Unisem (M) Berhad

(5005 | UNI MK) Technology | Semiconductors

Maintain BUY

Performing Quarter

***Unchanged* Target Price: RM3.72**

KEY INVESTMENT HIGHLIGHTS

- **4QFY22 normalised earnings came in at RM68.2m, supported by +25.0%yoy expansion in revenue.**
- **FY22 normalised earnings amounted to RM247.3m met expectations**
- **No revision in estimates**
- **Maintain BUY with unchanged TP of RM3.72**

Rode on better ASP. Unisem (M) Bhd's 4QFY22 normalised earnings climbed to RM68.2m from RM54.6m in 4QFY21 (+25.0%yoy). This was mainly premised on better average selling prices as well as the appreciation of USD/MYR and USD/RMB exchange rates. Sequentially, 4QFY22 normalised earnings showed an expansion of +22.0%qoq.

Met expectations. FY22 normalised earnings of RM247.3m were within our and consensus expectation, accounting for 97% and 104% of the full year estimates. The Group FY22 normalised earnings rose by +22.3%yoy from RM202.2min FY21. This was mainly supported by RM1.8b revenue in FY22 (+13.6%) compared to the last year performance. The improvement in the normalized earnings was driven by the improvement in average selling prices and strengthening of the USD/MYR and USD/RMB exchange rates.

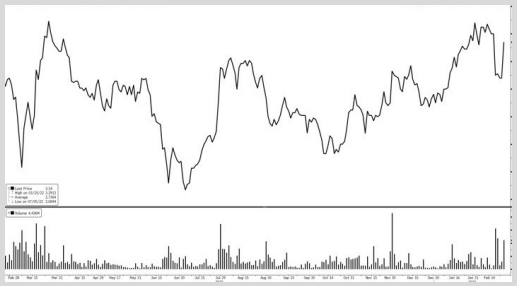
Dividend. Unisem announced a third interim dividend of 2.0sen per ordinary share. This brings the total YTD dividends to 6.0sen per share, similar to in FY21, which was in line with our expectation. We maintain our dividend forecast of 6.0sen per share for FY23F and FY24F.

No revision on estimates. We do not change our estimates for FY23F since the result met our expectation. Our **target price** remains unchanged at **RM3.72**, premised on pegging the FY22 EPS of 17.7sen against unchanged PER of 21x.

Reiterate BUY. Overall, we are confident in the mid to long-term prospects of Unisem as a result of the Group's diverse product portfolio catering to various end market segments, thereby reducing susceptibility to sudden drops in demand in any one segment. Furthermore, we like the company due to its wide customer base comprises multinational corporations, integrated device manufacturers, and design houses from different geographical locations. We believe these factors bode well for the Group to capture the exponential increase in demand for chips driven by IoT, AI, EV, and autonomous driving. All in all, we would like to reiterate our **BUY** recommendation with target price of **RM3.72.**

RETURN STATISTICS	
Price @ 23th February 2023 (RM)	3.14
Expected share price return (%)	+18.5
Expected dividend yield (%)	+2.0
Expected total return (%)	**+20.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-6.1	-10.8
3 months	-28.2	-34.3
12 months	-34.2	-34.7

KEY STATISTICS	
FBM KLCI	1,457.65
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	806.54
Estimated free float (%)	26.99
Market Capitalisation (RM'm)	4,726.32
52-wk price range (RM)	2.79 - 4.71
Beta vs FBM KLCI (x)	0.51
Monthly velocity (%)	6.59
Monthly volatility (%)	25.77
3-mth average daily volume (m)	2.47
3-mth average daily value (RM'm)	8.29
Top Shareholders (%)	
Huatian Technology Sdn Bhd	48.00
Jayvest Holdings	10.86
Chia Sin Tet	7.73

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INVESTMENT STATISTICS

Financial year ending 31st December	2020	2021	2022	2023F	2024F
Revenue	1,289.3	1,568.9	1,781.8	1,861.9	1,982.1
EBITDA	329.6	405.0	478.7	524.1	577.8
EBIT	0.3	211.4	273.8	333.2	375.0
PBT	164.0	222.6	279.7	333.4	375.3
Normalised PATAMI	150.3	194.2	247.3	285.8	317.0
Normalised EPS (sen)	20.5	23.5	15.3	17.7	19.6
Normalised EPS Growth (%)	n.m.	14.4	-34.8	15.5	10.9
PER (x)	0.2	0.1	0.2	0.2	0.2
Dividend Per Share (sen)	6.0	6.0	6.0	6.0	6.0
Dividend yield (%)	1.9	1.9	1.9	1.9	1.9

Source: Company, MIDFR

UNISEM (M) BHD: 4QFY22 RESULTS SUMMARY

Financial year ending 31st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	4Q22	% YoY	% QoQ	2022	2021	%
Revenue	453.6	6.4	3.2	1,781.8	1,568.9	13.6
EBITDA	125.5	19.5	8.5	478.7	405.0	18.2
Depreciation and amortisation	-51.2	3.7	-2.2	-204.9	-193.5	5.9
EBIT	74.3	33.6	17.3	273.8	211.4	29.5
Grant income	0.0	n.m	n.m	1.0	2.7	-64.0
Finance costs	-2.3	325.5	47.0	-5.2	-2.4	120.3
Interest income	2.9	22.9	16.5	10.2	10.9	-6.4
PBT	75.0	26.4	16.6	279.7	222.6	25.6
Taxation	-9.4	363.0	18.5	-36.3	-24.4	48.7
Profit / (Loss) from discontinued operation	65.5	n.m	n.m	243.4	198.2	n.m
MI	0.0	n.m	n.m	0.0	0.0	n.m
PATAMI	65.5	14.4	16.3	243.4	198.2	22.8
Normalised PATAMI	68.2	25.0	22.0	247.3	202.2	22.3
EPS (sen)	4.2	-37.5	22.0	15.3	12.6	21.7
EBITDA margin (%)	27.7	14.6	1.4	26.9	13.5	13.4
EBIT margin (%)	16.4	3.6	2.0	15.4	12.4	3.0
Normalised PATAMI margin (%)	15.0	11.6	2.3	13.9	11.0	2.9
Effective tax rate (%)	12.6	12.6	0.2	13.0	0.0	13.0

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