Unisem (M) Berhad

(5005 | UNI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Muted 1H26 Outlook

Maintain **SELL**

Revised Target Price **RM2.59**
(from RM2.66)

Gopeng plant just breakeven. We are keeping our **SELL** recommendation with a slight revision in target price to RM2.59 (previously RM2.66) post the announcement of Unisem's 4QFY25 results announcement. Sequential improvement continues to be observed in 4QFY25 although full year FY25 earnings still contracted by -10.5%yoy. This was mainly due to the Ipoh operation. Moving forward, a more positive contribution from Gopeng can be seen from 2HFY26 onwards as the production ramp continues.

Nonetheless, the unfavourable forex may represent a risk for the group. On another note, the group reduced its quarterly dividend payment of 2sen to 1sen in 4QFY25 in view of the heightened capex spending. This could persist for 1HFY26 before going back to normalcy in 2HFY26. The capex spending also led to increase in debt/equity ratio to 0.19x. Moreover, current valuation of around 35x is stretched as it is trading closer 36.4x which is +1SD above the five-year mean.

Buoyed by dissolution of Batam. Unisem reported 4QFY25 earnings of RM52.1m, an increase +499.2%yoy. However, the normalised earnings came in lower at RM21.3m (+71.1%yoy). The variance was mainly due to gain on dissolution of Batam amounting to RM23.7m. Notwithstanding this, the improvement in earnings was mainly supported by higher revenue contribution of RM480.5m (+16.7%), primarily coming from its Chengdu operation. Note that utilisation for the Chengdu operation stand at more than 80% while the Ipoh operation only running at more than 50% utilisation.

Below expectation. On a cumulative basis, FY25 normalised earnings came in at RM48.2m, a decline of -10.5%yoy. This came in below our expectation, accounting for 91.5% full year FY25 earnings estimates.

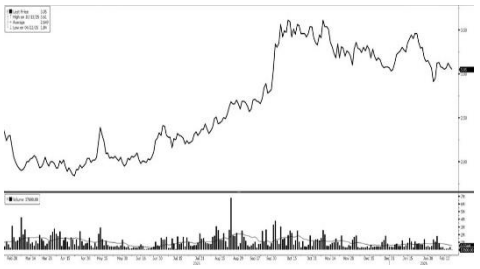
Earnings forecast adjustment. Taking cue from the group's results performance and outlook post briefing, we adjusted FY26F earnings lower slightly by -2.6%. However, FY27F was raised by +18.2% to take into account higher production activities at the Gopeng plant.

Slight tweak to target price. Pursuant to our earnings adjustment, our target price has been adjusted slightly lower to RM2.59 from RM2.66 previously. We maintain our target Per valuation of 35.5x.

Conservative dividend payout in 4QFY25. Historically, the group announced quarterly dividend payout of 2sen. However, for 4QFY25, the payout was reduced to 1sen. This was mainly in view of the heavy capex that the group incur for FY25. Note that FY25 capex surged by more than 46.4% to RM506.5m from RM346m a year ago. The bulk of the capex was mainly channeled to the Gopeng plant. The group also incurred more borrowings, leading to debt/equity ratio of 0.19x as of Dec 2025 from 0.08x a year ago.

RETURN STATISTICS	
Price @ 24th February 2026 (RM)	3.18
Expected share price return (%)	-18.6
Expected dividend yield (%)	+1.9
Expected total return (%)	-16.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-9.2	-11.0
3months	-0.7	-11.6
12 months	27.1	15.2

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	2054.4	2292.6	2403.2
Operating Profit	197.0	277.9	325.9
Profit Before Tax	172.9	249.3	297.2
Core PATAMI	117.6	169.5	202.1
Core EPS	7.3	10.5	12.5
DPS	6.0	8.0	8.0
Dividend Yield	1.9	2.5	2.5

KEY STATISTICS

FBM KLCI	1,754.10
Issue shares (m)	1,036.68
Estimated free float (%)	19.07
Market Capitalisation (RM'm)	4,919.89
52-wk price range	RM1.81 – RM3.73
3-mth average daily volume (m)	0.69
3-mth average daily value (RM'm)	2.22
Top Shareholders (%)	
Huatian Technology Sdn Bhd	44.44
Chia Sin Tet	12.89
Jayvest Holdings Sdn Bhd	11.12

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UNISEM (M) BHD: 4QFY25 RESULTS SUMMARY

Financial year Ending 31st December	Quarterly			Cumulative		
(All in RM'm unless stated otherwise)	**4Q25**	**% YoY**	**% QoQ**	**2025**	**2024**	**% YoY**
Revenue	480.5	16.7	-2.5	1,872.1	1,580.9	18.4
EBITDA	126.4	73.6	35.9	365.1	293.4	24.4
Depreciation and amortisation	-64.4	13.6	2.2	-245.9	-218.1	12.7
EBIT	62.0	284.3	106.5	119.2	75.3	58.3
Finance costs	-4.0	39.2	14.0	-12.8	-7.0	84.4
Interest income	1.2	-58.4	-4.3	6.9	14.0	-51.1
PBT	59.2	265.8	113.1	113.2	82.3	37.5
Taxation	-7.1	-5.3	-15.7	-26.5	-21.6	22.5
PATAMI	52.1	499.2	168.9	86.7	60.7	42.8
Normalised PATAMI	21.3	71.1	8.5	48.2	53.9	-10.5
EPS (sen)	1.3	71.1	8.5	3.0	3.3	-10.5
EBITDA margin (%)	26.3	8.6	7.4	19.5	18.6	0.9
EBIT margin (%)	12.9	9.0	6.8	6.4	4.8	1.6
Normalised PATAMI margin (%)	4.4	1.4	0.4	2.6	3.4	-0.8
Effective tax rate (%)	12.0	-34.3	-18.3	23.4	26.3	-2.9

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,580.9	1,872.1	2,054.4	2,292.6	2,403.2
EBITDA	293.4	326.6	463.9	564.4	629.8
EBIT	75.3	80.7	197.0	277.9	325.9
PBT	82.3	113.2	172.9	249.3	297.2
Normalised PAT	53.9	48.2	117.6	169.5	202.1
Normalised EPS (sen)	3.3	3.0	7.3	10.5	12.5
Normalised EPS Growth (%)	-0.3	-0.1	1.4	0.4	0.2
PER (x)	73.0	81.6	33.5	23.2	19.5
Dividend Per Share (sen)	8.0	7.0	6.0	8.0	8.0
Dividend yield (%)	2.5	2.2	1.9	2.5	2.5

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	2099.3	2289.4	2473.9	2638.8	2786.1
Others	47.5	46.2	46.2	46.2	46.2
Non-current assets	**2146.7**	**2335.6**	**2520.1**	**2685.0**	**2832.3**
Cash	278.4	239.0	259.0	126.3	48.1
Trade debtors	215.5	241.0	264.5	295.1	309.4
Others	250.9	296.4	325.2	362.9	380.4
Current assets	**744.7**	**776.4**	**848.6**	**784.3**	**737.9**
Trade creditors	340.7	471.9	517.8	577.8	605.7
Short-term debt	108.8	382.7	382.7	382.7	382.7
Others	6.5	8.5	8.5	8.5	8.5
Current liabilities	**456.1**	**863.1**	**909.1**	**969.1**	**997.0**
Long-term debt	78.3	23.7	213.7	213.7	213.7
Others	109.4	123.0	123.0	123.0	123.0
Non-current liabilities	**187.7**	**146.7**	**336.7**	**336.7**	**336.7**
Share capital	1036.7	1036.7	1036.7	1036.7	1036.7
Retained earnings	1210.9	1065.5	1086.3	1126.8	1199.9
Equity	**2247.6**	**2102.2**	**2123.0**	**2163.5**	**2236.5**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	82.3	113.2	172.9	249.3	297.2
Depreciation & amortisation	218.1	245.9	266.9	286.5	304.0
Others	-24.8	-36.1	24.1	28.6	28.6
Operating profit before working capital changes	275.7	323.0	463.9	564.4	629.8
Changes in working capital	275.7	323.0	-6.3	-8.3	-3.8
Cash generated from operation	275.7	323.0	457.5	556.1	626.0
Income tax	-18.4	-7.6	-55.3	-79.8	-95.1
Others	5.3	-28.5	0.0	0.0	0.0
Net cash generated from operating activities	**262.6**	**286.9**	**402.2**	**476.4**	**530.9**
Capital expenditure	-297.2	-451.3	-451.3	-451.3	-451.3
Others	16.1	8.9	0.0	0.0	0.0
Investing cash flow	**-281.1**	**-442.5**	**-451.3**	**-451.3**	**-451.3**
Dividends paid	-129.0	-96.8	-96.8	-129.0	-129.0
Others	-49.0	228.5	165.9	-28.6	-28.6
Financing cash flow	**-178.0**	**131.7**	**69.1**	**-157.7**	**-157.7**
Net cash flow	-196.5	-23.9	20.0	-132.7	-78.2
Beginning cash flow	**481.0**	**278.4**	**239.0**	**259.0**	**126.3**
Ending cash flow	**278.4**	**239.0**	**259.0**	**126.3**	**48.1**

Profitability Margins	2024A	2025A	2026E	2027F	2028F
EBITDA margin	18.6	17.4	22.6	24.6	26.2
PBT margin	5.2	6.0	8.4	10.9	12.4
PAT margin	3.8	4.6	5.7	7.4	8.4
Core PAT margin	3.4	2.6	5.7	7.4	8.4

Source: Company, MBSBR

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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