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Equity Beat

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24 February 2010

Analyst Briefing

Unisem

NOT RATED

Expect slower growth rate in FY10

- **While the global chip sector recovery is well underway, in terms of earnings growth potential, it has reached a peak with FY10 estimated to grow at a slower clip than FY09.**
- **Consensus expects Unisem to post FY10 net profit of RM101.5m, while revenue is estimated to grow to RM1229.1m. Despite the double-digit growth, it is lower than that achieved in FY09.**
- **In terms of share price performance, Unisem's stock price has risen by 34% year-to-date and given a one-year total return of 273%. This is already reflective of investors' expectation of an earnings recovery, in our view as FY10 net profit growth is expected to taper off relative to FY09's stellar growth rate.**

STOCK INFO

Price (23 Feb.10)	RM2.27	FBM KLCI	1266.43
Issued shares (mil)	518.6	Bursa / Bloomberg	5005 / UNI MK
Par Value (RM)	1.00	Board / Sector	Main / Tech
Market cap. (RM'm)	1177.2	Syariah Compliant	Yes
Price over NA (x)	1.2		
52-wk price Range (RM)	0.45 – 2.60	Major Shareholders (%)	
Beta (against KLCI)	1.7	Bandar Rasah S/B	25.2
3-mth Avg Daily Vol	3.4m	Lembaga Tabung Haji	6.4
3-mth Avg Daily Value	RMm	Sin Tet Chia	3.6

FY09 results recap: Unisem recorded a FY09 revenue of RM1036m, which was 16%yoy lower, mainly due to reduced sales volume as a consequence of the slowdown in the worldwide economy during 1H09. Meanwhile, FY09 net profit of RM60.7m compared favourably to net profit of RM18.3m (after the provision of RM54.9m being the impairment loss on goodwill from the acquisition of Unisem Europe) in FY08.

Key take-away from communication with management: Unisem's top management is guiding for a 3-5% top-line growth in 1Q10 as momentum from 4Q09 continues. We understand that this is possible as there is a shortage of supply in the semiconductor assembly and testing services segment, where end-product demand continues to outstrip supply. This is further supported by the growth in the personal computer and the mobile phone market space.

Global recovery underway but priced in: Based on consensus estimates, FY10 net profit is expected to grow by 64.2%yoy to RM101.5m on the back of a more tepid revenue growth of 18.6% to RM1229.1m. The double-digit bottom-line growth is commendable but will be lower than that achieved in FY09 as supply catches up with

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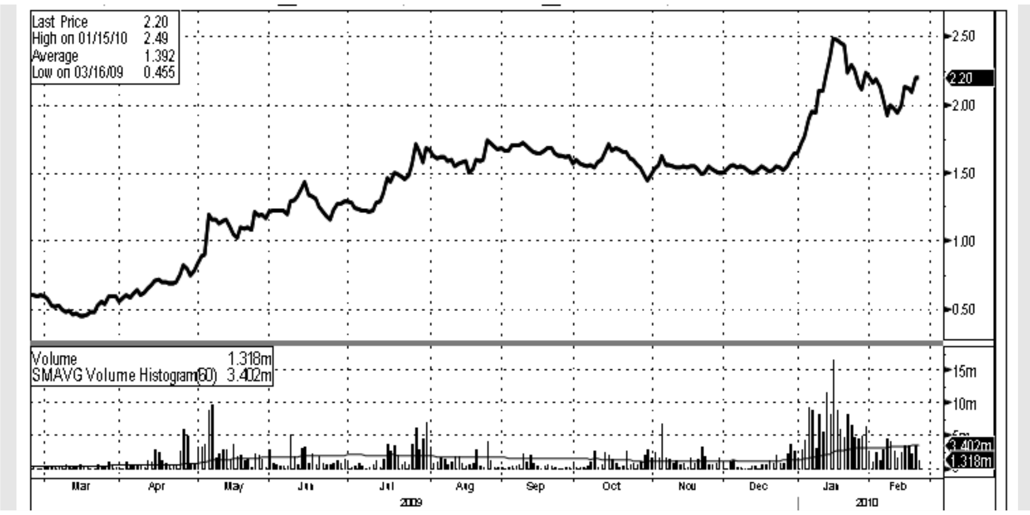
FYE 31 Dec	FY08	FY09	FY10F	FY11F
Revenue (RM'm)	1233.4	1036.3	1229.1	1374.8
EBIT (RM'm)	111.7	81.4	125.3	152.0
Pretax Profit (RM'm)	23.9	58.4	114.3	155.6
Net Profit (RM'm)	18.3	61.8	101.5	137.4
EPS (sen)	0.4	12.0	20.5	24.1
EPS growth (%)	(84.0)	>100.0	70.8	17.5
PER(x)	567.5	18.9	11.1	9.4
Net Dividend (sen)	5.0	2.5	5.0	5.0
Net Dividend Yield (%)	2.2	1.1	2.2	2.2

Source: Company, Forecasts by consensus (Bloomberg) demand. Unisem's customers, namely NS and Wolfson are expecting flat sequential growth. We believe that global recovery for the chip sector which started in 3Q09 is well underway but will likely peak in 1H10 as supply exceeds demand. This scenario is typical of the global chip sector and is likely to prevail in 2H10. Our view is shared by Unisem's customers, which are seeing opaque visibility in terms of three months rolling order forecast. The pump-priming measures by the governments of the world have managed to lift consumer confidence in 2009, spurring demand for consumer electronics, communication devices and computers. In the absence of further stimulus packages in 2010, it is unlikely that the phenomenal growth can be repeated.

Impressive share price performance indicates earnings recovery expectation, in our view: Judging from Unisem's share price performance year-to-date of 34% and one-year total return of 273%, it is highly likely that investors have priced in a recovery scenario for the sector and company. Its share price has jumped to a 52-week high of RM2.60 from a low of RM0.45 in Mar09, supported by a strong earnings recovery story. In our view, the growth rate achieved in FY09 will not likely be repeated in FY10. Unisem's shares trade at 11x EPS10, vis-à-vis MPI's 15x and Globetronics 12x forward earnings.

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
OVERWEIGHT	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.