

BURSA INSTI SECTORIAL SERIES

Notepad with Ibrahim Sani – TECHNOLOGY

Bursa Malaysia worked together with Astro Awani's Notepad with Ibrahim Sani to feature the Technology sector. We invited Hong Leong Investment Bank's Senior Analyst (Telco & Technology), Tan J Young to talk about his views on the sector and key takeaways as below.

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- Overview: Positive on the technology sector. Recently HLB upgraded the sector to Overweight as he expects a multi-year growth supported by the exponential demand from 5G, IoT, AI, cloud computing, autonomous driving, etc. Technology companies should expect all-time high results in the upcoming quarter.
- HLB sector picks: HLB has 4 Buys (Frontken, UWC, Inari and Unisem) and 1 Hold for Vitrox.
- HLB likes semiconductors that are in the front-end of the supply chain such as Frontken. This is on the back of sustainable supply chain and growth outlook, robust investment and leading technology such as 5 nanometers and strong balance sheet.
- UWC: Increasing exposure on the semiconductor front, supply chain and solid demand for its products. HLB increased its earnings by 4% and 17% for 2021 and 2022 respectively.
- Inari: Although Inari is not a front-end semiconductor player, it is expected to ride on the iPhone 12 super cycle. Earnings expected to increase by 17-19%.
- Unisem: Despite the trade war and Covid-19 risks, prospects are likely to improve with the closure of lossmaking Batam plant and the strengthening of USD and the gradual synergistic relationship with other companies. Therefore, the earnings increase is expected to be 32%, 30% and 29% in FY20, FY21 and FY22 respectively.
- New entrants in the market: There is a possibility for new entrants in the sector due to the US-China trade war. US customers have avoided outsourcing and possibly, shifted their supply chain from China, thus increasing the possibility for new entrants.
- 5G: Government has pushed the spectrum award to 2021. Without the spectrum, 5G rollout will be difficult and is dependent on respective telcos, whether the telcos would repurpose their 3G and 4G spectrums into 5G.
- Shortage of iPhone components: Do not expect shortage for A14 bionic chips and other iPhone 12 components. For example, TSMC, who developed the A14 bionic chips is continually expanding capacity which is an indication that demand is catching up.
- Summary: Technology is still a good sector due to its multi-year growth potential and HLB believes that the expansion of this sector is sustainable.