

Surviving The Impact of Covid-19: Acceleration of tech adoption lifts beneficiaries

TECHNOLOGY and semiconductor-related stocks on Bursa Malaysia have performed quite well this year, in tandem with the rise of tech stocks around the world, driven by robust demand amid the Covid-19 pandemic.

The virus outbreak and accompanying lockdowns have accelerated digital adoption worldwide. It has changed the way we live, work, study, communicate, shop and consume, among others.

On the corporate front, tech-related companies — including those in the semiconductor, digital, e-payment, e-commerce and online learning space — have been greatly impacted. For many of these players, fortunately, the impact has been mostly positive due to an unexpected surge in demand as well as a sharp increase in investments in computing and mobile and IT infrastructure.

We take a look at the biggest beneficiaries of this trend and the companies that will benefit in the long run, if they have not already, as tech adoption accelerates.

Based on share price performance, semiconductor and semiconductor-related firms are the obvious winners. They include Malaysian Pacific Industries Bhd, Unisem (M) Bhd, Globetronics Technology Bhd, Inari Amertron Bhd, KESM Industries Bhd, ViTrox Corp Bhd, Pentamaster Corp Bhd, Mi Technovation Bhd, Greatech Technology Bhd, JF Technology Bhd, FoundPac Group Bhd and Frontken Corp Bhd.

Globetronics CEO Datuk Heng Huck Lee believes that tech stocks will continue to do well next year. "If the current [tech] stocks reflect the up-to-date performance, then I think there are further upside opportunities ... especially those tech companies that serve the smart device and automotive markets," he tells The Edge.

Heng points out that most players in the sector continue to plan for new capacity, as well as the introduction and adoption of new technology. "5G will grow, IoT (Internet of Things) will grow, cloud and shared services will grow, medical devices and remote medicine will grow," he says.

ViTrox co-founder and executive vice-president Steven Siaw Kok Tong observes that the pandemic has moved consumers and industries rapidly toward online channels to fulfil their needs or to get things done. "The digital adoption is estimated to have accelerated by three to four years because of this," he says.

"The new normal helps us uncover and embrace new methods of communication, collaboration and business decision-making. Our customers are equally receptive of these methods due to the restrictions forced upon us by the pandemic. Without these, it may have taken years to materialise due to a lack of need and urgency."

Post-crisis, the ongoing semiconductor and electronics growth super cycle will resume, catalysed by the deployment of 5G networks, IoT, smart and connected mobility, artificial intelligence (AI), data analytics and Industry 4.0, says Siaw. "It's the dawn of a new era and we will have the opportunity to witness a revolution in communication, collaboration and commuting."

Working from home and cloud computing

JF Tech CEO Dillon Atma Singh says the group recorded its best ever net profit in the financial year ended June 30 (FY2020), mainly driven by robust customer demand, especially for components supporting the work-from-home trend and cloud computing.

It has been an eventful year for JF Tech. It signed a definitive agreement to collaborate with Huawei via its investment arm, Hubble Technology Investment Co Ltd, to set up a manufacturing facility in China to serve the growing market there.

"The deployment of 5G and subsequent result of replacing current smart devices to fully benefit from 5G speeds, autonomous driving, smart homes and many other new applications will continue to drive the robust demand, which JF Tech is well positioned to support with our current and new products," says Dillon.

He sees 5G as one of the key thrusts in the semiconductor industry and says it will be transformational in many applications and humankind. "We are talking about the acceleration of AI, autonomous driving, healthcare advancements and many other new and revolutionary applications and products. JF Tech's current and future products are 5G-ready and capable, hence we are excited about our prospects."

Before Covid-19, these market segments had experienced organic growth in recent years due to saturation of demand. But demand has now accelerated, driven by remote working and collaboration, e-commerce, online purchasing and services, as well as migration of assets to the cloud.

K-One Technology Bhd, Kronologi Asia Bhd, Cloudaron Group Bhd and Green Packet Bhd are among the companies involved in cloud services.

Green Packet is currently attempting to venture into the semiconductor space and is currently in a competitive bidding process for SilTerra Malaysia Sdn Bhd — a semiconductor wafer pure-play foundry headquartered in Kulim, Kedah. The company is also involved in the e-wallet space and has piloted its Kiple application.

Others in the e-payment and e-commerce space include the likes of Revenue Group Bhd and PUC Bhd.

PUC is establishing a presence in the food and beverage (F&B) industry, having teamed up with point-of-sales (POS) systems provider Cuscapi Bhd and food delivery platform Hungry to set up an online management suite for F&B companies.

VSTECS Bhd, a distributor of information and communications technology (ICT) products, merits a notable mention. As more people have been working and studying from home since the virus outbreak, the group saw a surge in sales of ICT products during the Movement Control Order period.

“People need ICT products for video conferencing, and everyone needs to have their own smart devices. We are lucky that we are in an industry that is still stable and flourishing,” VSTECS CEO Soong Jan Hsung told The Edge in an interview in August.

VSTECS also has an e-commerce business, which saw a significant rise in traffic volume during the MCO period. The group manages more than 15 flagship stores on Lazada and Shopee, offering ICT products such as ink cartridges, printers, LCD screens, desktops and notebooks.

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