

Research Team

(603) 7890 8888

[research.dept@apexsecurities.com.my](mailto:research.dept@apexsecurities.com.my)

# Technology Sector

Overweight(↔)

## The Hidden Tech Supply Chain Risk

- The Iran conflict is widely read as an oil price event. For tech investors it is something more specific and more dangerous: a targeted disruption to two specialty inputs (helium and bromine) that are non-substitutable in semiconductor manufacturing and cannot be stockpiled indefinitely.
- Our Base Case: Partial de-escalation over the next few weeks, with Strait of Hormuz shipping resuming ahead of helium supply normalization. Fade the relief rally in consumer tech; stay long AI hardware and Malaysian names with structural order backlogs.
- We maintain Overweight on the Sector with Vitrox (BUY – RM5.30), MI Technovation (BUY – RM4.20) and Frontken (BUY – RM4.60) as our top picks.

**Don't Chase the Relief Rally Yet.** President Trump posted on Truth Social that the US and Iran have had "very good and productive conversations regarding a complete and total resolution of hostilities" and instructed the Department of War to postpone any military strikes against Iranian power plants and energy infrastructure for five days. The announcement sent markets higher and energy prices lower, as investors bet that Iran's blockade of the Strait of Hormuz could soon end.

### We urge caution before chasing this move for three reasons:

- **First, Iran is actively denying the talks are happening.** Iranian state television denied any negotiations are underway, with Parliament Speaker Mohammad Bagher Ghalibaf saying Iranians are demanding punishment of aggressors. Trump's peace envoys Steve Witkoff and Jared Kushner are involved, but the counterparty is not publicly engaged.
- **Second, even a ceasefire does not immediately resolve the physical damage.** QatarEnergy (formerly QatarGas) has reported extensive damage to Ras Laffan that will take years to repair, with annual helium exports **cut by 14%** even before any further assessment according to **Fortune**. Even before the additional strikes, the best-case restart timeline was already six weeks or more, according to helium consultant Kornbluth.
- **Third, Trump's five-day deadline is explicitly conditional** on "the success of ongoing meetings and discussions" and his deadlines have historically been elastic according to Al Jazeera. Markets appear to be pricing a near-term resolution; we think a more prolonged and uncertain negotiation is the more likely outcome.

**Our base case:** A partial de-escalation over the next few weeks, with shipping through the Strait of Hormuz resuming before full helium production is restored. This implies that oil prices will ease faster than the specialty gas supply chain normalizes. We would fade the relief rally in consumer tech names while remaining long AI hardware and Malaysian names with structural order backlogs.

**Why Helium and Bromine Matter – The Cost Stack.** Before applying the read-through, it is important to quantify the actual cost exposure rather than react to headline-driven fears.

- **Helium, small in cost but catastrophic if absent.** Helium is used in **two** critical fab processes: **wafer cooling during etching** (where it is applied to the backside of the wafer to maintain temperature uniformity and protect yield), and as a **carrier gas in photolithography**. During etching, maintaining a constant wafer temperature is essential, and helium enables efficient heat dissipation to ensure consistent material removal. As a percentage of total manufacturing cost (TMC), helium typically accounts for **~0.5–2%** in standard DRAM or NAND production process. Under normal conditions, this appears immaterial. However, two factors make it critical in the current environment: (i) **Helium is not substitutable** in the cooling and etching process with any readily available alternative at scale. (ii) **Yield degradation** from inadequate wafer cooling is non-linear — small temperature deviations can sharply increase defect rates, resulting in the loss of entire wafer runs, the value of which far exceeds the cost of helium itself. Spot helium prices have **surged 70–100%** since the crisis began, according to Kornbluth.

- Bromine, direct cost impact on back-end manufacturing.** Bromine has a different risk profile. It is used in flame retardants for PCBs (protecting boards from heat) and as an etching chemical in certain cleaning processes. Israel and Jordan together account for approximately **66% of global bromine production** and the Levant shipping disruption has tightened global supply materially. Bromine-based compounds typically account for **~1–3%** of TMC in standard PCB manufacturing, rising to **~3–5%** for high-power components and AI accelerators, where thermal requirements are more demanding. Unlike helium, bromine supply is more diversified, the US, China, and Ukraine are also producers - so a full supply crisis is less likely. But a **20–30%** price increase in bromine-based flame retardants translates directly into back-end cost inflation with no easy pass-through for low-margin applications.

**Figure 1: Combined Manufacturing Cost Impact**

Cost Layer	% of TMC	Conflict Impact	Net TMC Impact
Helium (direct cost)	0.5–2%	+70–100% price increase	+0.5–2%
Helium (yield effect)	—	Yield degradation risk	<b>Potentially High</b>
Bromine (direct)	1–3%	+20–30% price increase	+0.2 - 0.3%
<b>Total estimated uplift</b>	—	—	<b>~1-3% increase in TMC</b>

Source: Apex Securities

**Most Exposed Globally.** Samsung and SK Hynix sit at the sharp end of this risk. South Korea imports roughly **65%** of its helium from Qatar, and Fitch has explicitly flagged Samsung and SK Hynix as particularly vulnerable with several months of inventory that must now be stretched further. Memory remains a commodity business, meaning cost inflation that cannot be passed through is likely to compress margins directly. South Korean manufacturers sourced **55%** of their helium from GCC countries in 2025, while Taiwan sourced **69%** of its helium from the GCC in 2024. TSMC has said it does not anticipate significant impact currently, but the underlying dependency is real. Consumer electronics manufacturers - Apple, Xiaomi, and Samsung mobile divisions, face the most acute price pressure as bromine and energy costs inflate back-end costs.

**Impact on Coverage.** Most Malaysian-listed names under our coverage carry second-order exposure, as they do not directly consume helium or bromine in their own operations. Instead, the risk transmits through customer behaviour, fab utilisation, and order timing.

- Inari Amertron (HOLD – RM1.41), Most Critically Exposed.** RF semiconductor exposure ties Inari heavily to Samsung and Apple which are currently both in the front line of cost disruption. If OSAT outsourcing moderates due to helium constraints, utilisation rates are likely to decline before cancellations are formally issued. Inari's back-end PCB processes also use bromine-based flame retardants directly. **Overall view:** Watch for utilisation rates impact on next quarterly results.
- MI Technovation (BUY – RM4.20), Moderately Exposed.** Die sorting and solder ball operations sit within the advanced packaging flow. Customers' fabs running HBM and advanced packaging lines are the direct helium consumers. If Samsung/SK Hynix reduce wafer starts, the downstream test cycle is likely to shorten with a **4–8 week lag**. **Overall View:** Maintain **BUY**, any conflict-driven pullback is an accumulation opportunity.
- Vitrox Corporation (BUY – RM5.30), Moderately Exposed.** The company operates as an equipment provider rather than a process consumer, making its risk profile largely second order. A decline in fab utilization could defer equipment upgrading cycles. While the company currently benefits from a strong order backlog driven by the AI packaging upcycle, order deferrals typically lag fab disruptions by one to two quarters. **Overall View:** We see the ceasefire signal as a net

positive for capital expenditure visibility, regional stability and see no fundamental change to the earnings trajectory.

- **Aurelius Technologies (BUY – RM1.00), Mixed Exposure.** The Electronic Devices segment, which serves O&G customers, creates a cross-current. Higher oil prices are a positive boost for Atech's O&G revenue by driving demand. However, the conflict is simultaneously acting as a headwind (semiconductor costs increases) and a tailwind (O&G customers ramping). **Overall View:** We maintain a positive stance on their earnings trajectory as their utilisation rate in their new plant improves.
- **Frontken Corporation (BUY – RM4.60), Positive Exposure.** A standout relative beneficiary. O&G maintenance (~25% of revenue) benefits from higher regional refinery activity. Semiconductor equipment cleaning is structurally supported by AI capex. Crucially, Frontken does not consume helium or bromine; it cleans and refurbishes the equipment that does. In a supply-constrained environment, refurbishment services become more valuable. **Overall View:** Accumulate on any market-wide risk-off pullback.

**Figure 2: Scenario Analysis – Duration is Everything**

Duration	Helium Impact	Bromine Impact	Malaysian Tech Impact
< 4 weeks (ceasefire holds)	Cost headwind only; inventory buffers hold	Mild tightening; manageable	Marginal margin pressure; no order impact buy dips
4–8 weeks	Inventory depletion begins; fabs start rationing	Supply rerouting from US/China underway	Order timing delays possible for equipment players; Inari utilisation at risk
8–12 weeks	Wafer start reductions at Korean memory fabs	Meaningful cost inflation; bromine partially substituted	Material earnings risk for Inari; ViTrox and MI Tech order deferrals begin
> 12 weeks	Production disruption; structural reconfiguration	Full price pass-through to PCB and packaging	Malaysian Tech players could start to face earning cut risks

Source: Apex Securities

**Conclusion.** Trump's five-day postponement of strikes creates a genuine off-ramp signal, but Iran has denied that talks are underway (Al Jazeera), and the physical infrastructure at Ras Laffan remains damaged regardless of when the conflict ends. The ceasefire announcement shifts the probability distribution of disruption duration, reducing the tail risk of a 12-week-plus scenario. However, it does not eliminate the 4–8-week disruption scenario that is already underway. For our coverage universe, the priority order is clear. **Frontken (BUY- RM4.60)** is the relative outperformer in this environment. **MI Tech (BUY – RM4.20)** and **ViTrox (BUY -RM5.30)** remain structural BUYs, accumulate on conflict-driven weakness. **Inari (HOLD – RM 1.41)** warrants caution until fab utilisation data confirms that inventory buffers are holding. **ATECH (BUY – RM1.00)** benefits from the O&G tailwind, which partially offsets its semiconductor exposure. The conflict has not disrupted the AI semiconductor demand cycle. Rather, it introduces short-duration cost and supply risks, creating tactical entry opportunities in the right names.

Figure 3: Peers Comparison

Stock	Mkt Cap (RM' m)	Price (RM)	Rating	Target	FYE	P/E (x)		P/B (x)		Yield (%)	
						FY26	FY27	FY26	FY27	FY26	FY27
<b>OSAT</b>											
Inari Amertron*	4,985	1.31	HOLD	1.41	JUN	22.2	18.7	1.7	1.8	3.4%	4.2%
MPI*	5,763	28.9	NR	NR	JUN	28.8	24.4	2.7	2.5	1.1%	1.2%
Unisem	4,388	2.72	NR	NR	DEC	36.3	25.4	2.0	2.0	2.3%	2.5%
<b>Simple Average (OSAT Players)</b>						<b>29.3</b>	<b>22.8</b>	<b>2.2</b>	<b>2.1</b>	<b>2.3%</b>	<b>2.6%</b>
<b>Equipment</b>											
Mi Technovation	2,497	2.82	BUY	4.20	DEC	20.7	18.8	2.2	2.1	1.8%	2.0%
ViTrox Corp	8,122	4.29	BUY	5.30	DEC	42.9	36.1	6.4	5.7	0.6%	0.7%
Greatech	4,702	1.87	NR	NR	DEC	26.3	22.3	3.9	3.5	0.1%	0.2%
Pentamaster	2,091	2.94	NR	NR	DEC	25.6	21.0	2.5	2.2	0.7%	0.8%
THMY Group	906	1.02	NR	NR	DEC	60.0	42.5	12.8	10.2	0.0%	0.0%
QES Group	316	0.38	HOLD	0.42	DEC	16.5	13.6	1.4	1.3	1.8%	2.1%
<b>Simple Average (Equipment Players)</b>						<b>32.0</b>	<b>25.7</b>	<b>4.9</b>	<b>4.2</b>	<b>0.8%</b>	<b>1.0%</b>
<b>Support players</b>											
Frontken	6,334	3.83	BUY	4.60	DEC	31.7	27.6	5.4	4.8	1.3%	1.4%
UWC*	4,567	4.14	NR	NR	JUL	45.0	32.3	7.9	6.5	0.1%	0.1%
UMS Integration	4,361	4.91	NR	NR	DEC	74.4	62.2	9.9	9.4	1.0%	1.1%
SAM Engineering*	2,133	3.15	NR	NR	MAR	41.4	26.7	N/A	N/A	0.5%	0.8%
Wentel Engineering	265	0.23	BUY	0.48	DEC	10.0	8.2	1.1	1.1	0.0%	0.0%
<b>Simple Average (Support Players)</b>						<b>40.5</b>	<b>31.4</b>	<b>6.1</b>	<b>5.4</b>	<b>0.6%</b>	<b>0.7%</b>
<b>EMS</b>											
Nationgate	1,527	0.68	NR	NR	DEC	13.5	10.7	2.1	1.9	3.1%	3.3%
V.S. Industry*	1,099	0.29	NR	NR	JUL	9.5	6.6	0.5	0.5	5.6%	7.7%
Uchitech	1,260	2.72	NR	NR	DEC	14.3	13.1	6.8	6.8	8.1%	8.1%
SKP Resources*	711	0.46	NR	NR	MAR	8.4	9.1	0.7	0.7	6.4%	5.5%
Aurelius Tech	813	0.63	BUY	1.00	DEC	11.6	10.6	1.8	1.7	5.4%	6.1%
PIE Industrial	457	1.19	NR	NR	DEC	14.3	10.9	0.7	0.7	2.9%	5.9%
<b>Simple Average (EMS)</b>						<b>11.9</b>	<b>10.2</b>	<b>2.1</b>	<b>2.0</b>	<b>5.3%</b>	<b>6.1%</b>
<b>Simple Average (broader tech)</b>						<b>28.5</b>	<b>22.6</b>	<b>3.9</b>	<b>3.5</b>	<b>2.2%</b>	<b>2.5%</b>
<b>EG Industries*</b>	<b>955</b>	<b>1.05</b>				<b>8.8</b>	<b>7.0</b>	<b>0.7</b>	<b>0.8</b>	<b>0.5%</b>	<b>0.5%</b>

\*refers to FY27 &amp; FY28

Source: Apex Securities, Bloomberg

---

#### 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

---

**Disclaimer:** The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Thursday, 26 Mar, 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.

---