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Technology Sector

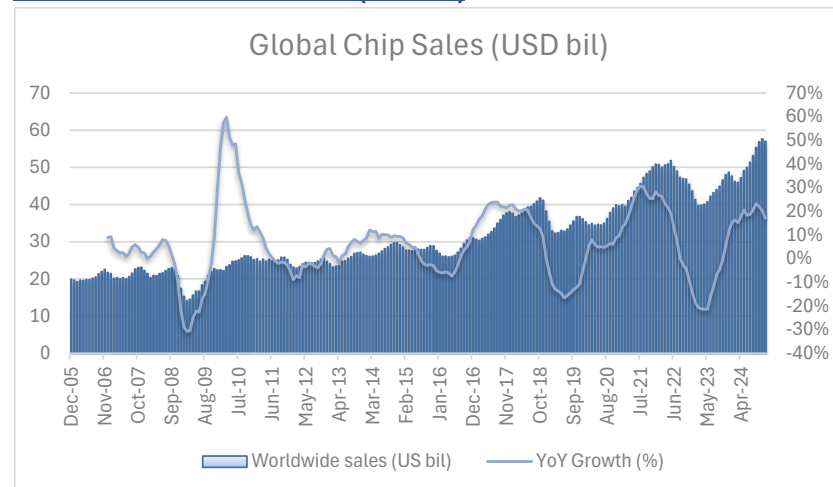
Overweight (↔)

Global chip sales grew 19% yoy in 2024

Executive Summary

- Global semiconductor sales reached USD56.97bn in Dec 2024 (+17.1% yoy, -1.2% mom), bringing full-year 2024 sales to USD627.6bn (+19.1% yoy), fuelled by AI-related CAPEX spending. The mom decline ended nine consecutive months of growth, mainly due to seasonal factors and inventory adjustments.
- Bursa Technology Index down -8.5% ytd, impacted by Biden's AI chip restrictions and concerns over China's DeepSeek AI model, which may lower AI spending needs. Near-term uncertainties persist with Trump's tariff threats, but supply chain diversification is expected to benefit Malaysia.
- Maintain Overweight on Technology sector, supported by global consumer electronics recovery, easing interest rates, and robust FDI inflows from trade diversions amid ongoing Sino-US tensions.

Global semiconductor sales (USD bn)

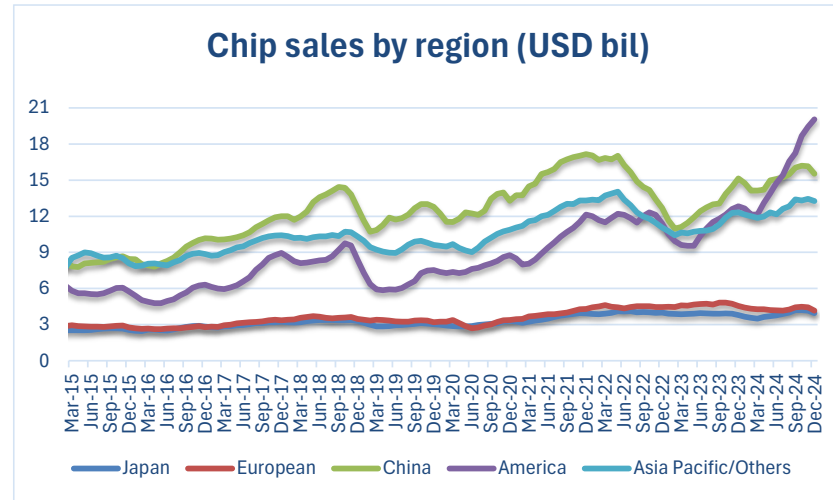


Source: SIA

Sales performance overall in 2024 grew 19.1% yoy. Global semiconductor sales reached USD56.97bn in December 2024, representing a 17.1% yoy increase from USD48.66bn in December 2023 but a 1.2% mom decline from USD57.64bn in November 2024. The strong yoy growth was primarily driven by rising AI-related CAPEX spending. However, the slight mom decline, which ended nine consecutive months of growth, was attributed to seasonal factors and inventory adjustments by merchants. For the full year 2024, global semiconductor sales grew 19.1% yoy to USD627.6bn, largely fuelled by robust AI-driven demand.

Sales breakdown by region. America was the only region to record mom growth in semiconductor sales, rising +3.2% mom and +56.3% yoy, in line with the strong demand for AI-related chips, particularly Nvidia chips for AI investment spending. In contrast, other regions experienced mom decline, mainly due to geopolitical factors, weaker consumer demand, and year-end inventory adjustments. Europe recorded -6.4% mom, -8.6% yoy, likely impacted by geopolitical uncertainties and softer consumer spending. Japan saw -4.7% mom, +4.1% yoy, reflecting sluggish domestic demand but modest annual improvement. China posted -3.8% mom, +2.6% yoy, indicating a slowdown in sales momentum despite ongoing economic recovery efforts. Meanwhile, Asia Pacific/All Other recorded -1.4% mom, +7.6% yoy, reflecting a broad improvement in global semiconductor demand but a temporary slowdown due to seasonal year-end inventory adjustments.

Semiconductor sales by regions ('USD bn)



Source: SIA

Semiconductor sales highlights in 2024. In 2024, logic chips remained the largest semiconductor product category by sales, reaching USD212.6bn, reflecting their critical role in AI, cloud computing, and advanced computing applications. Memory chips followed as the second-largest category, surging +78.9% yoy to USD165.1bn, highlighting the growing demand for high-capacity storage solutions. Within the memory segment, DRAM led the market with an 82.6% yoy increase, marking the highest percentage gain among all semiconductor categories in 2024. These figures underscore the continued strong demand for both advanced logic and high-capacity memory solutions, driven by AI expansion and cloud infrastructure developments.

Bursa Technology index

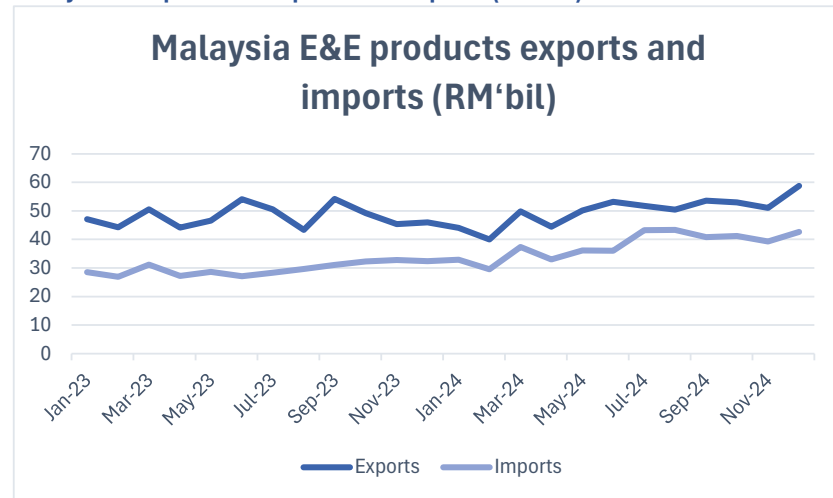


Source: Tradingview

Bursa Technology index down 8.5% YTD. Bursa Technology Index recorded a sluggish performance, declining -8.5% ytd since the start of 2025, as sentiment remains dampened by external headwinds. Key factors include former President Joe Biden’s announcement on restrictions on AI chip imports globally, which raised concerns over potential disruptions in semiconductor demand. Additionally, the emergence of China’s low-cost AI language model, DeepSeek, has fuelled fears of lower AI spending requirements, further pressuring technology stocks. These developments have led to increased uncertainty in the sector, with investors adopting a cautious stance amid geopolitical and regulatory challenges.

Trump's tariff and DeepSeek introduced near-term uncertainties and volatility. We acknowledge that the revival of Trump's tariff threats and the emergence of DeepSeek are likely to introduce near-term volatility for the technology sector. However, we remain optimistic over the long-term perspective due to following reasons: the emergence of DeepSeek is expected to accelerate industrial AI transformation by lowering AI spending costs, making AI adoption more accessible across industries. Additionally, as major tech giants recognise the potential disruption, likelihood of ramping up AI investments to stay competitive, driving further advancements in AI infrastructure remains largely in the woods. While Trump's potential tariff threats may create short-term uncertainties, we believe it is unlikely to force the entire semiconductor supply chain to reshore fully to the US and instead, it will accelerate supply chain diversification and relocation away from China. This shift is expected to benefit alternative semiconductor hubs, including Malaysia, reinforcing the country's position as a key beneficiary of global trade realignment.

Malaysia E&E products exports and imports (RM' bn)



Source: DOSM

In December 2023, Malaysia recorded a stellar E&E products external trade by exports (+28.0% yoy and +15.0% mom), imports (+31.0% yoy and +8.0% mom) and bringing full year 2024 expansion to +4.3% yoy in export and +28.0% yoy growth in import of E&E products.

Keeping Overweight stance. We maintain **Overweight** stance on the Technology sector, on the backed optimistic on the recovery of global consumer electronics demand spurred by global interest rate cuts and stimulus initiatives and Robust FDI inflows from NSS strategy and trade diversions driven by intensifying Sino-US trade tensions.

Peers Comparison

Company	FYE	Price (RM) as at 11Feb25	P/E (x)		P/B (x)		Dividend Yield (%)	Target Price (RM)	Potential Upside	ESG Rating
			2024E	2025F	2024E	2025F				
Inari Amertron Bhd*	June	2.610	32.9	27.6	3.6	3.6	2.7%	3.76	44.1%	★★★
QES Group Bhd	Dec	0.510	23.8	20.5	2.6	2.2	0.8%	0.77	51.0%	★★★
Frontken Corp Bhd	Dec	3.900	49.6	37.8	9.8	8.4	1.0%	5.38	37.9%	★★★
Aurelius Technologies Bhd	Dec	3.200	26.9	21.2	2.9	2.7	2.7%	4.16	30.0%	★★★
Infoline Tec Group Bhd	Dec	0.905	25.9	18.0	5.8	4.9	2.1%	1.19	31.5%	★★★
Ramssol Group Bhd	Dec	0.835	15.1	12.9	2.7	2.4	0.0%	0.86	3.0%	★★★

*2024E refers to actual data

Source: Apex Securities Bhd

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
