

13 September 2018 | Corporate Update

## Unisem (M) Berhad

### Received takeover bid

**Accept Offer**  
**Offer Price (TP): RM3.30**

#### INVESTMENT HIGHLIGHTS

- **John Chia and its Chinese counterpart launched take-over offer at RM3.30 per share**
- **Listing status and management team of Unisem to be maintain upon completion of the exercise**
- **Complimentary business case between Unisem and the Chinese offerors**
- **Recommend to accept offer and shift focus to its listed peers who offer better earnings quality**

**Take-offer offer by the executive chairman and its Chinese counterpart.** The Malaysian offerors, which is lead by John Chia who is the managing director and chairman of Unisem, and Chinese offerors, which is lead by Tianshui Huatian Electronics Group Co. Ltd, intend to undertake a voluntary conditional take-over offer to acquire all the remaining ordinary shares in Unisem (M) Berhad not owned by the Malaysian offerors with an offer price of RM3.30 per share.

**Details of the exercise.** Under the agreement, the Chinese offerors will acquired the entire offer share in cash. In addition, the joint offerors intend to maintain the listing status and the management team of Unisem. Subsequent to the completion of the offer, the Malaysian offerors will an option to acquire Unisem shares from the Chinese offerors from the first anniversary of the completion of the offer and expiring on the fourth anniversary of the completion of the offer, at the call option price.


**The exercise will pathway to greater business opportunities for the joint offerors.** As part of the undertaking, the joint offerors have entered into a collaboration agreement to form a strategic partnership. Under the agreement, the Chinese offerors would be able to strengthen its global presence by leveraging on Unisem's relationships with its vast network of customers in Europe and North America. In return, Unisem would be expand more rapidly in its Chengdu's operation by tapping into the Chinese offerors' presence in China who is amongst the largest outsourced semiconductor assembly and test players worldwide.

**Attractive premium on offer price of over 10%.** The offer price translates into an attractive premium of +11.1% and +73.7% based on Unisem last closing price of RM2.97 and our fair value of RM1.90 respectively. Our fair value is premised on pegging FY19 EPS of 15.2sen against forward PER multiple of 12.5x which is the group's 3 year historical average PER.

RETURN STATS	
Price (12 <sup>th</sup> September 2018)	RM2.97
Offer Price	RM3.30
Expected Share Price Return	+11.1%
Expected Dividend Yield	+0%
<b>Expected Total Return</b>	<b>+11.1%</b>

STOCK INFO	
KLCI	1,785.25
Bursa / Bloomberg	5005 / UNI MK
Board / Sector	Main/ Tech
Syariah Compliant	Yes
Issued shares (mil)	7227.1
Market cap. (RM'm)	2,159.4
Price over NA	1.3x
52-wk price Range	RM1.60 – RM4.15
Beta (against KLCI)	0.88
3-mth Avg Daily Vol	1.8m
3-mth Avg Daily Value	RM4.9m
Major Shareholders (%)	
Estate of Soo Yut Kuan	12.91
Jayvest Holdings Sdn Bhd	12.05
Chia Sin Tet	8.04
KWSP	5.08

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**Kindly refer to the last page of this publication for important disclosures**

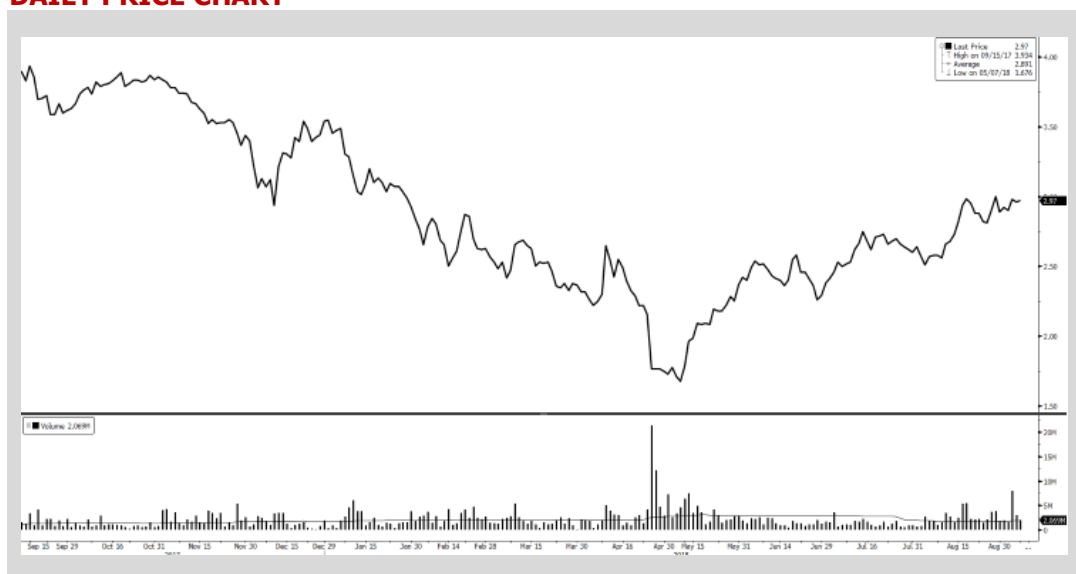
**Accept Offer.** On year-to-date, the share has declined by more than -18%ytd. We believe that the decline was premised on Unisem's unfavourable product mix which has negatively impacted its 1HFY18 normalised earnings (-58.0%yoy). In view of this, we had a trading sell recommendation on the stock. We view that this had led the chairman to seek a strong Chinese partner to boost Unisem's business, especially its Chengdu operation in China. Thus, the takeover offer represents an opportunity for investor to exit the company and shift focus to other listed semiconductor companies which offer better earnings quality. All factors considered, we are recommending investors to accept the takeover offer. 

## INVESTMENT STATISTICS

FYE 31 <sup>st</sup> Dec	2016	2017	2018F	2019F
Revenue (RM m)	1,322.8	1,465.7	1,439.6	1,501.6
EBITDA (RM m)	356.8	343.1	256.3	285.0
EBIT (RM m)	187.1	175.4	96.4	124.4
Pretax Profit (RM m)	187.2	180.8	100.1	124.4
Core Net Profit after MI (RM m)	147.0	168.5	90.6	111.7
EPS (sen)	20.0	23.0	12.3	15.2
EPS Growth (%)	-9.1	14.6	-46.3	23.4
PER (x)	14.8	12.9	24.1	19.5
Net Dividend (sen)	11.0	11.0	7.0	8.0
Net Dividend Yield (%)	3.7	3.7	2.4	2.7

Source: Company, MIDFR

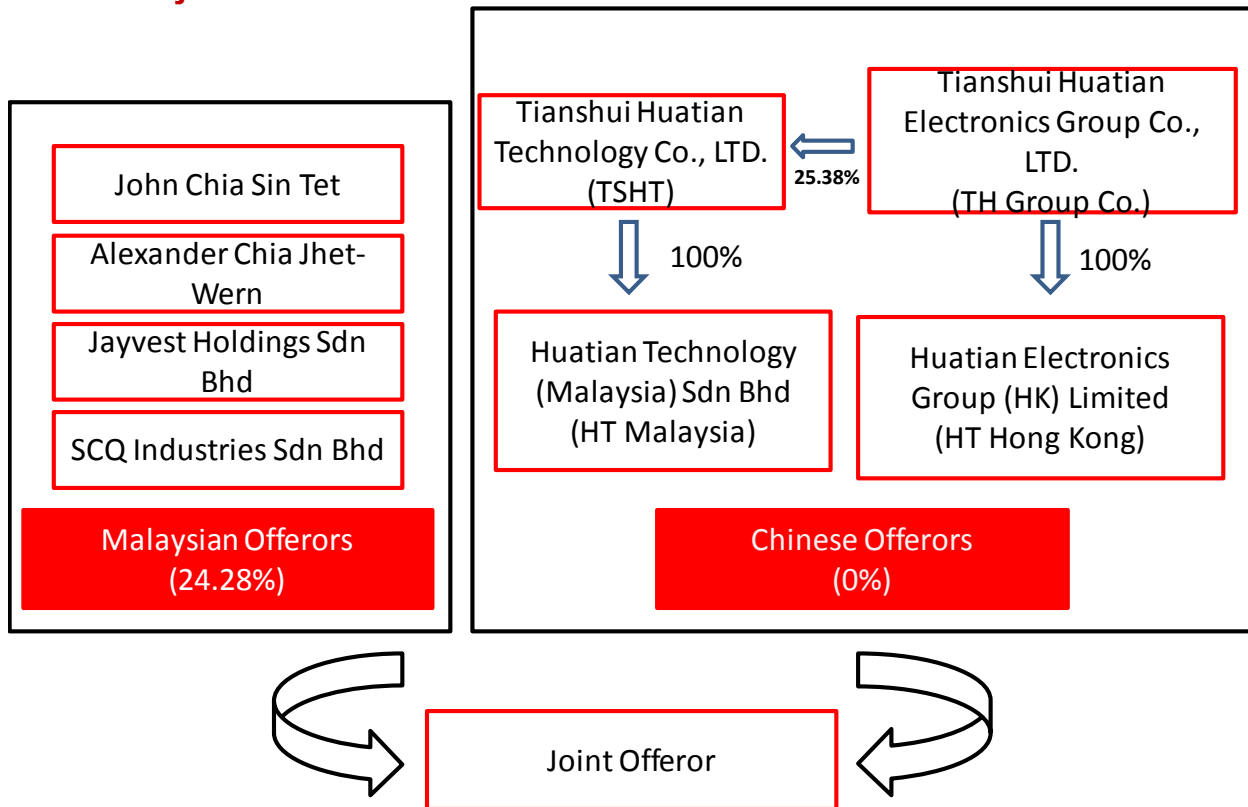
## DAILY PRICE CHART



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## Appendix

### Structure of joint offeror



Source: Company, MIDFR

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#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### 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.