Unisem (M) Berhad

(5005 | UNI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Corporate Update

Maintain NEUTRAL

Unchanged Target Price **RM3.91**

Capital Spending Peaking Longer

Conserving cash to support capex drive. We are keeping our **NEUTRAL** recommendation on Unisem with an unchanged **target price of RM3.91**. Unisem recorded better 3QFY26 financial performance, supported higher production activities across all its operations. However, on a year-to-date basis, it still trails our expectations. The deviation mainly stemmed from lower delivery of wafer from one of its main customers as well as elevated staff cost. Moving forward, management is anticipating gradual improvement in the shipment of wafer from its customer. It is also seeking ways to manage the heightened staff cost. On another note, the group announced its first quarterly dividend of only 1sen for FY26. The lower dividend payment could be due to expected higher capex in the near term.

Sequential stronger quarter. Unisem's 3QFY26 earnings improved by +74.9%yoy to RM34.4m, led by higher revenue of RM607.7m (+23.3%yoy). Utilisation rate for assembly and wafer bumping at Chengdu remains satisfactory. Meanwhile, Unisem Simpang Pulai has also shown improvement in utilisation rate. Unisem Gopeng also continues to progress with higher volume production.

Below expectation. Cumulatively, Unisem's 9MFY26 earnings of RM38.0m (+41.2%yoy) made up about 32.3% of full year FY26 earnings estimates. While we anticipate sequentially stronger quarter, we view that it would still fall short of our full year FY26 earnings forecasts. The variance was mainly led by wafer shortage from one of its main customers as well as higher-than-expected operating cost.

Lowering our earnings estimates. We are factoring higher cost of sales, primarily due to higher assumption of staff cost. This is in view of prevailing high overtime (OT) cost incurred by the group. Note that OT cost made up approximately half of the staff cost. While we understand that management is looking to reduce the staff cost, we view that any cost saving achieved would be gradual. All in, we reduced our earnings estimate for FY26 by -32.3%. Meanwhile, FY27 and FY28 earnings estimates has been maintained at this juncture as we input higher revenue contribution premise on the current revenue run rate. The revised revenue assumption is expected to offset higher operational cost. On this note, FY27 and FY28 revenue assumption has been revised up by +14.6%yoy and +27.0%yoy.

As there is no change to FY27 earnings estimates, we retained our **target price of RM3.91**.

Minimal dividend declared. The group declared 3QFY26 dividend of 1sen per share which is lower as compared to 2sen declared for 3QFY25. The lower dividend could potentially be due to expectation of elevated capex in the near term. Note that this is the first dividend declared for FY26. In comparison, dividend of 6sen was declared for 9MFY26. We anticipate dividend to remain depress in the foreseeable term, premised on the development of Phase 2 of the Gopeng plant.

RETURN STATISTICS	
Price @ 6th November 2026 (RM)	3.70
Expected share price return (%)	+5.7
Expected dividend yield (%)	+1.1
Expected total return (%)	+6.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.0	-7.6
3months	-5.0	-7.5
12 months	19.2	17.8

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	2,230.4	2,627.9	3,051.3
Operating Profit	140.3	273.6	320.2
Profit Before Tax	123.2	253.5	302.2
Core PATAMI	83.8	169.8	202.4
Core EPS	5.2	10.5	12.6
DPS	2.0	4.0	4.0
Dividend Yield	0.5	1.1	1.1

KEY STATISTICS

FBM KLCI	1,616.58
Issue shares (m)	1,613.08
Estimated free float (%)	24.85
Market Capitalisation (RM'm)	6,344
52-wk price range	RM2.53 – RM5.38
3-mth average daily volume (m)	2.67
3-mth average daily value (RM'm)	11.51
Top Shareholders (%)	
Huatian Technology Sdn Bhd	41.81
Jayvest Holdings Sdn Bhd	10.46
Chia Sin Tet	8.68

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Capex to remain elevated. As at 3QFY26, capex surged by +57.4%yoy to RM181.8m, of which bulk of the allocation was for the purchase of assembly and test equipment at Unisem Chengdu and Unisem Ipoh. This led to 9MFY26 capex of RM369.5m. (Moving forward, management guided that capex would remain elevated for the rest of the year.

UNISEM (M) BHD: 3QFY26 RESULTS SUMMARY

Financial year Ending 31st December	Quarterly			Cumulative		
(All in RM'm unless stated otherwise)	3Q26	% YoY	% QoQ	9MFY26	9MFY25	% YoY
Revenue	607.7	23.3	6.6	1,642.5	1,391.5	18.0
EBITDA	109.7	18.0	25.2	254.7	238.7	6.7
Depreciation and amortisation	-69.5	10.5	3.0	-201.7	-181.5	11.1
EBIT	40.2	33.8	99.8	53.0	57.2	-7.3
Finance costs	-4.5	28.6	-14.2	-14.1	-8.9	58.5
Interest income	3.5	176.1	132.9	6.4	5.6	13.7
PBT	39.2	41.0	139.0	45.3	53.9	-16.0
Taxation	-8.5	0.6	30.2	-18.0	-19.4	-7.1
PATAMI	30.7	58.5	210.4	27.3	34.5	-21.0
Normalised PATAMI	34.4	74.9	162.4	38.0	26.9	41.2
EPS (sen)	2.1	71.3	157.0	2.3	1.7	38.3
EBITDA margin (%)	18.1	-0.8	2.7	15.5	17.2	-1.6
EBIT margin (%)	6.6	0.5	3.1	3.2	4.1	-0.9
Normalised PATAMI margin (%)	5.7	1.7	3.4	2.3	1.9	0.4
Effective tax rate (%)	21.6	-8.7	-18.0	39.8	36.0	3.8

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,580.9	1,872.1	2,230.4	2,627.9	3,051.3
EBITDA	293.4	326.6	413.8	559.1	609.0
EBIT	75.3	80.7	140.3	273.6	320.2
PBT	82.3	113.2	123.2	253.5	302.2
Normalised PAT	53.9	48.2	83.8	169.8	202.4
Normalised EPS (sen)	3.3	3.0	5.2	10.5	12.6
Normalised EPS Growth (%)	-0.3	-0.1	0.7	1.0	0.2
PER (x)	73.0	81.6	47.0	23.2	19.4
Dividend Per Share (sen)	8.0	7.0	2.0	4.0	4.0
Dividend yield (%)	2.2	1.9	0.5	1.1	1.1

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	2099.3	2289.4	2467.3	2497.7	2524.9
Others	47.5	46.2	46.2	46.2	46.2
Non-current assets	**2146.7**	**2335.6**	**2513.4**	**2543.9**	**2571.0**
Cash	278.4	239.0	290.2	351.2	447.3
Trade debtors	215.5	241.0	287.1	338.3	392.8
Others	250.9	296.4	353.1	415.9	482.8
Current assets	**744.7**	**776.4**	**930.4**	**1105.4**	**1322.9**
Trade creditors	340.7	471.9	562.2	662.4	769.1
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**	**953.4**	**1053.6**	**1160.3**
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	1117.0	1222.3	1360.2
Equity	**2247.6**	**2102.2**	**2153.7**	**2259.0**	**2396.9**

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	82.3	113.2	123.2	253.5	302.2
Depreciation & amortisation	218.1	245.9	273.5	285.5	288.8
Others	-24.8	-36.1	17.1	20.1	18.1
Operating profit before working capital changes	275.7	323.0	413.8	559.1	609.0
Changes in working capital	275.7	323.0	-12.4	-13.8	-14.7
Cash generated from operation	275.7	323.0	401.4	545.3	594.3
Income tax	-18.4	-7.6	-39.4	-83.6	-99.7
Others	5.3	-28.5	0.0	0.0	0.0
Net cash generated from operating activities	**262.6**	**286.9**	**361.9**	**461.6**	**494.6**
Capital expenditure	-297.2	-451.3	-451.3	-315.9	-315.9
Others	16.1	8.9	7.0	8.5	10.6
Investing cash flow	**-281.1**	**-442.5**	**-444.3**	**-307.4**	**-305.4**
Dividends paid	-129.0	-96.8	-32.3	-64.5	-64.5
Others	-49.0	228.5	165.9	-28.6	-28.6
Financing cash flow	**-178.0**	**131.7**	**133.7**	**-93.2**	**-93.2**
Net cash flow	-196.5	-23.9	51.3	61.0	96.1
Beginning cash flow	**481.0**	**278.4**	**239.0**	**290.2**	**351.2**
Ending cash flow	**278.4**	**239.0**	**290.2**	**351.2**	**447.3**

Profitability Margins	2024A	2025A	2026E	2027F	2028F
EBITDA margin	18.6	17.4	18.6	21.3	20.0
PBT margin	5.2	6.0	5.5	9.6	9.9
PAT margin	3.8	4.6	3.8	6.5	6.6
Core PAT margin	3.4	2.6	3.8	6.5	6.6

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