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# Technology Sector

**Overweight (↔)**

## A year of earnings realisation

- **The global semiconductor market is on track to reach nearly USD1trn in 2026 (+25% YoY), led by strong memory and logic growth as hyperscalers continue to scale AI compute, memory and networking capacity.**
- **TSMC's 2nm process and CoWoS line up have been fully booked for 2026, reflecting an insatiable appetite for advanced nodes capacity which is currently dominated by TSMC.**
- **Intel's turnaround and consolidation of its Malaysia and Vietnam operations into core assembly and testing hubs (after exiting Costa Rica) among the key catalysts for Malaysia's tech supply chain.**
- **Order digestion and China-related restrictions may soften WFE demand near term, but the medium-term capex upcycle remains intact, favouring selective WFE and component suppliers with visible ramps.**
- **Maintain OVERWEIGHT, favouring AI data center, advanced packaging and front-end beneficiaries. Top picks: Frontken (TP: RM5.18), MITECH (TP: RM4.00), Wentel (TP: RM0.50).**

**Semiconductor market approaching USD1trn in 2026.** The WSTS forecasts the global semiconductor market to expand by 26% to USD975bn in 2026, driven primarily by strong growth in memory (+39%) and logic (+32%) (Figure 1). This upbeat forecast is underpinned by the AI-led infrastructure spending upcycle as hyperscalers and enterprises continue to scale compute, memory and networking capacity to support increasingly complex AI workloads. As capex guidance from US hyperscalers remain upbeat, demand for GPUs/AI accelerators and HBM would likely sustain and trend higher, and spill over across the supply chain including high-speed networking ICs, advanced packaging and testing services and power management solutions.

**Foundries in the driver's seat amid advanced-node crunch.** TSMC Chairman and CEO C.C. Wei highlighted that customer wafer demand is significantly outstripping its wafer fab capacity, with planned consumption by major customers estimated to be roughly three times higher than TSMC's available capacity. Beyond front-end constraints, advanced packaging (i.e. CoWoS) has emerged as a key bottleneck, with capacity largely booked by AI-driven customers such as Nvidia, AMD, Google and other custom ASIC developers. We highlight TSMC's 2nm process and CoWoS line up have been fully booked for 2026, reflecting an insatiable appetite for advanced nodes capacity which is currently dominated by TSMC. For foundry exposure, **Frontken (BUY; TP: RM5.18)** stands to capture the spill-over effects through burgeoning demand for advanced precision cleaning services for wafer fabrication equipment. With 2nm entering mass production, the frequency and complexity of component cleaning are set to intensify for tighter contamination control at leading edge nodes.

**Samsung and Intel stepping up in the foundry race.** Intel and Samsung foundries are both stepping up their advanced nodes progresses (18A and 2nm, respectively) to capitalise on the opportunities arising from TSMC's capacity crunch, while addressing fabless customers' growing concerns over supplier concentration risks. According to TrendForce, Samsung's foundry has begun to gain traction, underpinned by a USD16.5bn contract win from Tesla for its AI6 processor, alongside orders for its in-house Exynos 2600 smartphone AP, Apple's image sensors and China-based MicroBT's custom mining ASICs. Potential customer pipeline for its Taylor fab includes Google, AMD and Qualcomm. On the other hand, Intel is gaining momentum with reports indicating discussions with several fabless players (i.e. MediaTek, Apple and Qualcomm) for its advanced packaging solutions (i.e. Foverus, EMIB). Its positive progress at its 18A node has reportedly secured orders for Microsoft's Maia 3 accelerator and sparked interest from Apple for potential M-series production as early as 2027.

**Intel's reinvigoration a spotlight for 2026.** After years of operational setbacks, Intel's recovery is beginning to take shape and is expected to generate positive spillover effect to Malaysian technology supply chain. We also believe Malaysia's strategic importance within Intel's global supply chain will strengthen further, following Intel's consolidation of its Malaysia and Vietnam operations into core assembly and testing hubs after its exit from Costa Rica. Key beneficiaries include **UWC (NR)**, where revenue contribution from Customer I had declined in recent years but is now showing signs of recovery with introduction of new testing equipment models to support next-generation products in 2026 and beyond. **3REN (NR)**, with about 60% of its revenue derived from Intel, is expected to see higher demand for its product engineering and support services.

**Front-end WFE demand may take a breather in 1H26.** The AI-fuelled investments in advanced chips and global fab buildouts have underpinned stellar earnings growth for key front-end WFE makers such as ASML, Lam and AMAT in 2025. However, they had guided for flattish orders through 1H26, with growth weighted toward 2H26 due to tightening US export controls limiting access to the China market, alongside a digestion phase of earlier front-loaded orders from Chinese customers. The trajectory is broadly consistent with outlook for **UMSINT (NR)**, which has guided for a flattish run-rate for its key WFE customer from 4QFY25 through 1H26, with activity expected to pick up meaningfully in 2H26. **SAMEE (NR)**, which has significant exposure to Customer A, is expected to see similar trend in 1H26 followed by an acceleration in 2H26.

**UWC and Wentel strong proxies for WFE ramp.** Despite near-term momentum stalls at the front-end, we expect continued production ramp and margin expansion for **UWC (NR)** as more components by Customer L go into high volume production coupled with continued yield improvements. This is further supported by an upturn in demand from Customer T for its memory test handlers. Meanwhile, **Wentel (BUY; TP: RM0.50)** is actively scaling up its front-end exposure from the current c.12%. We expect a sequential ramp through 2026 as a robust NPI pipeline for its key front-end customer begins to translate into volume production. There is also meaningful headroom for expansion in its E&E segment, which management targets to grow to 50% over the next 3–5 years (from c.20%). Should Wentel demonstrate successful execution in ramping its E&E segment, we believe the stock offers ample scope for rerating.

**Limited exposure to memory boom**. Amid the frenzy in the memory space (HBM, DRAM, NAND), hyperscalers are also bulk-procuring nearline HDDs for cold-capacity storage, resulting in a supply tightness across the HDD market. After years of secular ASP decline, HDD pricing has entered an upcycle, with contract prices rising by c.4% QoQ in 4Q25, supported by extended lead times of up to 12 months. In our opinion, Bursa's exposure to the memory supercycle remains limited with only a handful of players like **Dufu (NR), Notion (NR)** involved in the supply of precision parts for HDD. While we expect their revenue growth to be decent in 2026 backed by rising demand for spacer and casing components, upside may be capped as component demand is largely correlated with shipment volumes rather than exabyte growth per drive. This is in line with Seagate's and WD's emphasis on capex discipline and capacity expansion via higher exabytes per unit through HAMR technology. As such, local suppliers may not fully capture the upside from the broader memory upcycle despite improving HDD pricing dynamics. Moreover, our channel checks revealed that cost-down initiatives across the value chain remain in place despite the upcycle, which limits margin expansion.

**Mixed outlook for Analog semi.** After a prolonged downturn in the analog semiconductor sector since late 2022 and extended through 1H25 amid the drag from US blanket tariffs, we believe the worst of the inventory correction cycle is in the rear-view mirror. Most analog leaders delivered flattish to declining top-line growth in CY25 (i.e. Infineon, STM, NXP and onsemi, except TXN and ADI). Despite analog peers eyeing a recovery in 2026, order visibility remains limited as customers continue to adopt a selective and cautious approach to inventory rebuilding. This is likely to constrain the pace of recovery through 2026, particularly across the automotive and industrial end-markets, in our view. Notwithstanding the uncertainty in core markets, the data center segment now represents the fastest-growing frontier for analog/mixed-signal semiconductors, driven by power management and signal conditioning solutions. Notably, Infineon's AI DC revenue tripled in FY25 and is expected to clinch strong double-digit growth in 2026. OSAT supply chain like **MPI (NR)** with meaningful exposure to DC applications could see greater growth potential.

**Favouring ATE names with AI DC exposure.** We favour ATE players with rising exposure to the AI DC and advanced packaging supply chain such as **ViTrox (BUY; TP: RM4.95)** and **MITECH (BUY; TP: RM4.00)**. Leveraging on its technological edge, ViTrox has been gaining share from the OSAT/EMS supply chain, especially in the area of advanced packaging (component level inspection) and AI server manufacturing (board inspection). With the ongoing capex upcycle by tier-1 OSAT and EMS players to fulfil the surging demand for AI servers, we believe ViTrox is on the cusp of strong earnings upcycle over 2026-2027 with strong volume and ASP growth. Meanwhile, we expect MITECH to continue benefiting from the migration toward WLCSP advanced packaging platform by IDMs and OSATs, alongside continued market share gains driven by its market-leading Mi Series die sorter. In addition, rising solder ball demand from its subsidiary Accurus, bouyed by tier-1 OSATs and foundries to support growing advanced packaging volume and complexity for AI applications, should provide an incremental growth catalyst.

**US semiconductor tariff risks dissipating**. The risk of sweeping US semiconductor tariffs under the Section 232 probe (originally touted 100% duties on foreign-made chips) is dissipating as officials inside the Trump administration have signalled that it may not be implemented anytime soon. In our view, the market has largely priced in this development, providing a geopolitical breather for technology names heading into 2026. This also helps preserve Malaysia's position as a key global assembly and test hub in the near-to-medium term, thereby alleviating earlier concerns surrounding OSAT and back-end semiconductor supply chains.

**Forex headwinds an elephant in the room.** The RM appreciated against the USD in 4Q25 to an average of RM4.15/USD (vs 3Q25: 4.23). Our economist view that the ringgit may continue to strengthen to an average of RM4.03/USD in 2026, supported by firmer sentiment alongside an improving external outlook. This is stronger than our previous assumption of RM4.15/USD applied to our CY26 earnings projections. Also, we think there is downside risk to consensus earnings of the tech sector, which may warrant downward earnings revision should the currency strength persist. To be conservative, we have reassessed our earnings forecasts across our coverage based on the latest currency trends and prevailing macroeconomic conditions, as outlined in figure#6.

**Maintain OVERWEIGHT.** Following the pullback in the KLTEC Index in 4Q25, we expect investor positioning to turn more selective with a preference for names offering strong earnings leverage onto AI-related demand. Rather than a broad-based sector rerating, we view 2026 as a year of earnings realisation where sustained share price performance will be driven less by narrative and more by earnings delivery momentum.

Notwithstanding, we believe the sector's risk and reward stays favourable heading into 2026, supported by robust macro tailwinds. AI-related capex is expected to stay elevated as hyperscalers and logic foundries continue to expand advanced compute, memory and packaging capacity, sustaining the global semiconductor capex upcycle and driving spillover demand across the supply chain, particularly with exposure to foundries, front-end WFE and advanced packaging. Meanwhile, we expect a gradual recovery in analog IDMs as the industry moves past the trough of the inventory correction cycle, with select players (i.e. Infineon, MPS) benefiting from structural demand uplift in data-center power management ICs, providing positive read-through to selective Malaysian OSAT players (i.e. MPI). **Downside risks:** persistent forex headwinds (RM vs USD) and geopolitical tensions surrounding the semiconductor sector.

Our **top picks** for the mid-large caps are **Frontken (BUY; TP: RM5.18) and MITECH (BUY; TP: RM4.00)**, given the former's exposure to booming demand for advanced nodes capacity of leading foundries and the latter to advanced packaging supply chain. Within the small-cap space, **Wentel (BUY; TP: RM0.50)** is our preferred name, supported by its undemanding valuation and rising exposure to front-end semiconductor WFE makers.

## Stock changes summary

**Inari Amertron (Keep HOLD; TP: RM2.00).** Based on our (i) revised forex assumption of RM4.03/USD for CY26/27 and (ii) reduced RF volume and margin assumption, we adjust our FY26/27/28F earnings forecasts by 9%/7%/7%. Post-earnings adjustments, we lower our TP to **RM2.00** (from RM2.15), pegged to Inari's 5-year historical average PE multiple of 30x applied to FY27F core EPS of 6.7 sen. While Inari's FY26F earnings are dented by lower discrete and mid-band RF market share by Customer B in CY26 handset cycle, we believe Customer B could likely regain RF content share in the next-generation smartphone cycle in FY27F, while Inari is expected to clinch higher share in premium RF module assembly from its Taiwanese peer. Nonetheless, near-term earnings upside remains capped and valuation appears fair at 27x FY27F earnings. As such, we maintain our **HOLD** rating.

**ViTrox Corporation (Maintain BUY; TP: RM4.95).** Applying our revised forex assumption of RM4.03/USD for FY26/27F (from RM4.20 previously), we trim our FY26/27F earnings forecasts marginally by 3%. Consequently, our TP is lowered to RM4.95 (from RM5.10), based on a 46x PE multiple applied to mid-FY26F EPS of 10.8 sen. Our target multiple is +1SD above ViTrox's 5-year historical average of 40x, reflecting our view that the stock is poised for a rerating on the back of: (i) rising exposure to high-growth segments such as HPC/AI server manufacturing and advanced semiconductor packaging, and (ii) strong double-digit earnings growth over our forecast horizon, supported by the semiconductor capex upcycle to meet AI-driven demand. Keep **BUY** call.

**Mi Technovation (Maintain BUY; TP: RM4.00).** Despite lowering our USD/MYR assumption, we maintain our BUY rating with an unchanged TP of **RM4.00**, supported by a slight uplift in unit shipment assumptions for Mi Series. Our TP is based on 30.5x FY26F EPS of 13.1 sen, implying +1SD premium to its 5-year historical average P/E of 23x and is slightly below the sector average forward PE of 32x for Bursa-listed technology equipment peers in Malaysia. We like MITECH for: (i) its steady earnings growth trajectory (3-year CAGR of c.25% over FY25–27F), supported by increasing contributions from both SEBU and SMBU; (ii) its favourable positioning in directly serving Tier-1 OSATs and IDMs through the provision of WLCSP die sorters, alongside Accurus' direct exposure to leading foundries via the sale of solder spheres for AI and advanced packaging applications; and (iii) its undemanding valuation of 23x FY26F P/E relative to ATE peers.

**Wentel Engineering (Maintain BUY; TP: RM0.50).** As we revise our forex assumption for FY26/27, we slightly increase our margin assumption for the E&E segment to reflect the better operating leverage for the E&E segment as more NPIs gradually enter into mass production. Consequently, our forecasts and TP remain broadly unchanged. Wentel remains our high conviction top picks among the small caps. We favour Wentel for its (i) favourable earnings growth trajectory (3-year CAGR of 19% over FY25-27F) backed by the capacity expansion from its new production facility, (ii) deepening exposure to the higher-margin E&E segment, particularly front-end WFE customers and (iii) undemanding valuation of 12x FY26F PE, which limits downside risk and offers ample room for rerating should the Group deliver on earnings and successfully scale its E&E segment.

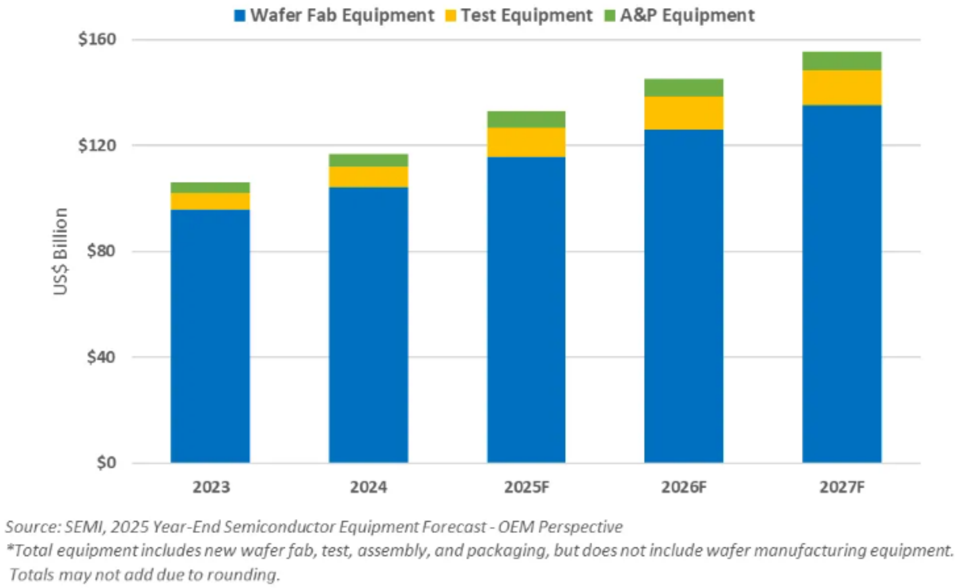
**Aurelius Technologies (Maintain BUY; TP: RM1.12).** The recent sharp appreciation of the RM against the USD poses a disproportionately negative impact on EMS earnings relative to other hardware players, given their thinner value-add margins. The impact is further aggravated by continued cost down efforts by various OEMs amidst US tariffs tantrum and weak consumer sentiment. While industrial EMS players such as ATECH are likely to see their order flows remain largely intact, we trim our FY25/26/27F earnings forecasts by 6%/7%/6%, respectively, to reflect a tighter margin profile stemming from the stronger RM and ongoing pricing pressure from global OEMs. Post earnings adjustments, we maintain our **BUY** rating but lower our TP to **RM1.12** (from RM1.27), based on a 19x (from 20x) FY26F earnings. The applied multiple implies a 2-year historical average PE.

**Figure 1: WSTS Forecast summary**

| Autumn 2025 | Amounts in US$M | | | Year on Year Growth in % | | |
|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 |
| **Americas** | 195,123 | **251,926** | **338,574** | 45.2 | 29.1 | 34.4 |
| **Europe** | 51,250 | **54,127** | **60,429** | -8.1 | 5.6 | 11.6 |
| **Japan** | 46,739 | **44,835** | **50,164** | 0.0 | -4.1 | 11.9 |
| **Asia Pacific** | 337,437 | **421,354** | **526,293** | 16.4 | 24.9 | 24.9 |
| **Total World - $M** | 630,549 | **772,243** | **975,460** | 19.7 | 22.5 | 26.3 |
| **Discrete Semiconductors** | 31,026 | **30,900** | **33,436** | -12.7 | -0.4 | 8.2 |
| **Optoelectronics** | 41,095 | **42,597** | **45,020** | -4.8 | 3.7 | 5.7 |
| **Sensors** | 18,923 | **20,894** | **22,713** | -4.1 | 10.4 | 8.7 |
| **Integrated Circuits** | 539,505 | **677,852** | **874,291** | 25.9 | 25.6 | 29.0 |
| Analog | 79,588 | 85,552 | 91,988 | -2.0 | 7.5 | 7.5 |
| Micro | 78,633 | 84,839 | 96,620 | 3.0 | 7.9 | 13.9 |
| Logic | 215,768 | 295,892 | 390,863 | 20.8 | 37.1 | 32.1 |
| Memory | 165,516 | 211,568 | 294,821 | 79.3 | 27.8 | 39.4 |
| **Total Products - $M** | 630,549 | **772,243** | **975,460** | 19.7 | 22.5 | 26.3 |

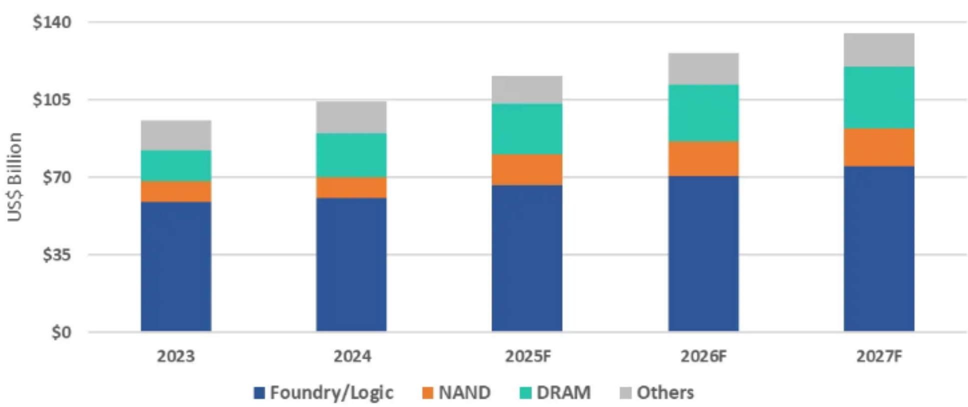
Source: WSTS

**Figure 2: Total semiconductor equipment market by Segment, 2023-2027F**




Source: SEMI

**Figure 3: Wafer fab equipment forecast by Application, 2023-2027F**




Source: SEMI

**Figure 4: Intel's back-end packaging and testing footprint**

intel. **Major Advanced Packaging/ Testing Footprint**

| Location | Fab | Main Tech | Significance/ Expansion |
|---|---|---|---|
| **New Mexico** | Fab 9 Fab 11X | **EMIB Foveros 3D** | • First facilities for Foveros 3D mass production |
| **Malaysia** | Penang, Kulim | **Foveros** | • Additional $208M for expansion announced • Intel's first international Assembly and Test site (Penang) |
| **Vietnam** | IPV (Ho Chi Min) | advanced testing tech, including High Density Modular Test (**HDMT**) | • Intel's largest assembly and test facility globally |
| **South Korea** | Incheon, in coopera-tion with Amkor | **EMIB** | • Reportedly established EMIB at Amkor's Songdo K5—Intel's first outsourcing of such high-end packaging |

Source: Intel, ETNews

NEWS https://www.trendforce.com/news/

Source: Trendforce

**Figure 5: USD/MYR trend**


Source: Bloomberg

**Figure 6: Stock changes summary**

| Stock | Target (RM) | | Rating | | Previous earnings (RM m) | | | Revised earnings (RM m) | | | Change (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Old | New | Old | New | FY25 | FY26 | FY27 | FY25 | FY26 | FY27 | FY25 | FY26 | FY27 |
| Inari* | 2.15 | 2.00 | HOLD | HOLD | 224.5 | 272.1 | 305.7 | 203.4 | 252.4 | 285 | -9.4% | -7.2% | -6.8% |
| ViTrox | 5.10 | 4.95 | BUY | BUY | 132.9 | 185.9 | 233.8 | 132.9 | 180.2 | 226.8 | - | -3.1% | -3.0% |
| Mi Tech | 4.00 | 4.00 | BUY | BUY | 101 | 116.8 | 136.7 | 101 | 114.7 | 134.3 | - | -1.8% | -1.8% |
| Wentel | 0.50 | 0.50 | BUY | BUY | 24.2 | 28.6 | 33.9 | 24.2 | 28.6 | 33.9 | - | - | - |
| ATECH | 1.27 | 1.12 | BUY | BUY | 73.8 | 82.1 | 90.2 | 69.2 | 76.2 | 84.4 | -6.2% | -7.2% | -6.4% |

Source: Apex Research
*refers to FY26, FY27 and FY28

**Figure 7: Peer comparison**

| Stock | Mkt Cap (RM' m) | Price (RM) | Rating | Target | FYE | P/E (x) | | P/B (x) | | Yield (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY25 | FY26 | FY25 | FY26 | FY25 | FY26 |
| **OSAT** | | | | | | | | | | | |
| Inari Amertron* | 6,963 | 1.83 | HOLD | 2.00 | JUN | 34.1 | 27.5 | 2.2 | 2.2 | 2.8% | 3.5% |
| MPI* | 6,460 | 32.40 | NR | NR | JUN | 32.7 | 26.9 | 3.0 | 2.8 | 1.1% | 1.1% |
| Unisem | 5,226 | 3.24 | NR | NR | DEC | 104.5 | 38.1 | 2.4 | 2.4 | 2.2% | 2.4% |
| **Equipment** | | | | | | | | | | | |
| Mi Technovation | 2,720 | 3.06 | BUY | 4.00 | DEC | 27.0 | 23.3 | 2.5 | 2.3 | 0.9% | 1.1% |
| ViTrox Corp | 8,160 | 4.31 | BUY | 4.95 | DEC | 61.3 | 45.2 | 7.3 | 6.4 | 0.3% | 0.4% |
| Greatech | 3,797 | 1.51 | NR | NR | DEC | 32.1 | 21.9 | 3.7 | 3.1 | 0.1% | 0.1% |
| Pentamaster | 2,596 | 3.65 | NR | NR | DEC | 39.7 | 30.7 | 3.3 | 3.0 | 0.6% | 0.6% |
| THMY Group | 924 | 1.04 | NR | NR | DEC | 61.2 | 43.3 | 13.0 | 10.4 | 2.8% | 4.2% |
| QES Group | 321 | 0.39 | HOLD | 0.42 | DEC | 24.2 | 18.4 | 1.6 | 1.5 | 1.2% | 1.6% |
| **Support players** | | | | | | | | | | | |
| Frontken | 6,913 | 4.18 | BUY | 5.18 | DEC | 37.4 | 30.7 | 7.4 | 6.3 | 1.0% | 1.2% |
| UWC* | 4,621 | 4.19 | NR | NR | JUL | 46.0 | 32.7 | 8.0 | 6.6 | 0.2% | 0.2% |
| UMS Integration | 3,162 | 4.45 | NR | NR | DEC | 73.0 | 57.8 | 7.3 | 7.0 | 1.2% | 1.2% |
| SAM Engineering* | 2,505 | 3.70 | NR | NR | MAR | 41.1 | 26.4 | 1.7 | 1.6 | 0.5% | 0.8% |
| Wentel Engineering | 322 | 0.28 | BUY | 0.50 | DEC | 13.3 | 11.3 | 1.5 | 1.3 | - | - |

Source: Apex Securities, Bloomberg

*refers to FY26, FY27 and FY28

**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 + dividend yield

**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



As of **Friday, 09 Jan, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.