Unisem (M) Berhad

(5005 | UNI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Rich Valuation Amidst Improving Fundamental

Turnaround seen. We are keeping our **SELL** recommendation with a revised **target price of RM2.66** (previously RM1.54) post the announcement of Unisem's 3QFY25 results. Unisem finally posted better year-over-year quarterly performance in 3QFY25 after a long series of year-over-year quarterly earnings contraction. This signals that the fundamental has improved although we view that the pace of recovery is uneven across its operations. While contribution from Chengdu operation continue to soar, the Ipoh operation remains in a loss-making position. This also led to minimal improvement in profit margin.

The net debt position has also shown a notable increase as the group continues to gear up to position itself for future growth. On another note, we view that the share price has moved ahead of the fundamental. Valuation is stretched at this juncture as Unisem is trading at around 51x which is way above the 5-year mean of 27.5x.

Not much uplift in margin yet. Unisem's 3QFY25 normalised earnings came in +33.4%yoy higher at RM19.6m (3QFY24: RM14.7m). Sequentially, the normalised earnings also improved by more than fivefold. This was mainly supported by higher sales volume which led to bigger revenue of RM492.7m (+20.3%yoy). Despite this, there was minimal improvement in profit margin to 4.0% (vs 3Q24: 3.6%).

Note that the group's profit was solely contributed by the Chengdu operation as the Ipoh operation remains loss-making. This was further aggravated by the higher operating expenses at its new Gopeng plant which has yet contributed meaningfully to the group.

Better than expected. On a cumulative basis, 9MFY25 normalised earnings came in at RM26.9m, a decline of -35.0%yoy. This made up 60.9% and 50.1% of ours and consensus full year FY25 earnings estimates respectively. Nonetheless, we deem the results to be better than our expectations as we anticipate sequential earnings improvement for 4QFY25.

Better earnings outlook… Taking cue from the group's results performance and outlook post briefing, we upgrade FY25 to FY27 earnings by between +19.3% to +38.5%.

…led to higher target price. Pursuant to our earnings adjustment, our target price has been revised higher to RM2.66 from RM1.54 previously. We also increase our target PER valuation to 35.5x from 28.5x which +1SD above the five-year rolling average of 27.5x. Our revision in target PER reflects our view that the fundamental has improved which may mark the start of the industry upcycle.

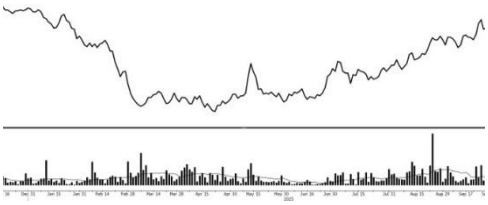
Gearing up for growth. In 3QFY25, the group's net debt position has grown further to RM165.2m from RM37.1m a quarter ago. The total loan has increased to RM353.7m (+35.8%yoy) while the cash and bank balance has reduced by -15.6%yoy to RM188.5m. Note that the group quarterly capex has escalated to above RM100m since the beginning of FY25.

Maintain SELL

Revised Target Price **RM2.66**
(from RM1.54)

RETURN STATISTICS	
Price @ 31st October 2025 (RM)	3.53
Expected share price return (%)	-24.6
Expected dividend yield (%)	+2.3
Expected total return (%)	-22.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	21.8	21.9
3months	20.9	37.9
12 months	7.2	7.6

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	1,800.2	2,022.3	2133.2
Operating Profit	73.2	184.9	221.9
Profit Before Tax	74.2	177.4	210.8
Core PATAMI	52.7	120.7	143.4
Core EPS	3.3	7.5	8.9
DPS	8.0	8.0	8.0
Dividend Yield	2.3	2.3	2.3

KEY STATISTICS

FBM KLCI	1,609.15
Issue shares (m)	1,036.68
Estimated free float (%)	19.30
Market Capitalisation (RM'm)	5,500.60
52-wk price range	RM1.81 – RM3.67
3-mth average daily volume (m)	1.46
3-mth average daily value (RM'm)	4.15
Top Shareholders (%)	
Huatian Technology Sdn Bhd	44.44
Chia Sin Tet	12.95
Jayvest Holdings Sdn Bhd	11.06

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UNISEM (M) BHD: 3QFY25 RESULTS SUMMARY

Financial year Ending 31st December	Quarterly			Cumulative		
(All in RM'm unless stated otherwise)	3QFY25	% YoY	% QoQ	9MFY25	9MFY24	% YoY
Revenue	492.7	20.3	3.7	1,391.5	1,169.1	19.0
EBITDA	93.0	5.6	23.8	238.7	220.6	8.2
Depreciation and amortisation	-63.0	13.8	5.3	-181.5	-161.4	12.4
EBIT	30.0	-8.4	96.1	57.2	59.2	-3.3
Finance costs	-3.5	22.4	31.5	-8.9	-4.1	115.5
Interest income	1.3	-63.0	-30.1	5.6	11.1	-49.2
PBT	27.8	-16.6	92.0	53.9	66.1	-18.4
Taxation	-8.4	27.9	57.5	-19.4	-14.2	37.1
PATAMI	19.4	-27.5	112.3	34.5	52.0	-33.6
Normalised PATAMI	19.6	33.4	558.0	26.9	41.5	-35.0
EPS (sen)	1.2	33.4	558.0	1.7	2.6	-35.0
EBITDA margin (%)	18.9	-2.6	3.1	17.2	18.9	-1.7
EBIT margin (%)	6.1	-1.9	2.9	4.1	5.1	-1.0
Normalised PATAMI margin (%)	4.0	0.4	3.4	1.9	3.5	-1.6
Effective tax rate (%)	30.3	10.5	-6.6	36.0	21.4	14.6

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	1,439.7	1,580.9	1,800.2	2,022.3	2,133.2
EBITDA	305.5	293.4	329.4	449.1	493.2
EBIT	93.8	75.3	73.2	184.9	221.9
PBT	100.4	82.3	74.2	177.4	210.8
Normalised PAT	78.8	53.9	52.7	120.7	143.4
Normalised EPS (sen)	4.9	3.3	3.3	7.5	8.9
Normalised EPS Growth (%)	-0.8	-0.3	0.0	1.3	0.2
PER (x)	50.0	73.0	74.7	32.6	27.5
Dividend Per Share (sen)	8.0	8.0	8.0	8.0	8.0
Dividend yield (%)	2.3	2.3	2.3	2.3	2.3

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Fixed assets	2063.9	2099.3	2170.0	2232.8	2288.5
Others	16.7	47.5	47.5	47.5	47.5
Non-current assets	**2080.6**	**2146.7**	**2217.5**	**2280.3**	**2335.9**
Cash	481.0	278.4	114.2	215.8	165.8
Trade debtors	198.2	215.5	245.3	275.6	290.7
Others	227.9	250.9	285.3	320.1	337.6
Current assets	**907.2**	**744.7**	**644.8**	**811.6**	**794.1**
Trade creditors	248.5	340.7	388.0	435.9	459.8
Short-term debt	89.6	108.8	108.8	108.8	108.8
Others	13.4	6.5	6.5	6.5	6.5
Current liabilities	**351.4**	**456.1**	**503.4**	**551.2**	**575.1**
Long-term debt	140.8	78.3	78.3	268.3	268.3
Others	110.4	109.4	109.4	109.4	109.4
Non-current liabilities	**251.2**	**187.7**	**187.7**	**377.7**	**377.7**
Share capital	1036.7	1036.7	1036.7	1036.7	1036.7
Retained earnings	1348.5	1210.9	1134.6	1126.2	1140.5
Equity	**2385.2**	**2247.6**	**2171.3**	**2162.9**	**2177.2**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	100.4	82.3	74.2	177.4	210.8
Depreciation & amortisation	211.7	218.1	256.2	264.2	271.3
Others	-9.8	-24.8	-1.0	7.5	11.1
Operating profit before working capital changes	302.3	275.7	329.4	449.1	493.2
Changes in working capital	302.3	275.7	-17.0	-17.3	-8.6
Cash generated from operation	302.3	275.7	312.4	431.8	484.5
Income tax	-20.1	-18.4	-21.5	-56.8	-67.5
Others	81.8	5.3	0.0	0.0	0.0
Net cash generated from operating activities	**364.0**	**262.6**	**290.8**	**375.0**	**417.1**
Capital expenditure	-352.1	-297.2	-326.9	-326.9	-326.9
Others	16.8	16.1	7.2	6.1	7.0
Investing cash flow	**-335.3**	**-281.1**	**-319.7**	**-320.8**	**-319.9**
Dividends paid	-129.0	-129.0	-129.0	-129.0	-129.0
Others	20.7	-49.0	-6.2	176.5	-18.1
Financing cash flow	**-108.3**	**-178.0**	**-135.3**	**47.4**	**-147.1**
Net cash flow	-79.6	-196.5	-164.1	101.6	-50.0
Beginning cash flow	**556.0**	**481.0**	**278.4**	**114.2**	**215.8**
Ending cash flow	**481.0**	**278.4**	**114.2**	**215.8**	**165.8**

Profitability Margins	2023A	2024A	2025E	2026F	2027F
EBITDA margin	21.2	18.6	18.3	22.2	23.1
PBT margin	7.0	5.2	4.1	8.8	9.9
PAT margin	5.7	3.8	2.9	6.0	6.7
Core PAT margin	5.5	3.4	2.9	6.0	6.7

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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