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Technology Sector

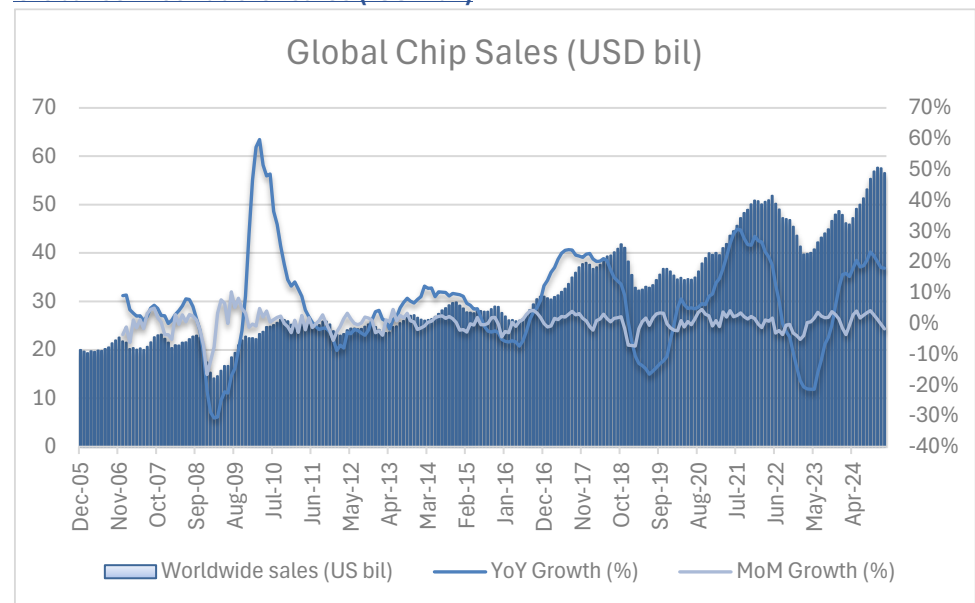
Overweight (↔)

Global chip sales grew 17% YoY in Jan 25

Executive Summary

- Global semiconductor sales reached USD 56.5bn in Jan 2025 (+17.1% yoy, -1.7% mom), driven by strong AI chip demand, while the mom decline was due to seasonal factors. Most regions posted yoy growth, led by the Americas (+50.7%), while Europe lagged (-6.4%).
- Bursa Technology Index sank -26% ytd, -16% mom, pressured by lacklustre earnings, AI export restrictions, and Trump tariff uncertainties, weighing on sector sentiment.
- Maintain Overweight on Technology sector, as Malaysia remains a key supply chain beneficiary amid global trade shifts and geopolitical tensions. Top picks: Inari Amertron (BUY, TP: RM3.53) and Aurelius Technologies (BUY, TP: RM4.17).

Global semiconductor sales ('USD bil)

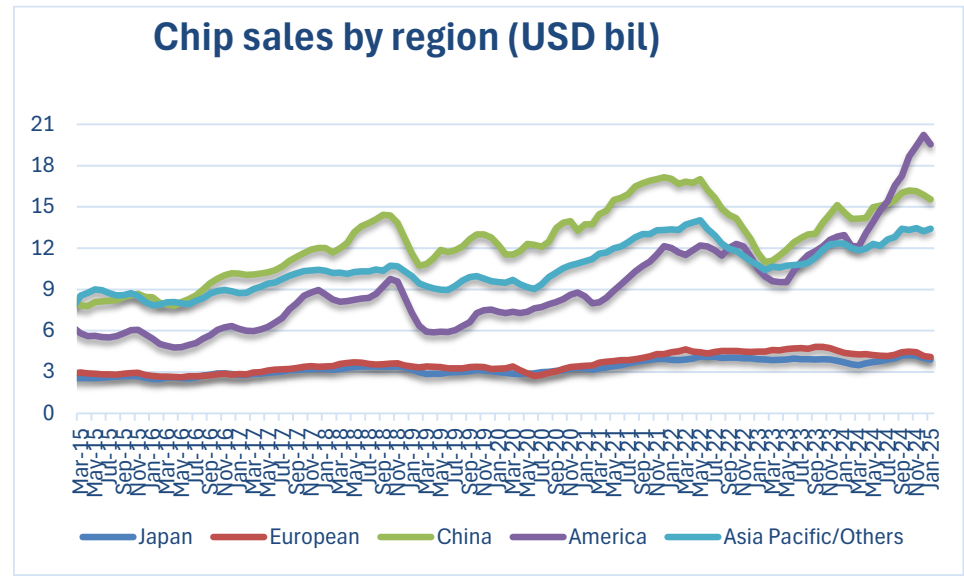


Source: SIA

YoY continues higher, MoM slightly lower. Global semiconductor sales reached USD56.5bn in Jan 2025, representing a 17.1% yoy increase from USD47.9bn in Jan 2024 but was a 1.7% mom decline from USD57.5bn in Dec 24. The strong yoy growth was primarily driven by strong demand in AI related chips. However, the slight mom decline, was attributed to seasonal factors with usual weak sales in beginning of year.

Sales breakdown by region. On a yoy basis, most regions posted higher chip sales in January 2025, including the Americas (50.7%), Asia Pacific (9.0%), China (6.5%), and Japan (5.7%). Europe, however, registered a 6.4% decline, pointing to relative weakness in European end-markets and ongoing inventory adjustments. Month-over-month, only Asia Pacific showed growth (+1.6%). Other regions experienced seasonal dips: Europe (-1.3%), China (-2.0%), Japan (-3.1%), and the Americas (-3.5%).

Semiconductor sales by regions ('USD bil)



Source: SIA

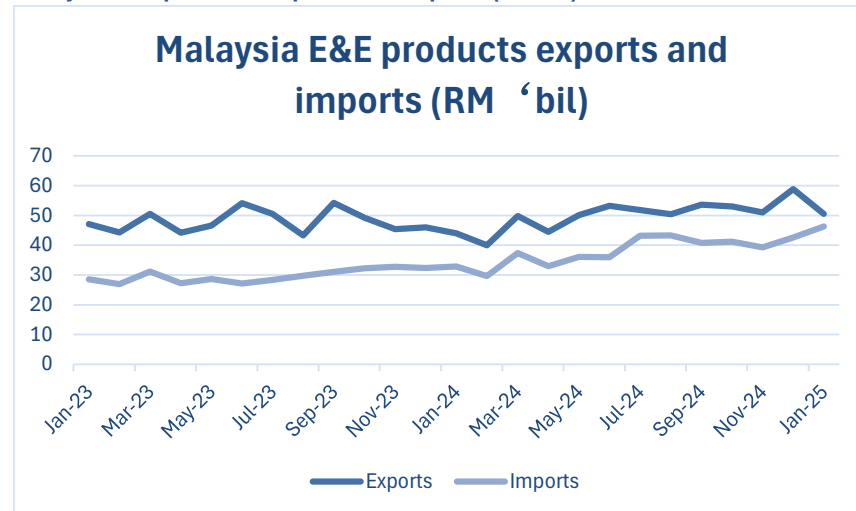
Bursa Technology index



Source: Tradingview

Bursa Technology index sank 26% ytdD. The Bursa Technology Index remains under pressure, declining 26% ytd since the start of 2025 and fell 16% mom in Feb 2025. The weakness was driven by disappointing quarterly results that failed to meet investor expectations, alongside cautious outlooks from tech companies as customers remained wary of tariff threats. Meanwhile, sentiment continues to be weighed down by external headwinds, including AI export restrictions and uncertainty surrounding Trump’s tariff policies, which pose near-term risks to the sector.

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



Source: DOSM

Malaysia's E&E external trade remains strong YoY but faces seasonal mom decline. Malaysia's exports of electrical and electronics (E&E) products continued to deliver robust yoy growth, rising 15%, while imports increased by 9%, reflecting a better economic environment and sustained demand. However, on a mom basis, exports declined by 14%, while imports grew by 9%, primarily due to seasonal factors affecting trade flows.

Geopolitical tensions and trade policies shape the semiconductor landscape. The ongoing US-China tech rivalry continues to drive significant regulatory actions, impacting semiconductor production, supply chains, and market access. Notably, stricter scrutiny on Southeast Asian smugglers of AI chips to China has affected the industry supply dynamics. Meanwhile, discussions around potential US tariffs on semiconductor imports from Taiwan have prompted TSMC—the world's largest wafer manufacturer to increase its investment in the US, committing an additional USD100bn on top of its existing USD65bn for its advanced manufacturing facility in Arizona. These developments have introduced near-term uncertainties in the global semiconductor supply chain, adding to sector volatility. Looking ahead to 2025, we expect industry players to intensify efforts to geographically diversify their supply chains, build buffer inventories for critical chips, and strengthen cooperation with allied trading partners—all as part of risk management strategies to navigate ongoing geopolitical and trade-related challenges.

Keeping Overweight stance. While we remain cautious on the technology sector in the near term due to weak sentiment and external headwinds, particularly the potential reimposition of Trump-era tariffs on Malaysia's exports, we see attractive risk-reward opportunities at current valuations. Despite ongoing tariff pressures, Malaysia remains a key beneficiary of global supply chain diversification, as companies continue to relocate amid prolonged Sino-US tensions. While tariffs may pose challenges, we believe they are unlikely to trigger a full reshoring of the semiconductor supply chain to the US. Instead, acceleration of diversification efforts may prompt companies to shift operations away from China toward alternative semiconductor hubs, including Malaysia. These dynamics support our **Overweight** stance on the sector, with selective opportunities to re-enter fundamentally strong technology names. Our top picks for the technology sectors are Inari Amertron Berhad (**BUY; TP: RM3.53**) and Aurelius Technologies Berhad (**BUY; TP: RM4.17**).

Peers Comparison

Company	FYE	Price (RM) as at 9Mar25	P/E (x)		P/B (x)		Dividend Yield (%)	Target Price (RM)	Potential Upside	ESG Rating
			2024A	2025F	2024A	2025F				
Inari Amertron Bhd	June	2.020	31.6	26.1	2.7	2.5	3.8%	3.53	74.8%	★★★
QES Group Bhd	Dec	0.465	22.4	15.8	2.1	1.8	1.2%	0.54	16.1%	★★★
Frontken Corp Bhd	Dec	3.350	39.0	26.8	7.3	6.2	1.1%	4.37	30.4%	★★★
Aurelius Technologies Bhd	Dec	3.030	21.5	18.2	2.7	2.3	2.9%	4.17	37.6%	★★★
Infoline Tec Group Bhd	Dec	0.800	16.6	15.1	4.4	4.0	1.8%	1.19	48.8%	★★★
Ramssol Group Bhd	Dec	0.820	21.8	16.5	2.3	2.8	0.3%	0.78	-4.9%	★★★

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.
