

# Outlook for technology sector seems promising

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PETALING JAYA: The outlook of Malaysia's technology sector seems promising in the second half of 2018 (2H18), with the local semiconductor companies expected to deliver stronger earnings.

According to AmInvestment Bank Research, which upgraded its stance to "overweight", the domestic technology sector's earnings in 2H18 will be driven by sensors, radio frequency chips and operational efficiencies.

"The key theme of the sector in 2H18 should revolve around connected cars, smart homes and automation.

"This paints a positive outlook for sensor and radio frequency (RF) chip manufacturers, automated equipment manufacturers and companies looking to improve operational efficiencies through automation.

"In the smartphone segment, while sales volume is plateauing in developed markets, sensor and RF content continues to increase," the research house said in a note.

AmInvestment Bank Research added that its "overweight" view on the sector could strengthen further, if the US dollar's outlook changes for the better or the semiconductor companies under its coverage secure new jobs of significance.

Apart from that, a share price correction of about 15% to 20% could also provide upside to the research firm's call.

Key beneficiaries of the sector in 2H18 are Inari Amerton Bhd, Malaysian Pacific Industries Bhd, Unisem (M) Bhd and Globetronics Technology Bhd

AmInvestment Bank Research pointed out that the prospects of Vitrox Corp Bhd and Pentamaster Corp Bhd are also exciting amid the rising adoption of automation.

Moving forward, Inari Amerton and Malaysian Pacific Industries are AmInvestment Bank Research's top pick for the technology sector.

"Inari Amertron is expected to register robust earnings compounded annual growth rate of 31% from the financial years of 2017 to 2020.

It would be riding on three core pillars namely RF, which benefits from the transition to 5G and rising content per device, laser devices, which are boosted by increasing biometric and augmented reality applications in smartphones as well as LED, which rides on rising demand for high-resolution billboards in shopping malls.

"Meanwhile, Malaysian Pacific Industries is revamping its product portfolio to focus on higher-margin and higher-growth specialised markets.

"Its strong net cash position allows it to look into meaningful mergers and acquisitions," stated the research house.

Key risks for the domestic technology sector included lukewarm demand for end-products owing to weak economic conditions, monotonous content growth in underlying products in the absence of innovation and margin erosion in the face of a weakening US dollar.

<https://www.thestar.com.my/business/business-news/2018/07/10/outlook-for-technology-sector-seems-promising/>