Unisem (M) Berhad

(5005 | UNI MK) Technology | Semiconductors

Maintain BUY

Satisfactory Earnings

***Revised* Target Price: RM3.72**

(previously RM4.07)

KEY INVESTMENT HIGHLIGHTS

- **3QFY22 normalised earnings came in at RM55.9m, supported by +20.0%yoy expansion in revenue**
- **9MFY22 normalised earnings amounted to RM176.6m, met ours and consensus expectations**
- **Outlook stay robust due to growing adoption of technology in various applications and sectors**
- **Maintain BUY with lower TP of RM3.72**

Met expectations. Unisem (M) Bhd's 3QFY22 normalised earnings surged +40.6%yoy to RM55.9m. This was attributable to better average selling prices coupled with the appreciation of USD/MYR and USD/RMB exchange rates. Sequentially, 3QFY22 normalised earnings declined by -20.3%qoq mainly due to the power outage, which lasted for three complete weeks in August and a further nine days of total lockdown due to increasing number of Covid cases in the Chengdu's plant.

Within expectations. 9MFY22 normalised earnings of RM176.6m were within expectations, meeting 70% and 73% of ours and the street's full year forecast of FY22. The Group 9MFY22 normalised earnings jumped by +26.5%yoy from RM139.7m in 9MFY21. This was mainly supported by RM1.3b revenue in 9MFY22 (+16.3%yoy) compared to the last year performance within the same period. The improvement in revenue and normalized earnings of the Group was attributable to better average selling prices coupled with the appreciation of USD/MYR and USD/RMB exchange rates.

Maintain estimates. We make no changes on our earnings estimates as the result was in line with our expectation. Nonetheless, amid the risk of earnings being derailed by prolonged lockdowns in China, geopolitical tension and investors' aversion towards growth companies in a rising interest rate environment, we lower the FY23F target PER to 21x from 23x, the company's 2-year average rolling PER. Our new **target price of RM3.72** (previously RM4.07) is premised on unchanged FY23 EPS of 17.7sen against PER of 21x.

Maintain BUY. We are sanguine with Unisem's mid to long term prospects as the Group has a broad portfolio of products for different end market segments and therefore be less likely impacted by any sudden drop in demands in any market segments. Additionally, the Group is serving various customers comprising MNCs, IDMs and design houses and of different geographical locations. We think it bode well to capture the exponential increase in the usage of chips brought about by IoT, AI, EV and autonomous driving. All in all, we would like to reiterate our **BUY** recommendation for Unisem.

RETURN STATISTICS	
Price @ 27th Oct 2022 (RM)	2.37
Expected share price return (%)	+57.0
Expected dividend yield (%)	+3.4
Expected total return (%)	**+60.4**

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	1,454.09
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

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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)	-155.9	11.5	16.4	15.0	13.4
Dividend Per Share (sen)	6.0	6.0	8.0	10.0	10.0
Dividend yield (%)	2.5	2.5	3.4	4.2	4.2

Source: Company, MIDFR

UNISEM (M) BHD: 3QFY22 RESULTS SUMMARY

Financial year Ending 31st December (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	3Q22	% YoY	% QoQ	9M22	9M21	%
Revenue	439.7	20.0	-5.3	1,328.2	1,142.5	16.3
EBITDA	115.6	22.8	-11.7	353.3	300.0	17.8
Depreciation and amortisation	-52.3	7.9	1.1	-153.8	-144.2	6.7
EBIT	63.3	38.7	-20.0	199.5	155.8	28.0
Grant income	0.0	n.m	n.m	1.0	0.8	17.5
Finance costs	-1.5	194.4	69.9	-3.0	-1.9	61.6
Interest income	2.5	-13.2	-7.3	7.3	8.5	-14.5
PBT	64.3	33.7	-21.3	204.7	163.3	25.4
Taxation	-8.0	4.1	-29.7	-26.8	-22.3	20.1
MI	0.0	n.m	n.m	0.0	0.0	n.m
PATAMI	56.3	39.3	-19.9	177.9	141.0	26.2
Normalised PATAMI	55.9	40.6	-20.3	176.6	139.7	26.5
EPS (sen)	3.5	-29.7	-72.8	11.0	17.7	-38.1
EBITDA margin (%)	26.3	0.6	-1.9	26.6	26.3	0.3
EBIT margin (%)	14.4	1.9	-2.7	15.0	13.6	1.4
Normalised PATAMI margin (%)	12.7	1.9	-31.6	13.3	12.4	0.9
Effective tax rate (%)	12.4	-3.5	-1.5	13.1	13.7	-0.6

Source: Company, MIDFR

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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