24 April 2025

Malaysia Sector Update

Technology | Technology

Technology

Be Cool! Not All Is Doom And Gloom

Overweight (Maintained)

Stocks Covered	9
Rating (Buy/Neutral/Sell):	7 / 2 / 0
Last 12m Earnings Revision Trend:	Negative

- **OVERWEIGHT.** Grey clouds loom for export-oriented sectors like technology, but we take comfort that: i) Semiconductors were exempted from tariff impositions, and there are limited direct exports of such from Malaysia to the US; ii) Malaysia should benefit from the surge in rushed orders and the intensified reallocation of manufacturing activities to ASEAN; iii) the supply chain has emerged stronger from the first phase of the US-China trade war; and iv) valuations are at trough levels. The sector is trading at c.16x CY25F P/E (5-year mean: 20x) against a growth expectation of >30% YoY.
- **Fact check.** The majority of the Malaysia-listed technology supply chain companies do not directly export components, integrated circuits (ICs), or equipment to the US. As such, they are largely insulated from the direct tariff effects. Most shipping agreements are based on ex-works (EXW) terms, meaning any potential effects are likely indirect, arising from possible demand disruptions driven by higher prices of goods due to tariffs. Furthermore, this trade war's impact is unlikely to mirror the scale of disruption seen during the COVID-19 era. Unlike the widespread restrictions and partial shutdowns of global economies that significantly halted manufacturing activities and reduced incomes, the trade war affects only the US' trade with the rest of the world, which constitutes roughly 10-15% of global trade.
- **Short-term outlook.** Rushed orders (given the 90-day pause on reciprocal tariffs) and order reallocation will benefit those with excess capacity. Export volumes may drop for goods made in China, but the demand for chips from the rest of the world would not be severely affected. Nonetheless, we expect a bigger shift in the volume of orders to places like ASEAN.
- **Mid-term prospects.** Demand uncertainties loom in the mid-term as the flip-flop in the US' external trade policy remains. This should hinder any potential major capex and manufacturing reallocation plan, potentially affecting the demand for equipment and causing excessive inventory build-up.
- **Long-term view.** The tariff war may be positive for Malaysia due to the attractive destination (ecosystem, talent, infrastructure), while it may be hit by a lower tariff vs competing countries. Should onshoring activities pick up, we do not expect a massive volume of chip production to be relocated out from Malaysia – the lower value-added manufacturing activities are not exactly economically viable for chips to be produced in the US.
- **Pre-emptive adjustments.** Although the demand disruption appears minimal at this stage (as guided by majority of the companies) and its full impact remains challenging to quantify, we have taken a pre-emptive approach by trimming sector FY25-26F revenue and earnings by 3-15% to account for prevailing uncertainties. Despite these revisions, we maintain an optimistic outlook, identifying substantial upside potential in positioning on fundamentally strong names with attractive risk-reward profiles. Our Top Picks are listed in the table of the top right quadrant of this page.
- **Downside risks**: Tariff concerns slowing end-demand, slower-than-expected orders, technology obsolescence, and unfavourable FX movements.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Coraza Integrated Technology	Buy	0.67	56.4	12.3	1.4	12.5	-
CTOS Digital	Buy	1.49	33.2	21.3	3.9	18.0	3.3
Globetronics Technology	Neutral	0.40	(14.0)	21.7	0.9	4.4	0.6
Inari Amertron	Buy	2.45	34.4	23.4	2.4	10.2	3.6
JHM Consolidation	Neutral	0.43	18.3	14.4	0.7	5.1	-
Malaysian Pacific Industries	Buy	29.70	89.9	16.1	1.5	9.4	3.3
NexG	Buy	0.50	83.0	12.7	2.9	23.1	6.3
Pentamaster Corp	Buy	4.17	84.6	18.2	2.0	11.4	1.8
Unisem (M)	Buy	3.04	58.9	25.2	1.4	5.4	4.0

Source: Company data, RHB

Top Picks	Target Price
Malaysian Pacific Industries (MPI MK) – BUY	MYR29.70
Unisem (M) - BUY	MYR3.04
CTOS Digital (CTOS MK) – BUY	MYR1.49
Coraza Integrated Technology (CORAZA MK) – BUY	MYR0.67

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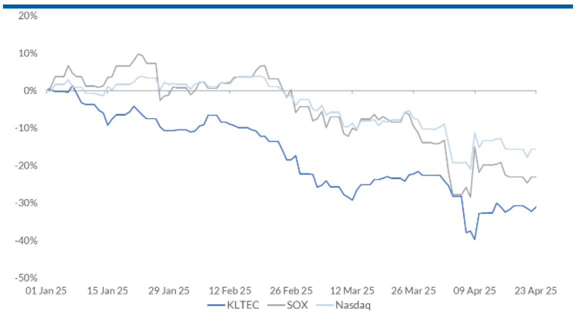
KLTEC vs NASDAQ vs SOX (YTD performance)



Source: Company data, RHB

Parsing the situation. First, the majority of the Malaysia-listed technology supply chain companies do not directly export components, ICs, or equipment to the US. As such, they are largely insulated from direct tariff impacts. Most shipping agreements are based on EXW terms, sp any potential effects are likely indirect – arising from possible demand disruptions that are driven by the higher prices of goods as a result of the tariffs. That said, the majority of these companies integrate US-origin components into their products, and with the tariff exemption under code 9903.01.34 — which spares products containing at least 20% US content — tariff-free access could still be retained.

Second, compared to the COVID-19 pandemic period where there were widespread restrictions, economic shutdowns, and manufacturing halts which led to significant income losses, the ongoing trade war does not present the same magnitude of disruption, in our view. The current tariffs are only applicable to US trade with the rest of the world, which represents just c.10-15% of global trade.

Despite the more contained nature of these tariff-related risks, the sector is trading at a compressed c.16x CY25F P/E (vs the 5-year historical mean of 20x) against a growth expectation of >30% YoY. For reference, during the pandemic, the technology sector's forward P/E sank to a low of 13.2x. This valuation disconnect suggests that the recent sell-off may be an overreaction - thereby presenting a compelling risk-reward opportunity, especially with a strong earnings momentum, supported by structural tailwinds.

Figure 1: Historical forward P/E for KLTEC

Source: Bloomberg, RHB.

Recovery intact. World semiconductor sales data compiled by the Semiconductor Industry Association (SIA) continue to show a sustained recovery. SIA has revised its forecasts upwards for the third time in a row: i) 19% YoY growth in sales to USD626.9bn (from USD611.2bn) in 2024, and ii) another 11.2% YoY growth in 2025. This uneven recovery is currently supported by demand for logic ICs, as well as a strong recovery in the memory space, thanks to the boom in artificial intelligence (AI)-related servers and equipment. In 2025, a broad-based recovery is expected, with growth from all segments.

In addition, early recovery indications in the automated test equipment (ATE) space along with traction in the front-end semiconductor space bolsters our expectation of a sustained sector recovery, which should gain pace in 2025. We should also see a broad sector recovery this year – this is where the replacement cycle intensifies. SEMI expects test equipment and assembly & packaging equipment sales to grow by 14.7% YoY and 16% YoY in 2025, before further accelerating in 2026.

In fact, both smartphone and personal computer or PC sales have increased of late (based on data compiled by IDC), supporting the volume growth of the sector. Tariffs aside, we expect the volume recovery to persist into 2H25 and 2026, spurred by the replacement cycle and technological advancements (eg AI). Meanwhile, software and domestic-centric players have done well and should continue to see robust business opportunities in digitalisation, cloud-services, and cybersecurity trends.

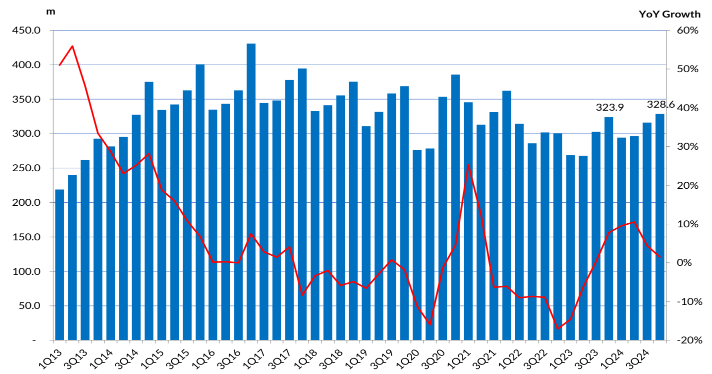
Top Picks. We continue to like Malaysian Pacific Industries and Unisem (M) – these two players should ride on the recovery of the chip sector, their diversified customer bases, opportunities from the China Plus One strategy, as well as the commencement of new programmes/customers. CTOS Digital would be our pick in the domestic-focused space, premised on the digitalisation trend as well as the company's exposure to the fintech segment. In the smaller-cap space, we like Coraza Integrated Technology for its explosive earnings rebound on the back of a strong revenue growth trend and gains from economies of scale.

Figure 2: Value of the worldwide semiconductor market by region

Fall 2024	Amounts in US$M			Year on Year Growth in %		
	2023	2024	2025	2023	2024	2025
Americas	134,377	186,635	215,309	-4.8	38.9	15.4
Europe	55,763	52,031	53,736	3.5	-6.7	3.3
Japan	46,751	47,410	51,866	-2.9	1.4	9.4
Asia Pacific	289,994	340,792	376,273	-12.4	17.5	10.4
Total World - $M	526,885	626,869	697,184	-8.2	19.0	11.2
Discrete Semiconductors	35,530	31,546	33,377	4.5	-11.2	5.8
Optoelectronics	43,184	42,092	43,705	-1.6	-2.5	3.8
Sensors	19,730	18,732	20,034	-9.4	-5.1	7.0
Integrated Circuits	428,442	534,499	600,069	-9.7	24.8	12.3
Analog	81,225	79,433	83,157	-8.7	-2.2	4.7
Micro	76,340	79,291	83,723	-3.5	3.9	5.6
Logic	178,589	208,723	243,782	1.1	16.9	16.8
Memory	92,288	167,053	189,407	-28.9	81.0	13.4
Total Products - $M	526,885	626,869	697,184	-8.2	19.0	11.2

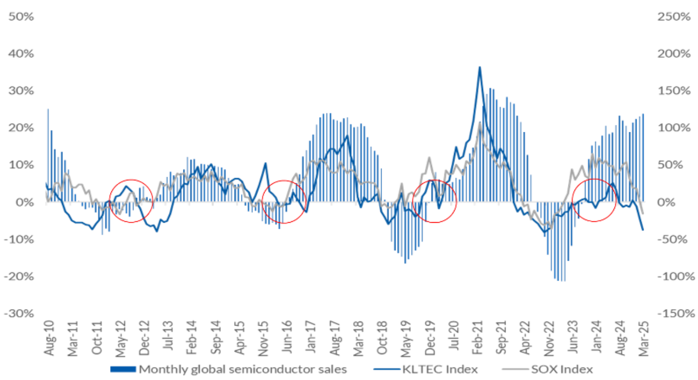
Source: World Semiconductor Trade Statistics

Figure 3: Quarterly shipments of smartphones (m units)



Source: IDC

Figure 4: WSTS and SOX indices lead the KLTEC



Source: Bloomberg, RHB.

Figure 5: Historical forward P/E for KLTEC (over five years)

Source: Bloomberg, RHB

Figure 6: Peer comparison

	Ticker	Last price (MYR)	Mkt cap (USDm)	P/E (x) FY24F	P/E (x) FY25F	EPS growth (%) FY24F	EPS growth (%) FY25F	P/BV (x) FY24F	P/BV (x) FY25F	ROE (%) FY24F	DY (%) FY24F
Coraza Integrated Technology	CORAZA MK	0.43	44	82.7	13.3	-183.5	524.8	1.4	1.3	1.8	0.0
CTOS Digital	CTOS MK	1.12	590	21.3	18.5	13.0	15.2	4.2	3.9	0.2	3.3
NexG*	DSON MK	0.36	227	11.7	13.0	8.4	-10.3	3.1	2.8	26.0	6.9
Globetronics	GTB MK	0.47	67	15.5	22.6	-19.1	-31.4	0.9	0.9	6.3	1.3
Inari Amertron**	INRI MK	1.82	1,477	25.7	21.7	-13.8	18.9	2.1	2.0	9.5	3.3
JHM Consolidation	JHMC MK	0.36	48	14.4	10.3	-150.8	40.3	0.7	0.7	5.1	0.0
Malaysian Pacific Industries**	MPI MK	15.64	675	19.9	13.5	-9.5	47.3	1.5	1.4	7.8	2.9
Pentamaster Corporation	PENT MK	2.26	342	18.2	15.6	35.4	16.7	2.0	1.8	11.4	0.0
Unisem (M)	UNI MK	1.91	677	25.2	15.6	126.9	61.7	1.4	1.3	5.4	4.0
Sector average (simple average)				**26.1**	**16.0**	**-21.5**	**75.9**	**1.9**	**1.8**	**8.2**	**2.4**

*Note: *FYE (Mar) refers to FY25F. **FYE (Jun) refers to FY25F*
Source: Bloomberg

24 April 2025

Technology | Semiconductors

Inari Amertron (INRI MK)

Buy (from Neutral)

Stable Loading Factors; Upgrade To BUY

Target Price (Return):	MYR2.45 (+35%)
Price (Market Cap):	MYR1.82 (USD1,572m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (MYR/USD)	42.1m/9.46m

- **Upgrade to BUY from Neutral, TP drops to MYR2.45 from MYR2.75, 35% upside with c.4% FY26 (Jun) yield.** We believe the stock is oversold despite short-term uncertainties from the US-China trade war. With stable loading factors, a potential short-term rush in orders and greater reallocation of manufacturing activities out from China, Inari Amertron is set to benefit in the mid-to-longer term, while onshoring activities for its US-based customer may not be imminent. Its current below-mean valuation provides a good opportunity to BUY into this established OSAT player.
- **Momentary relief although uncertainties remain.** The temporary pause on tariffs levied or raised on various semiconductor and electronic goods was a big relief for the sector in avoiding near-term demand shocks. However, a separate imposition of tariffs on chips maybe on the cards, to reduce the US' reliance on China. A policy reversal or new tariffs from both the US and China could reintroduce uncertainty to the picture, however.
- **The positives.** The established ecosystem in MY (advanced infrastructure, skilled labour, competitive costs, and pro-investment policies) makes it a major beneficiary of the intensified reallocation of manufacturing activities to ASEAN and the China Plus One strategy in the longer term. We take comfort that the US multinational companies' supply chains are entrenched in Malaysia, and some of these will continue to be under certain tariff exemptions and fare better vs counterparts in other countries where the initial reciprocal tariff rates were much higher.
- **Loading factor.** We expect the loading factor to be stable YoY, with upside from urgent orders in the near term if there is pent-up demand in the current tariff exemption period. INRI's optoelectronic segment as well as memory products segment should chalk higher numbers, but more significant contributions should only be reflected in FY26. On the Yiwu JV, we expect a slow ramp-up, as competition is stiff in the Chinese OSAT market.
- **Pre-emptive cut.** While INRI's exposure to the US was at 2.9% based on its FY24 annual report, the impact (if any) would be much more (20-25% of revenue) from demand disruptions (higher goods prices, poorer sentiment) if the trade war persists. The majority of its integrated circuits are not exported to US directly, so these may not be subjected to direct tariffs. Nonetheless, we pre-emptively trim our FY25-26 net profit forecasts by 8% and 13% on slower topline growth, and dial back our assumptions on the Yiwu JV – after taking into account the potential slowing demand.
- **Despite our earnings estimate cut, we see substantial upside to our TP.** Hence, we upgrade the stock to BUY, as investors should ignore the short-term noise and position into the sector for a cyclical recovery. Our TP drops to MYR2.45 from MYR2.75 post forecast revisions, and is pegged to an unchanged 31x P/E (+1.5SD from its 5-year mean) with a 2% ESG premium imputed as well, as INRI's ESG score of 3.1 is above the country median.

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover (MYRm)	1,354	1,479	1,432	1,516	1,689
Recurring net profit (MYRm)	320	306	267	313	352
Recurring net profit growth (%)	(17.3)	(4.4)	(12.9)	17.5	12.3
Recurring P/E (x)	21.19	22.18	25.45	21.65	19.28
P/B (x)	2.6	2.4	2.4	2.4	2.3
P/CF (x)	26.52	13.16	22.96	17.92	16.28
Dividend Yield (%)	4.0	3.8	3.3	3.9	4.4
EV/EBITDA (x)	13.97	15.16	13.76	11.31	10.23
Return on average equity (%)	11.4	10.0	9.5	11.0	12.1
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

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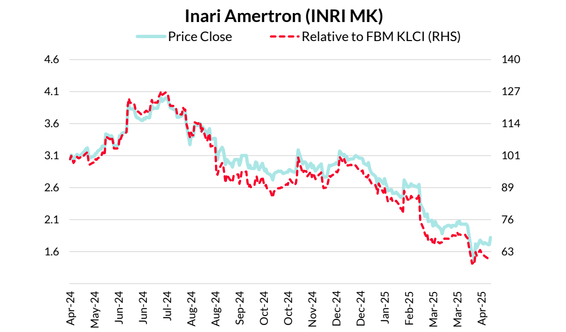
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(40.5)	(9.5)	(30.5)	(36.4)	(40.3)
Relative	(31.0)	(8.2)	(24.7)	(26.9)	(35.5)
52-wk Price low/high (MYR)					1.45 –4.00



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.3 (EXCELLENT)
G Score: 3.0 (GOOD)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

Compared to FY23, INRI recorded an increase in greenhouse gas (GHG) emissions last year, mainly on higher NPI activities from new and existing customers. However, GHG emissions intensity has declined in the past five years. Utilisation of green energy has yielded noticeable reductions in GHG emissions by 1.4k tCO2e in FY24.

Emissions (tCO2e)	Jun-22	Jun-23	Jun-24	Jun-25
Scope 1	525	314	339	-
Scope 2	78,803	80,286	87,030	-
Scope 3	-	-	-	-
Total emissions	79,328	80,600	87,369	na

Source: Company data, RHB

Latest ESG-Related Developments

INRI won the Silver prize in The Edge ESG Awards (Technology Sector) and is a member of the FTSE4Good Bursa Malaysia index. These put it among the companies with leading ESG practices, and in compliance with best practices in disclosure. It aims to reduce Scope 1 and 2 emissions by 3% and 2%. It also advocates green development to align with the Climate Governance Malaysia target to reduce global warming and achieve net zero by 2050. The company has established a comprehensive set of actions to achieve its GHG reduction targets within the specified timeframe. These measures explicitly address the primary sources of GHG emissions, including Scope 3 emissions where relevant. It is also developing a methodology to collect data on Scope 3 emissions.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 20 Feb 2025

E Score: 3.0 (GOOD)

INRI advocates green development to align with the Climate Governance Malaysia target to reduce global warming and achieve net zero by 2050 – by implementing energy efficiency projects to mitigate its GHG emissions, and boost water and waste management. The group has become a listed Task Force on Climate-Related Financial disclosures (TCFD) support and is adhering to the standards, guidelines and framework of the United Nations Sustainable Development Goals (UNSDGs) and Global Reporting Initiatives (GRI).

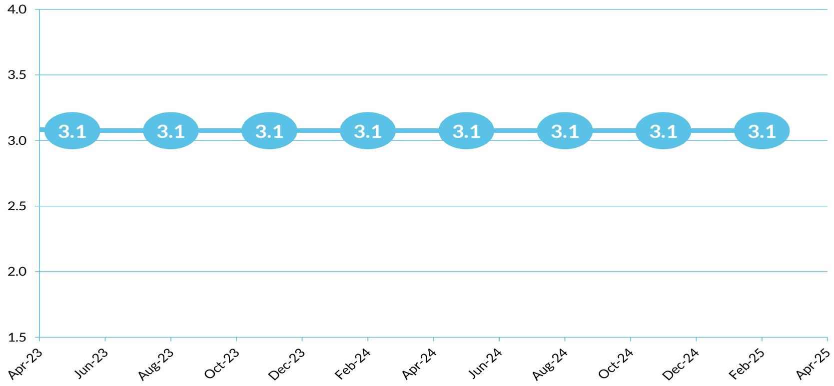
S Score: 3.3 (EXCELLENT)

INRI complies with all applicable labour laws in countries it operates in. On employee health and safety, the company adopts a occupational safe and health policy to ensure that workers are protected from any occupational risks. There are consistent efforts in contributing to the wellbeing and living standards of surrounding communities.

G Score: 3.0 (GOOD)

INRI is committed to the principles and best practices of corporate governance as laid out in the Bursa Malaysia Listing Requirements and Malaysian Code on Corporate Governance. It has put in place a whistleblowing policy and procedures to promote high standards of ethical conduct, and has established proper channels for whistleblowing. Nevertheless, we note that independent directors comprise less than half of the Board, and that it has yet to achieve the target of having 30% of the Board comprising women.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Technology
Inari Amertron
INRI MK
Buy

Valuation basis

Target P/E of 31x

Key drivers

i. New contract wins;
ii. Higher loadings.

Key risks

i. Weaker-than-expected 5G smartphone orders;
ii. Non-renewal of contracts;
iii. Low production yield;
iv. Unfavourable FX movements.

Company Profile

Inari Amertron is one of the largest OSAT players in Malaysia. It has manufacturing facilities in Malaysia, China and the Philippines. The company provides semiconductor packaging, assembly and testing in radio frequency (RF) and optoeletronic products.

Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Recurring EPS	0.09	0.08	0.07	0.08	0.09
DPS	0.07	0.07	0.06	0.07	0.08
BVPS	0.70	0.75	0.76	0.77	0.79
Return on average equity (%)	11.4	10.0	9.5	11.0	12.1

Valuation metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Recurring P/E (x)	21.19	22.18	25.45	21.65	19.28
P/B (x)	2.6	2.4	2.4	2.4	2.3
FCF Yield (%)	2.1	4.9	0.7	3.4	3.9
Dividend Yield (%)	4.0	3.8	3.3	3.9	4.4
EV/EBITDA (x)	13.97	15.16	13.76	11.31	10.23
EV/EBIT (x)	19.98	24.46	22.59	17.00	14.71

Income statement (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover	1,354	1,479	1,432	1,516	1,689
Gross profit	325	324	344	364	405
EBITDA	355	324	365	442	486
Depreciation and amortisation	(107)	(123)	(142)	(148)	(148)
Operating profit	248	201	222	294	338
Net interest	(2)	(2)	0	0	0
Pre-tax profit	324	280	293	359	404
Taxation	(31)	(10)	(26)	(40)	(44)
Reported net profit	291	270	267	313	352
Recurring net profit	320	306	267	313	352

Cash flow (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Change in working capital	(148)	123	(43)	(24)	(24)
Cash flow from operations	256	516	296	379	417
Capex	(113)	(181)	(250)	(150)	(150)
Cash flow from investing activities	(86)	(192)	(179)	(85)	(84)
Dividends paid	(347)	(293)	(227)	(266)	(299)
Cash flow from financing activities	(301)	(189)	(227)	(266)	(299)
Cash at beginning of period	1,971	1,831	2,261	2,151	2,178
Net change in cash	(130)	134	(110)	28	34
Ending balance cash	1,857	1,961	2,151	2,178	2,212

Balance sheet (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total cash and equivalents	1,831	2,261	2,151	2,178	2,212
Tangible fixed assets	509	779	887	889	891
Total assets	2,967	3,554	3,544	3,598	3,686
Total liabilities	361	380	329	331	358
Total equity	2,606	3,174	3,214	3,267	3,328
Total liabilities & equity	2,967	3,554	3,544	3,598	3,686

Key metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Revenue growth (%)	(12.5)	9.2	(3.1)	5.8	11.4
Recurrent EPS growth (%)	(17.3)	(4.4)	(12.9)	17.5	12.3
Gross margin (%)	24.0	21.9	24.0	24.0	24.0
Operating EBITDA margin (%)	26.2	21.9	25.5	29.1	28.8
Net profit margin (%)	21.5	18.3	18.6	20.7	20.8
Dividend payout ratio (%)	93.4	96.3	85.0	85.0	85.0
Capex/sales (%)	8.3	12.2	17.5	9.9	8.9
Interest cover (x)	139	103			

Source: Company data, RHB

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-21	Neutral	2.75	2.35
2024-11-28	Neutral	3.06	2.85
2024-10-09	Neutral	3.06	2.86
2024-08-28	Neutral	3.60	3.10
2024-07-04	Neutral	3.60	3.83
2024-05-24	Buy	3.60	3.44
2024-02-27	Buy	3.58	3.14
2023-11-24	Buy	3.62	2.88
2023-11-23	Buy	3.62	2.90
2023-08-30	Buy	3.62	3.15
2023-08-03	Buy	3.62	3.09
2023-05-26	Neutral	2.31	2.47
2022-11-21	Neutral	2.60	2.58
2022-10-12	Neutral	2.78	2.37
2022-08-22	Buy	3.54	2.70

Source: RHB, Bloomberg

24 April 2025

Technology | Semiconductors

Malaysian Pacific Industries (MPI MK)

Buy (Maintained)

Opportunity Rises In Uncertain Times; Stay BUY

Target Price (Return):	MYR29.70 (+90%)
Price (Market Cap):	MYR15.60 (USD711m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (MYR/USD)	4.52m/1.02m

- **BUY, new MYR29.70 TP from MYR33.20, 90% upside and c.3% yield.** We believe the stock is oversold despite the short-term uncertainties. With the potential short-term rush in orders and intensified reallocation from manufacturing activities, Malaysian Pacific Industries stands to benefit and will prevail in the on-going trade war situation – given its diverse customer base, value proposition, and process know-how in a competitive enviroment. Its current trough valuation of under 20x P/E provides investors with a great risk-reward opportunity.
- **Temporary respite, uncertainties remain.** The temporary pause on tariffs imposed on various semiconductor and electronic goods was a big relief for the sector in avoiding near-term demand shocks. However, a separate imposition of tariffs on chips may be on the cards, for the US to reduce its reliance on China. A policy reversal or new tariffs from both the US and China could exacerbate uncertainty over the situation.
- **The positives.** Malaysia's established ecosystem – with advanced infrastructure, skilled labour, competitive costs, and pro-investment policies – makes it a prime beneficiary of the intensified reallocation in manufacturing activities to ASEAN and the China Plus One strategy in the longer term. We take comfort that US multinational players' supply chains are entrenched in Malaysian. Some of these will continue to be under certain exemptions and may fare better than others in competing countries where the initial reciprocal tariff rates were far higher.
- **Capex and headcount.** MPI's headcount has reached an inflection point and has been rising over the past two quarters to reach 7.2k. On capex, it has been investing in technology and improving its efficiency and automation – such costs have amounted to MYR541m over the past two years despite the industry downturn. Its commitment to continue investing in technology and improving production efficiency underscores the confidence of the management team in the growth of the business.
- **Pre-emptive cut.** MPI's exposure to the US was at 20% based on its FY24 numbers. However, we understand that majority of its integrated circuits are not exported to the US directly, and may not be subjected to direct tariffs, if any. The impact will likely be on the potential demand disruption (higher prices of goods, poorer buyer sentiment) if the trade war persists. Given the uncertainties stemming from the ongoing trade war, we make a pre-emptive cut to MPI's FY25-27F earnings – by 13%, 8% and 6% on lower topline growth assumptions – post imputing the potential slowing in end-demand.
- **Value emerging.** Despite the cut in our forecasts, we see substantial upside to our TP. Hence, investor should ignore the short-term noise and position into the sector for a cyclical recovery, and strongly consider a solid company that is expected to benefit from the upcycle. Our TP drops to MYR29.70 from MYR33.20 post earnings estimates revision, reflecting an unchanged 30x CY25F P/E (+1.5SD from 5-year mean) – inclusive of a 2% ESG premium.

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover (MYRm)	2,045	2,095	2,119	2,335	2,454
Recurring net profit (MYRm)	125	182	165	243	272
Recurring net profit growth (%)	(64.3)	45.7	(9.4)	47.3	11.9
Recurring P/E (x)	26.28	18.04	19.92	13.53	12.08
P/B (x)	1.6	1.6	1.5	1.4	1.3
P/CF (x)	8.50	5.38	13.46	5.51	4.92
Dividend Yield (%)	2.2	2.7	3.0	3.6	3.6
EV/EBITDA (x)	6.49	4.94	5.45	4.10	3.45
Return on average equity (%)	3.1	11.8	7.8	10.9	11.5
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Analyst

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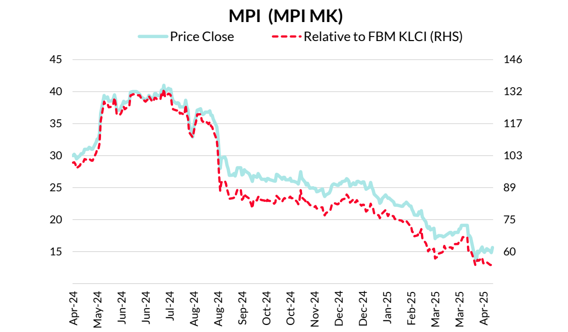
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(39.6)	(13.1)	(33.2)	(41.2)	(47.8)
Relative	(30.1)	(11.8)	(27.4)	(31.7)	(43.0)
52-wk Price low/high (MYR)					13.6 –41.0



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.0 (GOOD)
G Score: 3.3 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

MPI's total GHG emissions increased by nearly 10% in FY24, attributable to the increase in energy consumption. In FY24, Scope 2 emissions accounted for 99.6% of total GHG emissions. Within Scope 2, emissions related to electricity consumption accounted for almost a 98% share in FY24.

Emissions (tCO2e)	Jun-22	Jun-23	Jun-24	Jun-25
Scope 1	0	0	1	-
Scope 2	191	180	198	-
Scope 3	-	-	-	-
Total emissions	191	180	199	na

Source: Company data, RHB

Latest ESG-Related Developments

MPI won the "Gold" ESG award in the Technology category at The Edge ESG Awards. It is a component stock of the FTSE4Good Bursa Malaysia index. In the latest annual FTSE assessment, MPI achieved a higher rating on the climate change theme. This is attributed to the continuous enhancement of its processes and disclosures which is aligned with best practices related to sustainability. It has set a target of a 5% reduction of emissions, based on a 3-year moving average.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 20 Feb 2025

E Score: 3.0 (GOOD)

MPI has successfully reduced its energy consumption over the years, reflecting its commitment to boosting energy efficiency. Efforts are still ongoing to invest in energy reduction activities. Water conservation programmes and hazardous waste management are also implemented at its factories.

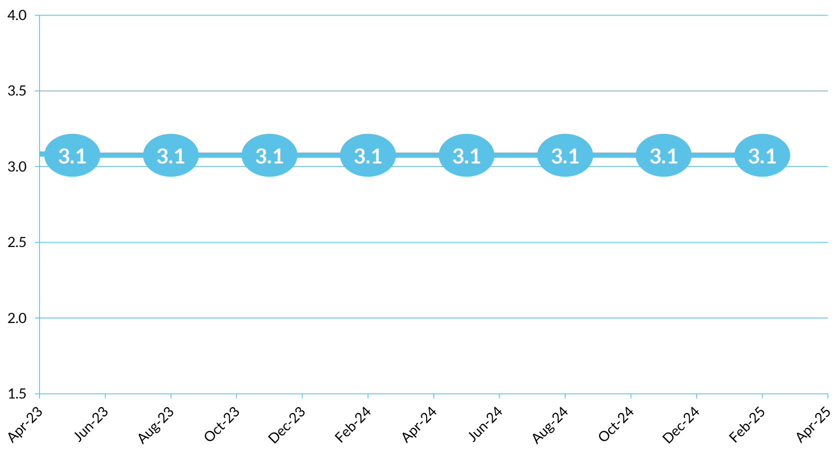
S Score: 3.0 (GOOD)

Employee and workplace safety is still a top priority for the group. Training is provided to employees in order for them to obtain the necessary knowledge on managing chemicals at the workplace safely.

G Score: 3.3 (EXCELLENT)

MPI has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance. The majority of its board members are independent directors. Women directors make up 33% of the Board's composition.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Technology
Malaysian Pacific Industries
MPI MK
Buy

Valuation basis

30x FY25 P/E

Key drivers

i. New contract wins;
ii. Higher volume loadings;
iii. Weaker MYR against USD.

Key risks

i. Slower-than-expected orders;
ii. Loss of major customer;
iii. Unfavourable FX movements;
iv. Technology obsolescence.

Company Profile

Malaysian Pacific Industries manufactures, assembles, tests and markets integrated circuits, semiconductor devices, electronic components and leadframes to customers worldwide.

Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Recurring EPS	0.60	0.87	0.79	1.16	1.29
DPS	0.35	0.42	0.47	0.56	0.57
BVPS	9.60	9.96	10.28	10.87	11.60
Return on average equity (%)	3.1	11.8	7.8	10.9	11.5

Valuation metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Recurring P/E (x)	26.28	18.04	19.92	13.53	12.08
P/B (x)	1.6	1.6	1.5	1.4	1.3
FCF Yield (%)	4.1	11.7	(3.2)	10.5	12.7
Dividend Yield (%)	2.2	2.7	3.0	3.6	3.6
EV/EBITDA (x)	6.49	4.94	5.45	4.10	3.45
EV/EBIT (x)	28.25	12.74	15.61	9.29	7.33

Income statement (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover	2,045	2,095	2,119	2,335	2,454
Gross profit	232	333	315	425	473
EBITDA	429	530	524	652	704
Depreciation and amortisation	(330)	(324)	(341)	(364)	(373)
Operating profit	99	205	183	288	331
Net interest	17	30	28	26	21
Pre-tax profit	124	331	218	321	359
Taxation	(16)	(21)	(22)	(32)	(36)
Reported net profit	61	241	165	243	272
Recurring net profit	125	182	165	243	272

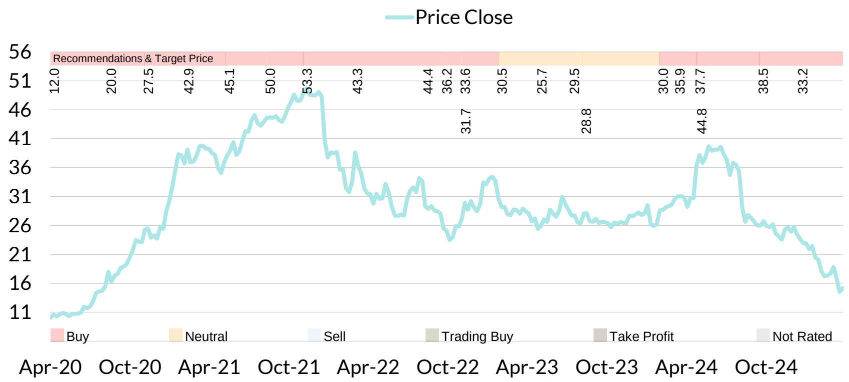
Cash flow (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Change in working capital	(77)	(11)	(293)	(58)	(28)
Cash flow from operations	386	610	244	596	668
Capex	(252)	(226)	(350)	(250)	(250)
Cash flow from investing activities	(251)	(224)	(350)	(250)	(250)
Dividends paid	(106)	(104)	(99)	(118)	(120)
Cash flow from financing activities	(47)	(271)	(99)	(118)	(120)
Cash at beginning of period	965	1,053	1,093	889	1,117
Net change in cash	89	115	(205)	228	298
Ending balance cash	1,053	1,170	889	1,117	1,415

Balance sheet (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total cash and equivalents	1,053	1,093	889	1,117	1,415
Tangible fixed assets	1,416	1,312	1,321	1,207	1,084
Total investments	27	26	26	26	26
Total assets	3,012	2,960	3,000	3,187	3,403
Short-term debt	172	80	80	80	80
Total long-term debt	79	12	12	12	12
Total liabilities	652	494	436	452	464
Total equity	2,360	2,466	2,564	2,735	2,939
Total liabilities & equity	3,012	2,960	3,000	3,187	3,403

Key metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Revenue growth (%)	(15.4)	2.5	1.1	10.2	5.1
Recurrent EPS growth (%)	(64.3)	45.7	(9.4)	47.3	11.9
Gross margin (%)	11.3	15.9	14.9	18.2	19.3
Operating EBITDA margin (%)	21.0	25.3	24.7	27.9	28.7
Net profit margin (%)	3.0	11.5	7.8	10.4	11.1
Dividend payout ratio (%)	119.8	36.5	59.9	48.4	44.0
Capex/sales (%)	12.3	10.8	16.5	10.7	10.2
Interest cover (x)	9.74	26.47	24.77	39.01	44.91

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-20	Buy	33.2	21.4
2024-10-09	Buy	38.5	26.4
2024-08-28	Buy	44.8	30.7
2024-05-21	Buy	44.8	39.0
2024-05-17	Buy	37.7	36.6
2024-04-01	Buy	35.9	31.9
2024-02-22	Buy	30.0	28.8
2023-11-16	Neutral	28.8	27.0
2023-08-29	Neutral	28.8	27.7
2023-08-02	Neutral	29.5	28.7
2023-05-19	Neutral	25.7	25.7
2023-02-17	Neutral	30.5	31.0
2022-11-25	Buy	31.7	27.4
2022-11-24	Buy	33.6	27.8
2022-10-12	Buy	36.2	25.9

Source: RHB, Bloomberg

Shariah Compliant

24 April 2025

Technology | Semiconductors

Unisem (M) (UNI MK)

Buy (Maintained)

Value Emerging; Keep BUY

Target Price (Return):	MYR3.04 (+59%)
Price (Market Cap):	MYR1.91 (USD702m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (MYR/USD)	2.38m/0.53m

- **Stay BUY, new MYR3.04 TP from MYR3.35, 59% upside with c.4% FY25F yield.** We believe the stock is oversold despite the short-term uncertainties. With the potential short-term rush in orders and intensified reallocation of manufacturing activities, we expect Unisem (M) to continue prevailing in the on-going trade war situation – given its diversified customer base, value proposition, and process know-how in a competitive enviroment. Its current below-mean valuation provides a good entry opportunity.
- **A temporary relief but uncertainties remain.** The temporary pause on tariffs imposed on various semiconductor and various electronic goods was a relief for the sector in avoiding near-term demand shocks. However, a separate imposition of tariffs on chips maybe on the cards, to reduce the US' reliance on China. A policy reversal or new tariffs from both the US and China could reintroduce uncertainty into the cards for the sector.
- **The positives.** The established ecosystem in Malaysia (advanced infrastructure, skilled labour, competitive costs and pro-investment policies) makes it a prime beneficiary of the intensified reallocation of manufacturing activities to ASEAN and the China Plus One strategy in the longer term. We are comforted that US multinational companies' supply chains are entrenched in Malaysia, and some of these should still be under certain exemptions and fare better than counterparts in other nations where the initial reciprocal tariff rates are much higher.
- **Capex and headcount.** UNI's capex spending trend has been encouraging – it amounted to MYR653m over the past two years for its capacity expansion and Gopeng plant. Its staff headcount has also risen in the past five quarters, from 5.67k to 6.57k. The commitment to continue investing in technology and improve production efficiency underscores the confidence of the management on the future growth of the business.
- **Pre-emptive cut.** UNI's exposure to US was at 67% based on its FY24 numbers, but we understand that the majority of its integrated circuits are not exported to the US directly. Hence, these may not be subjected to direct tariffs, if any. The impact should be more on the potential demand disruption (higher prices of goods, poorer sentiment) if the trade war persists. Given the backdrop of the uncertainties stemming from the trade war, we pre-emptively pare down FY25-26F earnings by 12% and 7% on lower topline growth assumptions, post imputing the potential slowing of end-demand.
- **Value emerging.** Despite the decrease in our forecasts, there is substantial upside to our TP – so investors should ignore the short-term noise and position into the sector for a cyclical recovery and accumulate shares of a solid company that is expected to benefit from the upcycle. Our new TP of MYR3.04 implies an unchanged 30x FY25F P/E (+1.5SD from its 5-year mean), and builds in a 2% ESG premium.
- **Downside risks:** Tariff concerns slowing end-demand, slower-than-expected orders, technology obsolescence, and unfavourable FX movements.

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	1,440	1,581	1,673	1,826	1,969
Recurring net profit (MYRm)	80	54	122	198	254
Recurring net profit growth (%)	(67.5)	(33.0)	126.9	61.6	28.3
Recurring P/E (x)	38.29	57.15	25.19	15.58	12.15
P/B (x)	1.3	1.4	1.4	1.3	1.3
P/CF (x)	8.47	10.93	10.10	7.68	6.42
Dividend Yield (%)	4.2	4.2	4.0	4.8	5.8
EV/EBITDA (x)	9.32	9.88	7.97	6.05	4.89
Return on average equity (%)	2.7	2.7	5.4	8.7	10.9
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Analyst

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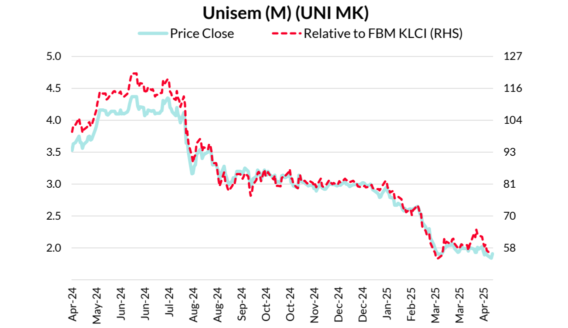
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(36.8)	(4.0)	(33.2)	(39.2)	(45.9)
Relative	(27.3)	(2.7)	(27.4)	(29.7)	(41.1)
52-wk Price low/high (MYR)					1.84 –4.37



Source: Bloomberg

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.0 (GOOD)
G Score: 3.3 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

Overall greenhouse gas (GHG) emissions increased by 7% in 2024 from the previous year, due to higher utilisation and production activities. Nonetheless, GHG emissions intensity rose slightly, as production during the year involved more products that required more sophisticated assembly methods and a higher amount of electricity.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	2	2	-	-
Scope 2	145	117	-	-
Scope 3	-	0	-	-
Total emissions	147	119	na	na

Source: Company data, RHB

Latest ESG-Related Developments

UNI re-entered the FTSE4Good Bursa Malaysia index in Jun 2021, placing it among companies with leading ESG practices and in compliance with the best practice disclosures.

Its new Environmental Roadmap will chart the direction and environmental initiatives up to 2025, which includes stepped-up targets to reduce energy intensity, GHG intensity, and water consumption intensity. It also targets to obtain green building certification for its new plants, and ramped up goals non-hazardous waste recycling rates.

The group is exploring options to reduce its reliance on fossil-based power. It is also looking into areas where it can take advantage of solar power generation at operating sites.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 30 Jul 2024

E Score: 3.0 (GOOD)

UNI monitors and manages its greenhouse gas emissions. Key energy consumption reduction initiatives are implemented at its sites. In terms of waste management, it aims to achieve a 50% recycling rate of total scheduled waste generated. All sites comply with local environmental laws on e-waste handling and practices.

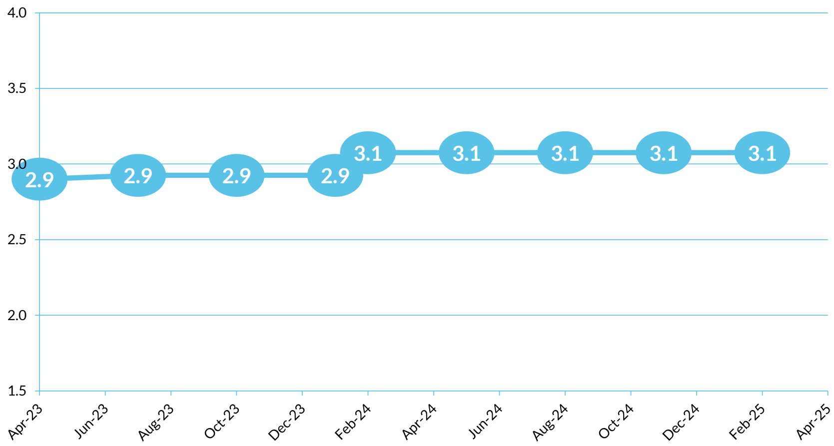
S Score: 3.0 (GOOD)

UNI has a Safety and Health Policy in place to create a safe and conducive work environment for its employees. Health and safety training is provided to enhance employee safety awareness.

G Score: 3.3 (EXCELLENT)

It has applied and adopted the majority of the best practices of the Malaysian Code on Corporate Governance. Nevertheless, we highlight that the managing director and chairman positions are held by the same person. Independent board members represent less than half of the Board, while 33% of board members are women. Guidance and disclosures from management are notable, and have been beneficial to the investment community.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Technology
Unisem (M)
UNI MK
Buy

Valuation basis

30x FY25F P/E

Key drivers

i. New contract wins;
ii. Higher loadings;
iii. Weaker MYR vs USD.

Key risks

i. Negative fluctuation in orders;
ii. Slower-than-expected smartphone sales;
iii. Stronger MYR vs USD;
iv. Technology obsolescence.

Company Profile

Unisem is an OSAT player with plants in Ipoh, Perak, Malaysia and Chengdu, China. The company offers a suite of assembly and test services, such as wafer bumping, wafer probing, wafer grinding, a range of leadframe and substrate integrated circuits packaging, wafer level chipscale packaging (CSP), flipchip and radio frequency, analogue, digital and mixed-signal testing services.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.05	0.03	0.08	0.12	0.16
DPS	0.08	0.08	0.08	0.09	0.11
BVPS	1.48	1.39	1.39	1.42	1.47
Return on average equity (%)	2.7	2.7	5.4	8.7	10.9

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	38.29	57.15	25.19	15.58	12.15
P/B (x)	1.3	1.4	1.4	1.3	1.3
FCF Yield (%)	0.4	(0.5)	3.4	8.2	10.7
Dividend Yield (%)	4.2	4.2	4.0	4.8	5.8
EV/EBITDA (x)	9.32	9.88	7.97	6.05	4.89
EV/EBIT (x)	30.78	35.36	20.07	12.19	9.08

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	1,440	1,581	1,673	1,826	1,969
Gross profit	696	746	827	942	1,026
EBITDA	304	303	377	480	563
Depreciation and amortisation	(212)	(218)	(228)	(241)	(260)
Operating profit	92	85	150	238	303
Net interest	(9)	(7)	(8)	(8)	(8)
Pre-tax profit	84	84	141	230	295
Taxation	(18)	(22)	(19)	(32)	(41)
Reported net profit	66	63	122	198	254
Recurring net profit	80	54	122	198	254

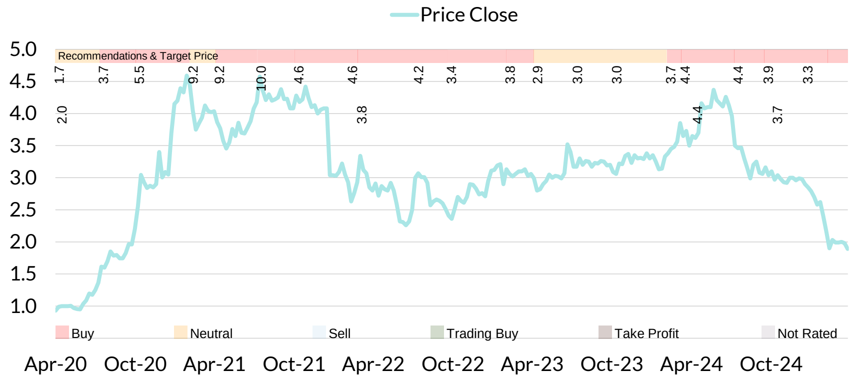
Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	82	5	(45)	(38)	(33)
Cash flow from operations	364	282	305	401	480
Capex	(352)	(297)	(200)	(150)	(150)
Cash flow from investing activities	(335)	(281)	(200)	(150)	(150)
Dividends paid	(129)	(129)	(122)	(148)	(178)
Cash flow from financing activities	(108)	(178)	(122)	(156)	(185)
Cash at beginning of period	556	481	278	253	357
Net change in cash	(80)	(177)	(17)	96	145
Ending balance cash	481	298	261	349	502

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	481	278	261	357	502
Tangible fixed assets	2,064	2,099	2,072	1,980	1,870
Total assets	2,988	2,891	2,875	2,929	3,013
Short-term debt	90	109	109	105	101
Total long-term debt	141	78	78	75	71
Total liabilities	603	644	627	632	639
Total equity	2,385	2,248	2,248	2,297	2,373
Total liabilities & equity	2,988	2,891	2,875	2,929	3,013

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	(19.2)	9.8	5.8	9.1	7.8
Recurrent EPS growth (%)	(67.5)	(33.0)	126.9	61.6	28.3
Gross margin (%)	48.4	47.2	49.4	51.6	52.1
Operating EBITDA margin (%)	21.1	19.1	22.6	26.3	28.6
Net profit margin (%)	4.6	4.0	7.3	10.8	12.9
Dividend payout ratio (%)	196.9	205.8	100.0	75.0	70.0
Capex/sales (%)	24.5	18.8	12.0	8.2	7.6
Interest cover (x)	9.77	12.14	17.82	28.34	37.21

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-03-03	Buy	3.3	2.1
2024-10-30	Buy	3.7	3.0
2024-10-09	Buy	3.9	3.1
2024-07-31	Buy	4.4	3.6
2024-04-29	Buy	4.4	3.8
2024-04-01	Buy	4.4	3.8
2024-02-28	Buy	3.7	3.3
2023-10-27	Neutral	3.0	3.1
2023-07-28	Neutral	3.0	3.2
2023-04-28	Neutral	2.9	3.0
2023-02-24	Buy	3.8	3.1
2022-10-12	Buy	3.4	2.4
2022-07-29	Buy	4.2	3.0
2022-03-21	Buy	3.8	3.1
2022-02-28	Buy	4.6	2.9

Source: RHB, Bloomberg

RHB Small Cap Asean Research

Shariah Compliant

Malaysia Company Update

24 April 2025

Equipment | Technology Hardware & Equipment

Pentamaster Corp (PENT MK)

Buy (Maintained)

Well-Priced For a BUYing Opportunity

Target Price (Return):	MYR4.17 (+85%)
Price (Market Cap):	MYR2.26 (USD366m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (MYR/USD)	5.88m/1.31m

- **Maintain BUY, new MYR4.17 TP from MYR4.81, 85% upside with c.2% FY25F yield.** We believe the stock is oversold despite the short-term uncertainties stemming from the ongoing US-China trade war. Pentamaster Corp stands to benefit from the long-term growth of its factory automation solutions (FAS) segment, supported by the rising adoption of manufacturing automation across various industries. Its current below-mean valuation provides a good entry opportunity for investors.
- **A temporary relief but uncertainties remain.** The temporary pause of tariffs on various semiconductor and various electronic goods was a big relief for the sector in avoiding near-term demand shocks. However, a separate imposition of tariffs on chips maybe on the cards, to reduce the US' reliance on China. A policy reversal, or new tariffs being imposed by both the US and China could reintroduce uncertainty.
- **The positives.** The established ecosystem in MY – advanced infrastructure, skilled labour, competitive costs, and pro-investment policies – positions PENT as a prime beneficiary of the intensified reallocation of manufacturing activities to ASEAN and the China Plus One strategy in the longer term. We take comfort that the US multinationals' supply chains are entrenched in Malaysia, and some of these will continue to be under certain exemption from tariffs, or fare better vs rival networks in competing countries where the initial reciprocal tariff rate was much higher.
- **Order uncertainty.** While there have been no major disruptions to ongoing critical orders, clients are adopting a more cautious stance on new or yet-to-commence orders. Pentamaster's near-term visibility remains limited, with potential delays in finalisations as customers adopt a wait-and-see approach. As at 4Q24, the group's orderbook stood at MYR400m, with a roughly equal split for its automated test equipment and FAS segments.
- **Pre-emptive cut.** Although the company's exposure to the US was <5% based on its FY24 revenue, the impact will be much more on the potential demand disruption (higher prices of goods, poorer buyer sentiment) if the trade war persists. Given the backdrop of the uncertainties stemming from the ongoing trade war, we pre-emptively decrease FY25-27F earnings by 13%, 10% and 5% on lower topline growth assumptions – taking into account the potential deceleration in end-demand.
- **Value emerging.** Despite our earnings estimates cut, we see substantial upside to our TP. Hence, we believe investors should ignore the short-term noise and position into the sector for a cyclical recovery, and a solid company that is expected to benefit from the upcycle. Our TP drops to MYR4.17 from MYR4.81 following the forecast revisions, pegged to an unchanged 33x FY25F P/E (+0.5SD from its 5-year mean) – inclusive of 2% ESG premium.
- **Downside risks** include slow replenishment of its orderbook and skilled labour shortages.

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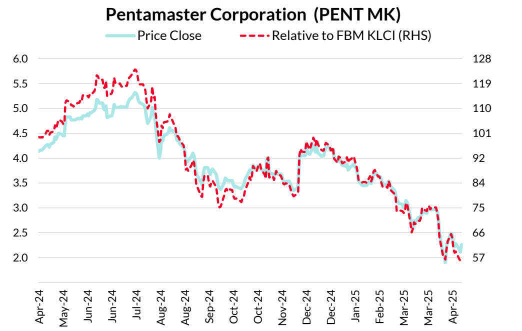
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(45.7)	(22.6)	(38.8)	(39.1)	(45.4)
Relative	(36.2)	(21.3)	(33.0)	(29.6)	(40.6)
52-wk Price low/high (MYR)					1.90 –5.32



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	692	623	654	776	892
Recurring net profit (MYRm)	88	82	88	103	115
Recurring net profit growth (%)	6.2	(6.0)	7.2	16.7	11.1
Recurring P/E (x)	18.35	19.53	18.23	15.62	14.06
P/B (x)	2.3	2.2	2.0	1.8	1.6
P/CF (x)	7.49	11.76	20.87	11.77	10.02
Dividend Yield (%)	0.9	na	1.8	0.9	0.9
EV/EBITDA (x)	8.70	11.48	10.47	8.49	7.29
Return on average equity (%)	13.4	9.0	11.4	12.1	12.1

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E Score: 3.0 (GOOD)
S Score: 3.0 (GOOD)
G Score: 3.2 (EXCELLENT)
Please refer to the ESG analysis on the next page

Note:
Small cap stocks are defined as companies with a market capitalization of less than USD0.5bn.

Emissions And ESG

Trend analysis

Pentamaster's total GHG emissions were indirectly reduced by 5% FY23 primarily due the decrease in its purchased electricity consumption.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	na	na	na	na
Scope 2	4,900	4,579	na	na
Scope 3	139	206	na	na
Total emissions	5,038	4,785	na	na

Source: Company data, RHB

Latest ESG-Related Developments

Pentamaster aims to reduce its overall GHG emissions intensity by 20% by 2030, with 2020 as the base year.

The group's new Campus 3 will feature energy-efficient systems, including solar panel fittings, rainwater harvesting, LED lighting, zoning, and smart sensors to optimise energy.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

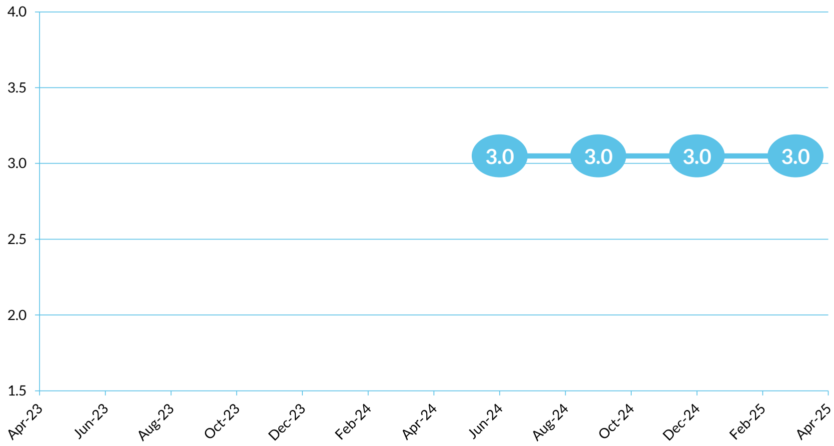
Last Updated: 27 Jun 2024

E Score: 3.0 (GOOD)
The group does not partake in activities with a direct or significant impact on natural resources during its operations. To address potential climate change threats to communities, it has been steadily reducing its carbon footprint across its operations. The main source of greenhouse gas (GHG) emissions by the group is the consumption of electricity of machineries.

S Score: 3.0 (GOOD)
The company prioritizes the well-being of employees who have significantly contributed to its growth. It promotes an open communication policy to maintain motivation and encourages engagement across teams, levels, and departments.

G Score: 3.2 (EXCELLENT)
Board characteristics are within the requirements stipulated by Bursa Malaysia, with half of the board consisting of independent directors and 33% female representation on the board. Pentamaster provides clear, timely and reliable information that is compliant with Malaysia's regulatory framework. Shareholder rights are well-protected.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Equipment
Pentamaster Corp
PENT MK
Buy

Valuation basis

33x FY25 P/E

Key drivers

i. Stronger orderbook
ii. Recovery of Automotive sector
iii. Semiconductor upcycle.

Key risks

i. Slow replenishment of orderbook
ii. Skilled-labour shortages.

Company Profile

Pentamaster Corp provides integrated and customized solutions, serving customers across industries sectors ranging from semiconductor, computer, automotive, electrical & electronics, pharmaceutical, medical devices, food & beverages, consumer electronics to general manufacturing.

Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.12	0.12	0.12	0.14	0.16
DPS	0.02	-	0.04	0.02	0.02
BVPS	0.98	1.05	1.13	1.26	1.40
Return on average equity (%)	13.4	9.0	11.4	12.1	12.1

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	18.35	19.53	18.23	15.62	14.06
P/B (x)	2.3	2.2	2.0	1.8	1.6
FCF Yield (%)	7.0	(1.1)	(4.5)	5.4	6.9
Dividend Yield (%)	0.9	-	1.8	0.9	0.9
EV/EBITDA (x)	8.70	11.48	10.47	8.49	7.29
EV/EBIT (x)	9.80	13.82	12.60	10.57	9.19

Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	692	623	654	776	892
Gross profit	207	178	196	235	270
EBITDA	159	128	153	184	208
Depreciation and amortisation	(18)	(22)	(26)	(36)	(43)
Operating profit	141	106	127	148	165
Pre-tax profit	141	105	127	148	165
Taxation	(1)	(2)	(3)	(3)	(3)
Reported net profit	89	65	88	103	115
Recurring net profit	88	82	88	103	115

Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	68	5	(71)	(42)	(40)
Cash flow from operations	215	137	77	137	161
Capex	(102)	(155)	(150)	(50)	(50)
Cash flow from investing activities	(110)	(146)	(150)	(50)	(50)
Dividends paid	(14)	(14)	(28)	(14)	(14)
Cash flow from financing activities	(39)	(49)	(28)	(14)	(14)
Cash at beginning of period	421	491	449	350	425
Net change in cash	66	(58)	(101)	73	96
Ending balance cash	485	433	347	422	522

Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	491	449	350	425	525
Tangible fixed assets	282	457	581	595	602
Total investments	40	29	29	29	29
Total assets	1,318	1,352	1,431	1,596	1,775
Total liabilities	312	271	254	288	320
Total equity	1,006	1,081	1,177	1,308	1,455
Total liabilities & equity	1,318	1,352	1,431	1,596	1,775

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	15.2	(10.0)	4.9	18.7	15.0
Recurrent EPS growth (%)	6.2	(6.0)	7.2	16.7	11.1
Gross margin (%)	30.0	28.6	29.9	30.3	30.3
Operating EBITDA margin (%)	23.0	20.5	23.4	23.8	23.3
Net profit margin (%)	12.9	10.5	13.5	13.3	12.8
Dividend payout ratio (%)	16.0	0.0	32.3	13.8	12.4
Capex/sales (%)	14.8	24.9	23.0	6.4	5.6

Source: Company data, RHB

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-26	Buy	4.81	3.12
2024-12-20	Buy	5.12	4.11
2024-11-11	Buy	5.10	3.69
2024-08-05	Buy	5.95	4.00
2024-06-26	Buy	6.16	4.93

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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Analyst	Company
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