Unisem (M) Berhad

(5005 | UNI MK) Technology | Semiconductors

Maintain BUY

Good Performance

***Unchanged* Target Price: RM4.07**

(Previously: RM4.33)

KEY INVESTMENT HIGHLIGHTS

- **2QFY22 normalised earnings came in at RM70.2m, supported by +15.4%yoy expansion in revenue**
- **1HFY21 normalised earnings amounted to RM120.8m matched ours and consensus expectations**
- **Continuous focus to support growing end-market segments in 5G, IoT**
- **Maintain BUY with revised TP of RM4.07**

Satisfactory earnings. Unisem (M) Bhd's 2QFY22 normalised earnings surged to RM70.2m from RM56.9m in 2QFY21, marking a +23.4%yoy increment. This was mainly premised on higher average selling prices. Sequentially, 2QFY22 normalised earnings showed a steady improvement of +38.7%qoq, demonstrating the Group's resilience.

Within expectations. 1HFY22 normalised earnings of RM120.8m were within expectations, meeting 47% and 51% of our and the street's full year forecast of FY22. The Group 1HFY22 normalised earnings jumped by +22.9%yoy to RM120.8m from RM98.3m. This was mainly supported by increase in revenue (+14.5%yoy) in 1HFY22. The increase in normalised earnings was due to increasing revenue, which was driven by higher average selling prices.

Target price. We are rolling forwards our valuation base year to FY23 and arrive at a new target price of **RM4.07** (previously: RM4.33). Our target price is pegging on FY23 EPS of 17.7sen against PER of 23.0x, representing a +1.0 std deviation premium to the company's 2-year average rolling PER. The lower PER (previously 27.4x) is to account for the economic and geopolitical uncertainties, interest rates concern and global supply chain disruptions. We believe that robust demand across the products and services especially on wafer level packaging and micro-electro-mechanical systems (MEMs) justifies the valuation.

Maintain BUY. We are positive about Unisem's near-to-medium-term prospects since the Group is well-positioned to capitalise on the rapid proliferation of 5G and IoT, thanks to robust demand across all market categories, including power management, radio frequency, automotive, and consumer electronics. We are also optimistic about the company's development prospects, owing to its expansion plans to capitalise on solid chip demand, as well as its key foothold in China through its cooperation with TSHT. All things considered, we retain our **BUY** call recommendation for Unisem with an upside of 50.9%.

RETURN STATISTICS	
Price @ 28th July 2022 (RM)	2.76
Expected share price return (%)	+47.5
Expected dividend yield (%)	+3.4
Expected total return (%)	**+50.9**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	16.9	14.1
3 months	10.0	3.0
12 months	-31.0	-29.9

KEY STATISTICS	
FBM KLCI	1,491.20
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	806.54
Estimated free float (%)	21.06
Market Capitalisation (RM'm)	4,452.10
52-wk price range (RM)	2.07 - 4.69
Beta vs FBM KLCI (x)	0.28
Monthly velocity (%)	6.59
Monthly volatility (%)	29.17
3-mth average daily volume (m)	0.83
3-mth average daily value (RM'm)	2.06
Top Shareholders (%)	
Huatian Technology Sdn Bhd	48.00
Jayvest Holdings	10.86
Chia Sin Tet	10.42

MIDF Research
research@midf.com.my

INVESTMENT STATISTICS

Financial year ending 31st December	2019	2020	2021A	2022F	2023F
Revenue	1,119.8	1,289.3	1,568.9	1,749.8	1,861.9
EBITDA	248.9	329.6	405.0	468.9	524.1
EBIT	93.8	0.3	211.4	292.3	333.2
PBT	164.0	164.0	222.6	292.6	333.4
Normalised PATAMI	-11.1	150.3	194.2	254.5	285.8
Normalised EPS (sen)	-1.5	20.5	14.5	15.8	17.7
Normalised EPS Growth (%)	n.m.	n.m.	-29.6	9.1	12.3
PER (x)	n.m.	21.4	20.2	18.6	16.5
Dividend Per Share (sen)	6.0	6.0	8.0	10.0	10.0
Dividend yield (%)	1.4	1.4	2.7	3.4	3.4

Source: Company, MIDFR

UNISEM (M) BHD: 2QFY22 RESULTS SUMMARY

Financial year Ending 31st December (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	2Q22	% YoY	% QoQ	1H22	1H21	%
Revenue	464.1	15.4	9.3	888.5	776.2	14.5
EBITDA	131.0	20.9	1701.3	138.2	205.8	-32.8
Depreciation and amortisation	-51.8	6.1	-204.1	-2.1	-95.7	-97.9
EBIT	79.2	33.1	39.0	136.2	110.1	23.6
Grant income	0.7	n.m	n.m	1.0	0.8	18.4
Finance costs	-0.9	47.1	62.4	-1.5	-1.3	9.6
Interest income	2.7	-10.8	30.8	4.8	5.6	-15.2
PBT	81.7	30.8	39.2	140.4	115.2	21.9
Taxation	-11.3	46.8	50.3	-18.9	-14.7	28.4
Profit / (Loss) from discontinued operation	70.4	n.m	n.m	121.6	-0.5	n.m
MI	0.0	n.m	n.m	0.0	0.0	n.m
PATAMI	70.4	28.8	37.5	121.6	100.1	21.5
Normalised PATAMI	70.2	23.4	38.7	120.8	98.3	22.9
EPS (sen)	4.4	-38.8	-30.7	7.5	12.6	-40.7
EBITDA margin (%)	28.2	1.3	26.5	15.6	26.5	-11.0
EBIT margin (%)	17.1	2.3	3.6	15.3	14.2	1.1
Normalised PATAMI margin (%)	15.1	1.0	3.2	13.6	12.7	0.9
Effective tax rate (%)	13.9	1.5	1.0	13.4	12.8	0.7

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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