Unisem (M) Berhad

(5005 | UNI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Maintain **NEUTRAL**

Unchanged Target Price **RM3.91**

Malaysian Operation to Breakeven in 3QCY26

Valuation remains stretched. We are maintaining our **NEUTRAL** recommendation on the Unisem with an unchanged **target price of RM3.91**. As anticipated, 2QFY26 quarterly earnings came in profitable as compared to the loss-making quarter in 1QFY26. Moving forward, Chengdu's utilisation rate will remain healthy at more than 80% despite the expansion in capacity. This will remain the key contributor to the group. Meanwhile, production activity for Unisem Gopeng will be improving at a better pace in view of the new flip-chip, increase in test production volume and new silicon microphone line that will go into production in 3Q26. Nonetheless, we remain concern on the group's elevated borrowing level. On another note, there is also deferment in the dividend payout potentially to 2H26. Last but not least, we view that the group's positivity has been priced in, given that the PER valuation is stretched at 48.0x which above the 2-year mean of 37.6x. All factor considered, we anticipate slight share price correction.

Back to the black. Unisem's 2Q26 earnings rebound to RM13.1m from a loss of -RM9.5m in 1Q26. This was mainly due to stronger gross profit margins arising from higher revenue, improved loading, better utilisation of manufacturing capacity and continued operation efficiency. Note that the quarterly results also translate into an improvement of more than threefold. Notably, the utilisation rate for Unisem Simpang Pulai have improved. Coupled with stronger production activities at the Unisem Gopeng, the Malaysian operation is ontrack to break even in 3Q26.

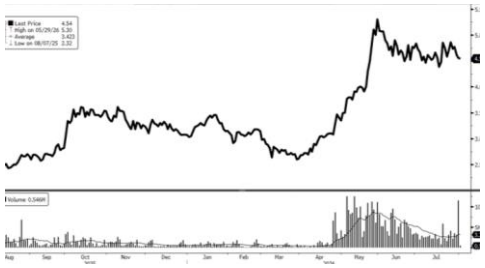
In-line with expectation. Cumulatively, Unisem's 1HFY26 earnings only made up about 3.1% of full year FY26 earnings estimates. Despite this, we view that the results are within our expectations as we anticipate strong earnings performance in the successive quarters. This will be supported by the strong performance from the industrial segments, particularly the power management for AI data centre.

Unchanged target price. While we made no changes to our earnings estimates at this juncture, our target price has been revised higher to **RM3.91**, based on 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 2QFY26. While the 2QFY26 earnings performance turned profitable, no dividend was declared for the quarter. We opine that the dividend would potentially be declared in 3QFY26 and 4QFY26, supported by the anticipated strong earnings performance. Hence, we also keep our dividend estimates unchanged at this juncture. That being said, we do not discount the possibility of lower quantum should the capex remain elevated in the 2HFY26.

RETURN STATISTICS	
Price @ 31st July 2026 (RM)	4.56
Expected share price return (%)	-14.2
Expected dividend yield (%)	+2.6
Expected total return (%)	-11.6

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	1,724.90
Issue shares (m)	1,613.08
Estimated free float (%)	24.53
Market Capitalisation (RM'm)	7,853.41
52-wk price range	RM2.19 – RM5.38
3-mth average daily volume (m)	5.42
3-mth average daily value (RM'm)	24.13
Top Shareholders (%)	
Huatian Technology Sdn Bhd	41.81
Jayvest Holdings Sdn Bhd	10.46
Chia Sin Tet	8.67

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Slight reprieve in 2QFY26 capex. As at 2Q26, capex reduced to RM85.3m, similar level to that of 2024. This led to 1H26 capex of RM187.7m (This was mainly utilised to purchase of assembly and test equipment at Unisem Chengdu and Unisem Ipoh. Moving forward, we anticipate 2H26 capex will go up as the management is looking at building Gopeng Plant 2 as part of its expansion plant.

UNISEM (M) BHD: 2QFY26 RESULTS SUMMARY

Financial year Ending 31st December	Quarterly			Cumulative		
(All in RM'm unless stated otherwise)	2Q26	% YoY	% QoQ	2026	2025	% YoY
Revenue	570.1	20.0	22.7	1,034.9	898.8	15.1
EBITDA	87.6	16.7	52.8	145.0	145.7	-0.5
Depreciation and amortisation	-67.5	13.0	4.5	-132.1	-118.6	11.5
EBIT	20.1	31.4	-376.2	12.8	27.2	-52.8
Finance costs	-5.2	98.6	19.4	-9.6	-5.4	77.7
Interest income	1.5	-15.2	10.5	2.9	4.4	-33.2
PBT	16.4	13.3	-259.5	6.1	26.1	-76.6
Taxation	-6.5	21.4	110.9	-9.6	-11.0	-13.0
PATAMI	0.0	n.m	n.m	0.0	0.0	n.m
Normalised PATAMI	9.9	8.5	-174.2	-3.4	15.1	-122.8
	13.1	339.6	-238.7	3.7	7.3	-49.8
EPS (sen)						
	0.8	339.6	-238.7	0.2	0.5	-49.8
EBITDA margin (%)						
EBIT margin (%)	15.4	-0.4	3.0	14.0	16.2	-2.2
Normalised PATAMI margin (%)	3.5	0.3	5.1	1.2	3.0	-1.8
Effective tax rate (%)	2.3	1.7	4.3	0.4	0.8	-0.5

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	2,292.8	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 (%)	1.8	1.5	1.1	1.8	1.8

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	173.1	249.3	328.4
Depreciation & amortisation	218.1	245.9	266.9	286.5	304.0
Others	-24.8	-36.1	17.3	23.1	25.7
Operating profit before working capital changes	275.7	323.0	457.3	558.8	658.0
Changes in working capital	275.7	323.0	-6.3	-8.3	-8.1
Cash generated from operation	275.7	323.0	451.0	550.5	649.9
Income tax	-18.4	-7.6	-55.4	-79.8	-105.1
Others	5.3	-28.5	0.0	0.0	0.0
Net cash generated from operating activities	**262.6**	**286.9**	**395.5**	**470.8**	**544.8**
Capital expenditure	-297.2	-451.3	-451.3	-451.3	-451.3
Others	16.1	8.9	6.8	5.5	3.0
Investing cash flow	**-281.1**	**-442.5**	**-444.5**	**-445.8**	**-448.4**
Dividends paid	-129.0	-96.8	-80.7	-129.0	-129.0
Others	-49.0	228.5	165.9	-28.6	-28.6
Financing cash flow	**-178.0**	**131.7**	**85.3**	**-157.7**	**-157.7**
Net cash flow	-196.5	-23.9	36.3	-132.7	-61.3
Beginning cash flow	**481.0**	**278.4**	**239.0**	**275.2**	**142.5**
Ending cash flow	**278.4**	**239.0**	**275.2**	**142.5**	**81.3**

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