Unisem (M) Berhad

(5005 | UNI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Maintain NEUTRAL

Revised Target Price **RM3.91**
(from RM2.92)

Capex to Remain Elevated

Profit margin remains a concern. We are maintaining our NEUTRAL recommendation with a revised target price of RM3.91 (previously RM2.92). The group's business outlook remains favourable, especially their presence in the power management segment. In view of this, the management is looking into the next phase of expansion for both Gopeng and Chengdu. This would mean capex would remain elevated in the near-to-medium term as opposed of initial thoughts of tapering off in 2H26. As a result, we anticipate the group's net debt position would continue to swell. On another note, profit margin is expected to improve once Gopeng is contributing meaningfully to the bottomline. But it could still be lower as compared to its OSAT peers. With current PER of around 50x, we view that valuation is running ahead of fundamentals. This has significantly exceeded the +1SD five-year mean of 37.2x.

More favourable product mix. Management guided that demand is outstripping supply as the group's customer continue to expand aggressively. This has enabled the group to create a more favourable customer profile, leading to the expansion in the leadless revenue segment which as at 1Q26 made up more than 60% of revenue.

Notably, by market segments, the revenue contribution from the industrial/power management as well the automotive segments continue to rise. Revenue contribution from the latter has increase from 20% as at 1Q25 to 27% as at 1Q26 while the automotive segment expanded to 25% from 22% a year ago. Other market segments consist of communication (1Q26: 19%), consumable (21%) and PC/notebook (8%). Having a diversified portfolio enable the group with better opportunities to benefit from the constant changes in the market.

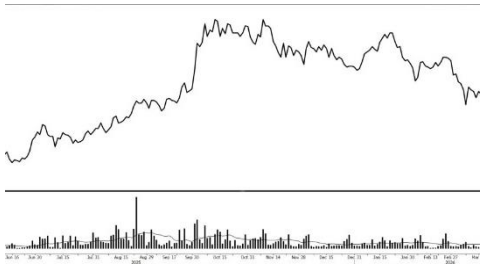
In addition, the ongoing rethoric of "China for China" and "No China No Taiwan" continues to bode well for the group.

Looking into next phase of expansion. Given the strong demand, management is now looking into expansion plan at both Gopeng i.e. Gopeng Plant 2 and Chengdu i.e. Chengdu Phase 5. In view of this, we anticipate capex to remain elevated in the coming quarters. To recall, in the latest quarterly result briefing, management has guided that capex could taper off in the 2H26.

Swelling debt position a concern. The group's net debt position has been on the rise since the group embark on the new production site at Gopeng. To recall, the group recorded its first net debt of RM37.1m in 2Q25. It swells to RM167.3m as at end of 2025. This increased further to RM243.4m as at 1QFY26. We anticipate the group's net debt position will continue to swell, premised on the intention to further expand the Gopeng and Chengdu production site. In comparison, its locally listed OSAT peers remains in a net cash position.

RETURN STATISTICS	
Price @ 21st May 2026 (RM)	4.30
Expected share price return (%)	-9.1
Expected dividend yield (%)	+1.9
Expected total return (%)	-7.2

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	2054.4	2292.8	2527.3
Operating Profit	190.4	272.4	354.0
Profit Before Tax	173.1	249.3	328.4
Core PATAMI	117.7	169.5	223.3
Core EPS	7.3	10.5	13.8
DPS	5.0	8.0	8.0
Dividend Yield	1.2	1.9	1.9

KEY STATISTICS

FBM KLCI	1,708.36
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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Towards improvement in profit margin. The group's profit margin has been lower as compared to its OSAT peers. In recent years, profit margin has been in the low-to-mid single digit range. Comparatively, MPI profit margin is in the mid-to-high-single digit range. Inari, on the hand, has strong double digit profit margin. Nonetheless, Unisem's profit margin is expected to improve moving forward with the construction of Gopeng plant which is using "single floor manufacturing concept" for better efficiency and lean process flow. Meanwhile, the Simpang Pulai plant will cater for high volume and low product mix customer.

Revision in target price. We retained our earnings estimates at this juncture. Nonetheless, we are attaching a higher valuation multiple of 37.2x, from 27.8x previously, which is +1SD above the five-year mean. This is to reflect the bullish business outlook as well as the group's new production site at Gopeng which is sufficient cater to medium-term demand of the market. All in, our target price has been revised to **RM3.91** from RM2.92 previously.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,580.9	1,872.1	2,054.4	2,292.8	2,527.3
EBITDA	293.4	326.6	457.3	558.8	658.0
EBIT	75.3	80.7	190.4	272.4	354.0
PBT	82.3	113.2	173.1	249.3	328.4
Normalised PAT	53.9	48.2	117.7	169.5	223.3
Normalised EPS (sen)	3.3	3.0	7.3	10.5	13.8
Normalised EPS Growth (%)	-0.3	-0.1	1.4	0.4	0.3
PER (x)	73.0	81.6	33.4	23.2	17.6
Dividend Per Share (sen)	8.0	7.0	5.0	8.0	8.0
Dividend yield (%)	1.9	1.6	1.2	1.9	1.9

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	275.2	142.5	81.3
Trade debtors	215.5	241.0	264.5	295.1	325.3
Others	250.9	296.4	325.2	362.9	400.0
Current assets	**744.7**	**776.4**	**864.9**	**800.6**	**806.6**
Trade creditors	340.7	471.9	517.8	577.9	637.0
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**	**1028.3**
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	1102.6	1143.0	1237.3
Equity	**2247.6**	**2102.2**	**2139.2**	**2179.7**	**2274.0**

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	22.3	24.4	26.0
PBT margin	5.2	6.0	8.4	10.9	13.0
PAT margin	3.8	4.6	5.7	7.4	8.8
Core PAT margin	3.4	2.6	5.7	7.4	8.8

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