

Unisem (M) Berhad

(5005 | UNI MK) Technology | Semiconductors

FY24 Expected to Remain on A Recovery Path

KEY INVESTMENT HIGHLIGHTS

- We are keeping our **NEUTRAL** recommendation with a revised target price of **RM3.13** post the 4QFY23 results
- Higher pace of recovery was seen in 4QFY23 on a sequential basis (+21.4%qoq), while year-on-year performance was still down by -63.0%yoy
- Full year FY23 normalised earnings of close to RM80m (-79.8%yoy) came in within our expectation
- While we expect the worst is over, we do not envisage FY24 profitability to return to the level seen in FY22

FY23 serves as the bottom. We are keeping our **NEUTRAL** recommendation at this juncture with a revised target price of **RM3.12** post the 4QFY23 results announcement. The quarter-in-review has seen encouraging sequential recovery. This should continue to be seen in FY24. Nonetheless, at this juncture, we do not expect FY24 profitability to return to FY22 level.

Better performance sequentially. 4QFY23 normalised earnings improved by +21.4%qoq to RM25.8m despite a marginal decline of -1.5%qoq in revenue to RM350.8m. This was mainly due to a more favourable sales mix which carry higher profit margin. Revenue wise, we saw a slight shift towards the auto, industrial and communication market segments.

In-line with expectation. On a cumulative basis, FY23 normalised earnings amounted to RM78.8m, a decline of -79.8%yoy. This was led by -18%yoy drop in revenue to RM1.1b. All in, Unisem's FY23 financial performance came in within our expectation, making up 98.1% full year FY23 earnings forecast.

Upward revision in earnings estimates. After factoring FY23 financial statements into our financial model and taking into consideration management future guidance, we raised FY24 and FY25 earnings estimates by +6.5% and 29.8% respectively. At this juncture, we do not expect the group to able to achieve the profitability seen in FY22.

Inputting higher target price. In view of the changes in earnings estimates, our target price has been revised up to **RM3.13** from RM2.95 previously. This is achieved by pegging FY24EPS of 12.6sen against unchanged PER of 25x.

Still on a recovery path. Generally, we expect to see better profitability in FY24 after a weak FY23 performance in view of the improvement in utilization rate. Nonetheless, we do not foresee a strong momentum of rebound in the group's profit that could match the FY22 performance. Meanwhile, the management shared that the expansion of the Gopeng plant has been progressing well to support the next upcycle.

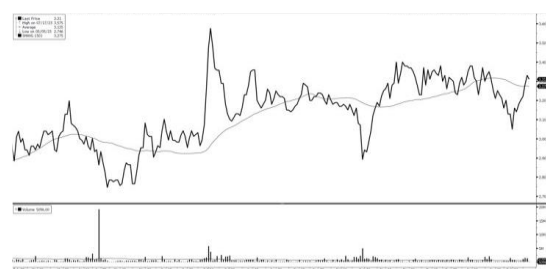
Maintain NEUTRAL

Revised Target Price: RM3.13
(Previously RM2.95)

RETURN STATISTICS

Price @ 27 th February 2024 (RM)	3.26
Expected share price return (%)	-4.0
Expected dividend yield (%)	+2.5
Expected total return (%)	-1.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.3	-3.3
3 months	0.9	-6.4
12 months	6.7	0.1

INVESTMENT STATISTICS (RM'm)

FYE June	2024E*	2025F	2026F
Revenue	1646.0	1759.8	1847.8
Operating Profit	227.3	287.5	328.7
Profit Before Tax	231.8	292.8	336.5
Core PATAMI	201.7	254.7	292.8
Core EPS (Sen)	12.5	15.8	18.2
DPS (Sen)	8.0	8.0	8.0
Dividend Yield (%)	2.5	2.5	2.5

KEY STATISTICS

FBM KLCI	1,558.80
Issue shares (m)	806.54
Estimated free float (%)	27.55
Market Capitalisation (RM'm)	5,387.7
52-wk price range	RM2.75-RM3.67
3-mth average daily volume (m)	0.58
3-mth average daily value (RM'm)	1.90
Top Shareholders (%)	
Huatian Technology Sdn Bhd	42.73
Javvest Holdings Sdn Bhd	10.83
Chia Sin Tet	8.83

Foo Chuan Loong, Martin
martin.foo@midf.com.my



UNISEM (M) BHD: 4QFY23 RESULTS SUMMARY

Financial year Ending 31st December (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	4QFY23	% YoY	% QoQ	FY23	FY22	% YoY
Revenue	350.8	-22.7	-1.5	1,088.9	1,328.2	-18.0
EBITDA	84.1	-32.9	10.8	305.5	479.7	-36.3
Depreciation and amortisation	-52.8	3.1	-0.7	-211.7	-204.9	3.3
EBIT	31.4	-57.8	37.5	93.8	274.7	-65.9
Finance costs	-1.9	-17.5	-25.8	-9.4	-5.2	79.4
Interest income	4.9	68.3	21.5	16.0	10.2	57.3
PBT	34.4	-54.1	41.3	100.4	279.7	-64.1
Taxation	-5.4	-43.3	-0.6	-18.5	-36.3	-49.1
Profit / (Loss) from discontinued operation	-0.6	n.m	n.m	-1.7	142.0	n.m
PATAMI	28.4	-57.6	57.9	80.2	385.4	-79.2
Normalised PATAMI	25.8	-63.0	21.4	78.8	389.3	-79.8
EPS (sen)	1.6	-63.0	21.4	4.9	24.1	-79.8
EBITDA margin (%)	24.0	-3.7	2.7	28.1	36.1	-8.1
EBIT margin (%)	8.9	-7.4	2.5	8.6	20.7	-12.1
Normalised PATAMI margin (%)	7.4	-8.0	1.4	7.2	29.3	-22.1
Effective tax rate (%)	15.5	3.0	-6.6	18.4	13.0	5.4

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	1781.8	1439.7	1646.0	1759.8	1847.8
EBITDA	479.7	305.5	468.1	534.7	581.7
EBIT	274.7	93.8	227.3	287.5	328.7
PBT	279.7	100.4	231.8	292.8	336.5
Normalised PATAMI	389.3	78.8	201.7	254.7	292.8
Normalised EPS (sen)	24.1	4.9	12.5	15.8	18.2
Normalised EPS Growth (%)	0.9	-0.8	1.6	0.3	0.1
PER (x)	10.1	50.0	19.5	15.5	13.4
Dividend Per Share (sen)	6.0	8.0	8.0	8.0	8.0
Dividend yield (%)	1.8	2.5	2.5	2.5	2.5
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	1949.5	2063.9	2123.1	2175.9	2223.0
Others	16.3	16.7	16.7	16.7	16.7
Non-current assets	1965.9	2080.6	2139.9	2192.7	2239.7
Cash	556.0	481.0	469.2	528.2	634.2
Trade debtors	226.2	198.2	226.6	242.3	254.4
Others	270.7	227.9	260.3	278.2	292.0
Current assets	1052.9	907.2	956.2	1048.7	1180.6
Trade creditors	279.2	248.5	284.1	303.7	318.9
Short-term debt	163.5	89.6	89.6	89.6	89.6
Others	11.1	13.4	13.4	13.4	13.4
Current liabilities	453.8	351.4	387.1	406.7	421.9
Long-term debt	33.0	140.8	140.8	140.8	140.8
Others	115.6	110.4	110.4	110.4	110.4
Non-current liabilities	148.6	251.2	251.2	251.2	251.2
Share capital	1036.7	1036.7	1036.7	1036.7	1036.7
Retained earnings	1379.7	1348.5	1421.1	1546.8	1710.5
Equity	2416.4	2385.2	2457.8	2583.5	2747.2

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
Profit before tax	279.7	100.4	231.8	292.8	336.5
Depreciation & amortisation	204.9	211.7	240.8	247.2	252.9
Others	2.2	-9.8	-4.5	-5.2	-7.8
Operating profit before working capital changes	486.9	302.3	468.1	534.7	581.7
Changes in working capital	359.5	280.8	-25.2	-13.9	-10.7
Cash generated from operation	359.5	280.8	442.9	520.9	571.0
Income tax	-15.1	7.2	-30.1	-38.1	-43.7
Others	60.0	76.0	0.0	0.0	0.0
Net cash generated from operating activities	404.5	364.0	412.8	482.8	527.2
Capital expenditure	-595.2	-352.1	-300.0	-300.0	-300.0
Others	155.6	16.8	14.7	15.4	18.0
Investing cash flow	-439.5	-335.3	-285.3	-284.6	-282.0
Dividends paid	-96.8	-129.0	-129.0	-129.0	-129.0
Others	33.7	20.7	-10.2	-10.2	-10.2
Financing cash flow	-63.0	-108.3	-139.2	-139.2	-139.2
Net cash flow	-98.1	-79.6	-11.8	59.0	106.0
Beginning cash flow	656.0	556.0	481.0	469.2	528.2
Ending cash flow	556.0	481.0	469.2	528.2	634.2

Profitability Margins (%)	2022A	2023A	2024E	2025F	2026F
EBITDA margin	26.9	21.2	28.4	30.4	31.5
PBT margin	15.7	7.0	14.1	16.6	18.2
PAT margin	13.7	5.7	12.3	14.5	15.8
Core PAT margin	21.8	5.5	12.3	14.5	15.8

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

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.

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