TECHNOLOGY

***Maintain* POSITIVE**

Electric Vehicle sales expanding

KEY INVESTMENT HIGHLIGHTS

- **Sales remained strong, led by America with +20.9%yoy growth**
- **Electric Vehicle sales in July 2022 register +61%yoy**
- **Apple maintains its price for iPhone 14 despite the inflationary pressure**
- **Maintain POSITIVE recommendation on Technology Sector**

SIA Report. Global semiconductor industry sales increased +7.3%yoy to USD49.0b in July 2022, up from USD45.7b in the previous year. Sales increased in most regions, with America leading the way with +20.9%yoy growth, while China fell marginally by -1.8%yoy. Meanwhile, monthly sales in July 2022 were -2.3%mom lower than in June 2022, totaling USD50.2b. Month-to-month sales climbed in Europe (2.7%) and Japan (0.6%), but fell in the Americas (-2.3%), China (-3.5%), and Asia Pacific/All Other (-3.5%).

Figure 1: Global sales of semiconductors in July 2022

MOM Sales (USD'b)			
Region	**Last Month**	**Current Month**	**% Change**
Americas	12.12	11.85	-2.3%
Europe	4.35	4.46	2.7%
Japan	4.09	4.11	0.6%
China	16.24	15.67	-3.5%
Asia Pacific/All Other	13.38	12.91	-3.5%
Total	**50.18**	**49.01**	**-2.3%**

YOY Sales (USD'b)			
Region	**Last Year**	**Current Month**	**% Change**
Americas	9.80	11.85	20.9%
Europe	3.87	4.46	15.2%
Japan	3.63	4.11	13.1%
China	15.96	15.67	-1.8%
Asia Pacific/All Other	12.40	12.91	4.1%
Total	**45.67**	**49.01**	**7.3%**

Source: SIA, MIDF Research

COMPANY IN FOCUS

Inari Amertron Berhad

Maintain **BUY** | Target price: RM3.53

Price @ 13th September 2022: RM2.81

- Continuous surge in volume loadings primarily come from the RF segment.
- Strategic 5G positioning and active effort to expand its war chest.

Share price chart



D&O Green Technologies Berhad

Maintain **BUY** | Target price: RM4.58

Price @ 13th September 2022: RM4.19

- 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



MIDF Research
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Ban on Combustion. With rising concern about climate change, the market for electric vehicles (EV) is expanding at a strong clip. According to EV-Volumes statistics, 778,092 new passenger plug-in EVs were registered in July 2022, a +61%yoy increase. More than 4.9 million new passenger plug-in EVs have been registered globally so far this year, compared to 6.5 million in the whole calendar year of 2021. EVs already account for roughly 12% of global automobile production and are projected to expand as policymakers begin to focus on sustainable energy alternatives. As part of efforts to clean up road transport, legislators in the European Parliament agreed earlier this year to mandate that all new car and van sales should be zero-emission by 2035. California has followed the lead of the EU by implementing new restrictions prohibiting the sale of new gasoline-powered vehicles and trucks for the next 13 years, a step aimed at tackling climate change that might hasten the country's transition to EVs. As EVs have become a more recent compelling element driving the expanding demand for smart LEDs in automotive, we believe the spread of this technology will drive the margin expansion and quick growth of our local player, DOGT, in the next years.

1HCY22 earnings wrap. The performance of technology companies under our coverage was mixed, with three companies registering earnings within expectations namely; D&O Green Technologies Berhad (DOGT), Unisem (M) Sdn Bhd (Unisem) and Datasonic Group Berhad (Dson) and three came in below namely; Inari Amerton Berhad (Inari), Globetronics Technology Berhad (Gtronics) and MY E.G. Services Berhad (MYEG). The lacklustre performance was ascribed to a challenging economic climate for technology companies, including rising inflation, Federal Reserve rate hikes, global supply chain issues, and changes in purchasing patterns due to the COVID-19 pandemic, and geopolitical turmoil in Russia and Ukraine. Nonetheless, given that 5G is expected to generate multi-year growth, similar to the 3G to 4G transition cycle, we believe that our tech businesses will continue to be the primary beneficiaries of 5G technology.

Top picks. We continue to favour **DOGT (BUY, TP: RM4.58)**, one of the top 5 LED producers globally as the company is ideally positioned to benefit from the EV market's accelerating expansion. Due to its great product innovation, large client base, and increased LED consumption per car. We also prefer **Inari (BUY, TP: RM3.53)** because the Group's future as Malaysia's largest outsourced semiconductor assembly and test (OSAT) provider remains intact. Despite the lower projection on revenue from the smartphone segment in FY23, the management expects it will rebound again, supported by content value growth and new design wins such as RF double-sided moulding system-in-package (SIP) programme in next-generation smartphone models. Coupled with Apple's strategy to maintain the price for their latest iPhone 14 at USD799, the same amount that it initially charged for last year's iPhone 13. We opine that this strategy will assist Apple to remain robust in current inflationary environment, therefore benefitting Inari, which is in the supply chain for Apple's smartphone manufacture.

Maintain POSITIVE. While we recognize that the technology sector continues to be weighed down by rate rise pressures and other macroeconomic difficulties, we remain **POSITIVE** on the sector given that demand for EV, AI, and 5G related products remain intact and are critical enablers to ignite the digital economy worldwide. Artificial intelligence (AI), automotive electronics, augmented and virtual reality (AR/VR), and other developing technologies rely significantly on the semiconductor sector for computational power. As a result, we reiterate our positive view on this industry, which is poised for exponential development as a result of its adoption and integration.

Figure 3: Peer comparison table

Stock	FYE	Rec.	Price @ 13-September-2022	Target Price (RM)	Core EPS (sen)		Core PE (x)		DPS (sen)		Dvd Yield (%)	
					FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Inari	Jun	BUY	2.81	3.53	10.0	14.6	28.1	19.2	10.0	13.9	3.6	4.9
Unisem	Dec	BUY	2.76	4.07	15.8	17.7	17.5	15.6	10.0	10.0	3.6	3.6
Gtronics	Dec	BUY	1.28	1.94	7.7	9.0	16.6	14.2	8.5	9.5	6.6	7.4
MYEG	Dec	BUY	0.88	1.23	5.5	5.9	16.0	14.9	1.6	1.8	1.8	2.0
DOGT	Dec	BUY	4.19	4.58	12.8	14.3	32.7	29.3	2.5	3.5	0.6	0.8
Dsonic	Mar	BUY	0.48	0.57	0.36	2.94	133.3	16.3	0.6	1.8	1.3	3.8

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