TECHNOLOGY

***Maintain* POSITIVE**

Robust Mid-Long Terms Outlook

KEY INVESTMENT HIGHLIGHTS

- **Global semiconductor sales remained high, led by America with +36.9%yoy growth**
- **Foxconn recorded a +31%yoy jumped in its June sales**
- **The global EV sales were up to +55%yoy in May 2022**
- **Maintain POSITIVE recommendation on Technology Sector**

SIA Report. The global semiconductor industry sales for May 2022 remained high at USD51.8b, or +18%yoy and +1.8%qoq despite the inflationary pressures as well as chip shortages. Strong demands were recorded across all major regional markets and product categories. On yearly basis, the growth sales were up in all regions, led by the Americas (+36.9%), Japan (+19.8%), Europe (+16.1%), Asia Pacific/All Other (+15.8%) and China (+9.1%). Meanwhile on monthly basis, the growth sales increased were seen in Japan (+3.9%), the Americas (+2.9%), China (+1.7%), and Asia Pacific/All Other (+1.1%), but fell slightly in Europe (-0.7%).

Figure 1: Global sales of semiconductors in May 2022

MOM Sales (USD'b)			
Region	**Last Month**	**Current Month**	**% Change**
Americas	11.86	12.20	2.9%
Europe	4.48	4.44	-0.7%
Japan	3.98	4.13	3.9%
China	16.73	17.02	1.7%
Asia Pacific/All Other	13.88	14.03	1.1%
Total	**50.92**	**51.82**	**1.8%**

YOY Sales (USD'b)			
Region	**Last Year**	**Current Month**	**% Change**
Americas	8.91	12.20	36.9%
Europe	3.83	4.44	16.1%
Japan	3.45	4.13	19.8%
China	15.61	17.02	9.1%
Asia Pacific/All Other	12.11	14.03	15.8%
Total	**43.90**	**51.82**	**18.0%**

Source: SIA, MIDF Research

COMPANY IN FOCUS

Inari Amertron Berhad

Maintain **BUY** | Target price: RM3.65

Price @ 6th July 2022: RM2.58

- Continue to see grow, primarily from its RF segment, in tandem to rising content per device
- Strategic 5G positioning and active effort to expand its war chest.

Share price chart



D&O Green Technologies Berhad

Maintain **BUY** | Target price: RM4.48

Price @ 6th July 2022: RM3.79

- Strategic positioning within the automotive industry to capture the growing adoption of LED in future automotive design
- Shorter design in or design win process for EV cars amongst others bode well for their automotive LED segment.

Share price chart



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Foxconn's better-than-expected June sales. While many investors have raised worries over slowing tech demand during this major market downturn, on the back of high inflation rate and war in Ukraine, Foxconn's better-than-expected June sales, contradict those views. Foxconn, which is one of Apple's major suppliers, has recorded a +31%yoy jumped in its June sales; thanks to its efficient supply chain management and growing sales on consumer electronics e.g. the smartphones (which contribute the most to its revenue). Moving forward, the Taiwan giant tech believes that the full year outlook will remain solid attributed to the double-digit yearly growth in sales from servers and telecommunications products. This development bodes positively well for our local player, Inari, which is in the supply chain for Apple's smartphone production.

Growing Electric Vehicle (EV) market. According to Allied Market Research, the global EV market was valued at USD163.01b in 2020 and is expected to reach USD823.75b by 2030, with a CAGR of +18.2% from 2021 to 2030. As at May 2022, the global EV sales were up by +55%yoy and reached 12% global market share; 31% share in China, 19% in Europe and a record 6.1% for the USA. This was mainly underpinned by national EV policies, whereby more than 45 countries have set or are setting national targets to enter into the force around the 2030 timeframe as well as increased funding and investments by key market players to support decarbonization campaigns. As EVs have nonetheless becoming a more recent compelling factor behind the growing demand for smart LEDs in automotive, we think the proliferation of this technology could drive our local player, DOGT's margin expansion and rapid growth in years ahead.

Top picks. We continue to favor **Inari (BUY, TP:RM3.65)** as the group is adding more of the RF testers, in preparation to the upcoming US smartphone launch this September. This indicated that the company's RF business segment will continue to see robust growth in tandem to the increasing demands for telecommunications products. Currently, the group's utilisation rate is at c.75%, and expected to increase gradually till c.90%, approaching the launch date. We also like **DOGT (BUY, TP:RM4.48)**, the top 5 LED manufacturer globally as the company is well positioned to capture the explosive growth of EVs market. Thanks to its strong product innovation, extensive customer base and higher adoption of LED usage per car for outweighing the group's product demands from chip crunch. On a side note, the shorter design in or design win process for EV cars amongst others bode well for their automotive LED segment too. Moving forward, management anticipated the smart LED to generate at least 10% of the group automotive LED sales volume by 2025.

Maintain POSITIVE. Even though technology sector continues to be under pressure from the rate hike and other macroeconomics issues, we remain **POSITIVE** on the sector given demands from 5G, AI, EV related products and service remains solid and are the key enablers to ignite digital economy world widely. The emerging technologies depends heavily on the semiconductor industry to provide the computing power necessary. Therefore, our positive stance on this sector remained due to its robust mid-long terms outlook in tandem to the increasing adoption and integration of smart technologies, enveloping lots of sectors and applications.

Figure 3: Peer comparison table

Stock	FYE	Rec.	Price @	Target Price	Core EPS		Core PE (sen)		Net DPS		Net Dvd Yield	
			6-Jul-22	(RM)	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Inari	Jun	BUY	2.58	3.65	12.9	15.1	20.0	17.1	12.2	14.3	4.7	5.5
Unisem	Dec	BUY	2.14	4.33	15.8	17.7	13.5	12.1	10.0	10.0	4.7	4.7
Gtronics	Dec	BUY	1.12	2.00	8.7	10.4	12.9	10.8	8.5	9.5	7.6	8.5
MYEG	Dec	BUY	0.86	1.25	5.8	6.0	14.8	14.3	1.7	1.8	2.0	2.1
DOGT	Dec	BUY	3.79	4.48	12.8	14.3	29.6	26.5	2.5	3.5	0.7	0.9

Source: MIDF Research

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	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.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology