

# TECHNOLOGY

**Maintain POSITIVE**

## Global Semiconductor Sales Remain Strong

### KEY INVESTMENT HIGHLIGHTS

- Global semiconductor sales remained positive, led by America with +29.0%yoy growth
- US introduce CHIPS Act amounted USD52b (RM231.5b)
- Apple beats Wall Street expectations
- Maintain POSITIVE recommendation on Technology Sector

**SIA Report.** In the second quarter of 2022, worldwide semiconductor sales increased by +13.3%yoy and +0.5%qoq to USD152.5b. However, global sales for the month of June 2022 were USD50.8b, a decrease of -1.9%mom. Sales were up in all major regional markets and product categories in the second quarter of 2022, compared to the same period previous year. Nonetheless, market growth has slowed in recent months, with year-on-year growth falling below 15% in June for the first time since February 2021. On yearly basis, the growth sales were up in all regions, led by the Americas (+29.0%), Japan (+16.1%), Europe (+12.4%), Asia Pacific/All Other (+11.9%) and China (+4.7%). Meanwhile on monthly basis, the sales were down across all regions: Japan (-0.7%), the Americas (-0.9%), Europe (-1.1%), Asia Pacific/All Other (-2.3%), and China (-2.8%).

**Figure 1: Global sales of semiconductors in June 2022**

MOM Sales (USD'b)			
Region	Last Month	Current Month	% Change
Americas	12.20	12.09	-0.9%
Europe	4.44	4.39	-1.1%
Japan	4.13	4.10	-0.7%
China	17.02	16.54	-2.8%
Asia Pacific/All Other	14.03	13.70	-2.3%
<b>Total</b>	<b>51.82</b>	<b>50.82</b>	<b>-1.9%</b>

YOY Sales (USD'b)			
Region	Last Year	Current Month	% Change
Americas	9.37	12.09	29.0%
Europe	3.91	4.49	12.4%
Japan	3.53	4.10	16.1%
China	15.79	16.54	4.7%
Asia Pacific/All Other	12.25	13.70	11.9%
<b>Total</b>	<b>44.85</b>	<b>50.82</b>	<b>13.3%</b>

Source: SIA, MIDF Research

### COMPANY IN FOCUS

#### Inari Amertron Berhad

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

Price @ 4<sup>th</sup> August 2022: RM2.92

- 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



#### Unisem (M)Berhad

Maintain **BUY** | Target price: RM4.07

Price @ 4<sup>th</sup> August 2022: RM3.05

- Well position to capture the growing proliferation of 5G and IoT demands remaining strong across all market segments
- Strategic partnership with TSHT should assist in Unisem operation expansion compared to other less strategic partners.

#### Share price chart



**MIDF Research**  
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**US CHIPS Act.** The bill, which comprises about USD52b (RM231.5b) in subsidies and tax benefits for firms investing in semiconductor production in the United States, is intended to improve semiconductor supply security and competitiveness. According to the Malaysia Semiconductor Industry Association (MSIA), the new bill will have no detrimental impact on Malaysia since the CHIPS Act is to encourage front-end fabs to be built in the United States. It is worth noting that the majority of Malaysian semiconductor enterprises are involved in chip assembly, packaging, and testing (back-end process). As a result, semiconductor assembly test factories and outsourced semiconductor assembly and test (OSAT) vendors who supply integrated circuit-packaging and test services would be the primary beneficiaries in Malaysia. Thus, we believe that the OSAT companies such as Inari Amerton Bhd, Unisem (M) Bhd and Globetronics Technology Bhd will benefit from the CHIPS Act.

#### Globetronics Technology Berhad

Maintain **BUY** | Target price: RM1.94

Price @ 4<sup>th</sup> August 2022: RM1.26

- Prospects are still solid in the long run as the group's expertise in high tech sensor products could be leveraged onto various applications.

#### Share price chart



**Apple beats Wall Street expectations.** Despite present inflationary pressures and poor consumer confidence, Apple managed to outperform expectations. The Group's revenues and earnings for the third quarter ended June 25 of its FY22 were USD83.0b and USD1.20 per share, respectively, above projections of USD82.8band USD1.16 per share. The strong results were ascribed to Group loyalty and brand familiarity. Apple has been able to maintain existing consumers while attracting new ones through ongoing innovation and product development, resulting in a significant growth in sales for its goods. In the present inflationary environment, having significant pricing power might be useful since the business may be able to pass on higher production and transportation expenses to its consumers. Furthermore, Apple's diversified product selection serves to a larger percentage of the market. The introduction of the M2 Mac while maintaining manufacturing of the M1 Mac, for example, helps to diversify their goods in the market more, appealing to diverse customers' wants and financial backgrounds. Inflation and the pandemic have increased the disparity in purchasing power among customers from various financial backgrounds. The pandemic's pent-up demand has resulted in increased splurge by higher-income households, while inflation continues to drive lower-income households to remain cautious. Apple's approach of offering a range of goods at various costs and specifications aids in capturing demand at various price points. This development bodes positively well for our local player, Inari, which is in the supply chain for Apple's smartphone production.

**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. Our top pick semiconductor companies are **Inari Amerton Berhad (BUY, TP: RM3.65)** and **Unisem (M) Berhad (BUY, TP: RM4.07)** given the Group's exposure to growing RF contents in 5G smartphones usages and adoption. We also like **Globetronics Technology Berhad (BUY, TP: RM1.94)** due to its exposure in high-tech sensors products for various applications. 

**Figure 3: Peer comparison table**

Stock	FYE	Rec.	Price @	Target Price	Core EPS (sen)		PE (x)		Net DPS		Net Dvd Yield	
			4-Aug-22	(RM)	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Inari	Jun	BUY	2.92	3.65	12.9	15.1	20.0	17.1	12.2	14.3	4.7	5.5
Unisem	Dec	BUY	3.05	4.07	15.8	17.7	18.6	16.5	10.0	10.0	3.4	3.4
Gtronics	Dec	BUY	1.26	1.94	7.7	9.0	15.3	13.1	8.3	9.5	7.2	8.1
MYEG	Dec	BUY	0.78	1.25	5.8	6.0	14.8	14.3	1.7	1.8	2.0	2.1
DOGT	Dec	BUY	4.15	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 <i>rise</i> 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 <i>fall</i> 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