	30.6%	26.0%	35.2	28.0	8.6	27.8%	15.0	2.0%
LGMS BHD	OP	0.515	0.600	16.5%	234.8	Y	12/2026	2.2	3.0	-2.0%	38.0%	23.5	17.0	1.9	8.0%	2.0	3.9%
MALAYSIAN PACIFIC INDUSTRIES	MP	36.20	43.70	20.7%	7,218.2	Y	06/2027	134.1	149.1	41.9%	11.2%	27.0	24.3	3.0	11.6%	40.0	1.1%
NATIONGATE HOLDINGS BHD	OP	1.82	2.14	17.6%	4,096.3	Y	12/2026	1.8	10.3	-58.0%	462.4%	99.2	17.6	4.1	4.1%	2.0	1.1%
OPPSTAR BHD	UP	0.520	0.750	44.2%	336.4	Y	03/2027	2.1	2.3	-14.9%	8.8%	24.3	22.3	2.5	10.8%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.49	1.51	1.3%	572.2	Y	12/2026	5.9	8.4	0.4%	42.3%	25.2	17.7	0.9	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.320	0.270	-15.6%	477.0	Y	03/2027	2.5	3.5	-19.4%	42.0%	13.0	9.1	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.42	3.64	50.4%	4,346.4	Y	03/2027	3.6	4.6	34.8%	25.4%	66.5	53.0	8.1	18.4%	70.0	28.9%
UNISEM (M) BHD	UP	3.70	3.55	-4.1%	6,344.5	Y	12/2026	5.0	10.9	27.5%	133.8%	74.4	33.8	2.4	2.8%	2.0	0.5%
UWC BHD	OP	6.29	7.83	24.5%	6,943.0	Y	07/2027	15.9	19.6	87.2%	22.8%	39.5	32.2	9.3	26.6%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.88	5.40	10.7%	3,471.2	Y	12/2026	11.2	15.1	29.0%	34.6%	43.4	32.2	4.1	9.7%	2.0	0.4%
INFOMINA BHD	OP	1.76	2.40	36.4%	1,050.8	Y	05/2027	7.6	9.6	30.5%	26.5%	23.1	18.2	5.5	26.1%	3.0	1.7%
Simple Average					**59,098.6**					**30.9%**	**41.5%**	**38.7**	**27.3**	**4.1**	**10.7%**		**3.1%**

Source: Kenanga Research

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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