Unisem (M) Berhad

(5005 | UNI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Upgrade to NEUTRAL

(from SELL)

Revised Target Price **RM2.92**
(from RM2.59)

Earnings to Rebound from 2Q26 Onwards

Profit margin remains a concern. We are upgrading our recommendation to **NEUTRAL** from SELL previously with a revised **target price of RM2.92** (previously RM2.59). This is subsequent to the announcement of Unisem's 1QFY26 financial results. A softer quarter was observed in 1QFY26. However, we expect better earnings from 2QFY26 onwards premised on better contribution from Chengdu as well as better control over opex and capex. That being said, we view that the group's profit margin to remain on the low side in comparison to its OSAT peers. The unfavourable forex will continue to impact the group's revenue in the foreseeable term. The debt/equity ratio also remained elevated at 0.24x as at 1Q26. Current valuation of around 35x is also stretched as it is well above the five-year moving average of 27.8x.

1Q26 In the red. Unisem reported 1QFY26 loss of -RM13.4m. After adjusting for exceptional items, normalised loss came in at -RM9.5m. This was mainly due to unfavourable forex, softer contribution from Unisem Chengdu as well as higher production cost. Note that revenue contribution from Unisem Chengdu fell in view of the golden week holiday in China as well as loss of income from one of its major customers in February 2026. In totality, 1QFY26 revenue remain in expansionary mode as it grew by +9.7%yoy to RM464.7m, which was led by higher sales volume across the group's key operating units. Notably, the industrial/power management segment, which accounted for 27% of total revenue, benefitted from the proliferation of AI. Automotive is the second largest revenue contributor at 25%. This is followed by consumables (21%), communication (19%) and PC/notebook (8%).

In-line with expectation. While Unisem posted a loss-making 1QFY26, we anticipate the group to be profitable from 2QFY26 onwards. Hence, we deemed the results to be in-line with our expectations.

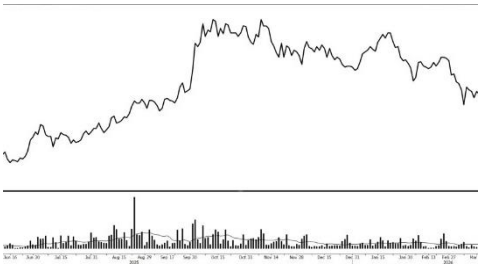
Revision in target price. While we made no changes to our earnings estimates at this juncture, our target price has been revised higher to **RM2.92** from RM2.59 previously as we roll forward our valuation-based year to FY27. Note that we ascribe a lower PER of 27.8x which is the five-year moving average. The lower target PER was to reflect the group's weaker profit margin as compared to its peers as well as elevated debt position.

No dividend declared in 1QFY26. Given the loss-making quarter, the group did not announce any dividend, as opposed to 2sen announced in 1QFY25.

Capex to tapered off from 2QFY26 onwards. As at 1QFY26, capex remains elevated at RM102.4m, a slight decline -5.9%yoy. The bulk of the capex was mainly for purchase of assembly and test equipment ate Unisem Chengdu and Unisem Ipoh. Moving forward, management guided that capex should start to decline from 2QFY26 with minimal capex from 3QFY26 onwards.

RETURN STATISTICS	
Price @ 24th April 2026 (RM)	3.08
Expected share price return (%)	-5.2
Expected dividend yield (%)	+1.9
Expected total return (%)	-3.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.0	14.5
3months	16.9	-10.2
12 months	61.4	42.6

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	2,054.4	2,292.6	2,403.2
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	2.6	2.6

KEY STATISTICS

FBM KLCI	1,720.34
Issue shares (m)	1,613.08
Estimated free float (%)	22.49
Market Capitalisation (RM'm)	4,919.89
52-wk price range	RM1.81 – RM3.73
3-mth average daily volume (m)	0.61
3-mth average daily value (RM'm)	1.83
Top Shareholders (%)	
Huatian Technology Sdn Bhd	44.44
Jayvest Holdings Sdn Bhd	11.12
Chia Sin Tet	9.30

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UNISEM (M) BHD: 1QFY26 RESULTS SUMMARY

Financial year Ending 31st December (All in RM'm unless stated otherwise)	1Q26	1Q25	%YoY	4Q25	%QoQ
Revenue	464.7	423.6	9.7	480.5	-3.3
EBITDA	57.3	70.7	-18.8	126.4	-54.6
Depreciation and amortisation	-64.6	-58.8	9.9	-64.4	0.4
EBIT	-7.3	11.9	-161.3	62.0	-111.7
Finance costs	-4.4	-2.8	57.9	-4.0	10.9
Interest income	1.4	2.6	-45.9	1.2	14.8
PBT	-10.3	11.7	-188.2	59.2	-117.4
Taxation	-3.1	-5.7	-45.6	-7.1	-56.7
PAT	-13.4	6.0	-322.4	52.1	-125.6
Normalised PAT	-9.5	4.3	-320.2	21.3	-144.4
EPS (sen)	-0.6	0.3	-320.2	1.3	-144.4
EBITDA margin (%)	12.3	16.7	-4.3	26.3	-14.0
EBIT margin (%)	-1.6	2.8	-4.4	12.9	-14.5
Normalised PAT margin (%)	-2.0	1.0	-3.1	4.4	-6.5
Effective tax rate (%)	-29.9	48.5	-78.4	12.0	-41.9

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 (%)	2.6	2.3	1.9	2.6	2.6

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