



P.I.E. Industrial Bhd

“New Customers a Catalyst for Growth”

Bloomberg: PIE MK | **Reuters:** PIEN.KL | **Stock Code:** 7095

Main Board
Industrial Products
BUY
TP: RM4.59
Price: RM3.17

Valuation / Recommendation

We initiate coverage on P.I.E. Industrial Bhd with a BUY recommendation with a TP of RM4.59 based on FY24F EPS 30.2 sen and PE of 15.2x in line with the 10-years average. We like the stock for its attractive dividend yield, 3-year CAGR forward earnings of 24.4% from FY21 to FY24F, and cheap valuations.

Investment Highlights

One-stop integrated EMS provider. PIE is a one-stop integrated electronic manufacturing service (EMS) provider, capable of providing one-stop EMS to MNCs with the services of manufacturing and assembly of wire and cables, fabrication of moulds and dies, printed circuit board (PCB) assembly using precision SMT, testing of electronic products, plastic injection moulding, and Class 10K and 100K clean room product assembly. With the strong support from Foxconn Technology Group, which is PIE’s indirect major shareholder, the company can benefit from its network to improve its profit margins by leveraging on the raw materials.

Proven track record. PIE was able to maintain profitable since inception, achieving a 10-year revenue CAGR of 11.4% from FY12 to FY21. Operations were unaffected during the Covid-19 pandemic as the company was classified under essential services.

More new customers on board. We noticed that with Customer N secured in FY20, which is involved in the video games business, a full-year revenue contribution from this customer was realised in FY21, allowing the company to achieve a record-breaking revenue above RM1bn. The company plans to dedicate a floor space of 120,000 sq ft to a new customer namely Customer A, involved in the supercomputing cloud business secured in FY21. With a full-year revenue contribution from Customer A expected in FY22, we opine that this could potentially catalyse PIE’s earnings moving forward.

Arrival of more workers. In tandem with the expansion plans, the company plans to hire more workers, expected to arrive in 3Q22. Running at double shifts on 24 hours a day, we expect a RM150m worth of backlog orders to be cleared by end of FY22.

Experienced management team. The company is managed by an experienced management team, spearheaded by MD Mui Chung Meng who has more than 20 years of experience in the EMS industry.

Risk factor. Key risks include fluctuation of raw material prices and labour shortages.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	686.4	1025.2	1230.2	1476.3	1771.5
EBITDA (RM m)	74.5	93.0	118.7	141.2	170.2
EBITDA Margin (%)	10.8	9.1	9.6	9.6	9.6
Pre-tax Profit (RM m)	56.6	74.3	97.1	116.8	143.4
PATMI	45.6	60.3	78.6	94.6	116.1
EPS (sen)	11.9	15.7	20.5	24.6	30.2
EPS Growth (%)	163.5	32.3	30.4	20.4	22.7
Dividend Yield (%)	2.1	1.3	2.0	2.0	2.0
BV Per Share (sen)	124.3	134.5	149.2	165.7	186.8
PE (x)	27.8	21.0	16.1	13.4	10.9
Net Gearing (%)	Net	Net	Net	Net	Net
	Cash	Cash	Cash	Cash	Cash
ROA (%)	6.9	7.3	8.5	8.5	8.8
ROE (%)	9.5	11.7	13.7	14.9	16.2

Sources: Mercury Securities, Company

Business Overview

P.I.E. Industrial Berhad is an electronic manufacturing services (EMS) provider, specialising in the data-collection, telecommunication, and medical industries. The company can provide a complete integrated one-stop EMS service to major MNCs. Through its subsidiaries, the company has operation in contract manufacturing services, manufactures raw wires and cables, and trades personal computer peripheral products.

Stock Return Information

KLCI (pts)	1,493.95
Expected Share Return (%)	44.8
Expected Dividend Yield (%)	2.0
Expected Total Return (%)	46.8

Share Information

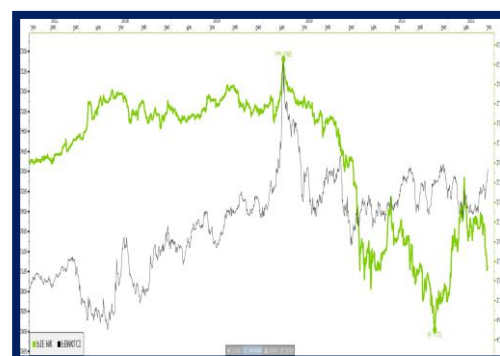
Market Cap (RM m)	1,267.3
Issued Shares (m)	384.0
52W High (RM)	4.25
52W Low (RM)	2.15
Estimated Free Float (%)	34.4
Beta vs FBM KLCI	0.49
3-month Average Vol. (m)	15.4

Top 3 Shareholders (%)

Pan Global Holdings Co Ltd	51.42
Wong Nyok Fing	4.21
Public Smallcap Fund	3.34

Price Performance

	1M	3M	12M
Absolute (%)	20.0	27.9	8.6
Relative to Index (%)	23.5	32.0	14.1



Source: Bloomberg

Ronnie Tan
ronnie-tan@mersec.com.my



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RESULTS (RM m) FYE	1Q22	4Q21	qoq %	1Q21	yoy %	Comments
Revenue	267.0	285.8	-6.6	263.2	1.4	
Cost of sales	247.5	263.0	-5.9	251.4	-1.6	
Gross profit	19.4	22.8	-14.9	11.7	65.8	
Other operating income	8.1	21.7	-62.7	7.8	3.8	
Operating expenses	7.4	19.9	-62.8	8.2	-9.8	
Profit from operations	20.1	24.6	-18.3	11.3	77.9	
Finance cost	0.0	0.1	-100.0	0.0	-	
Pretax profit	23.6	24.3	-2.9	14.9	58.4	
Tax	4.7	2.9	62.1	2.8	67.9	
Profit after tax	18.8	21.5	-12.6	12.1	55.4	
Minority interest	-	-	-	-	-	
PATMI	18.8	21.5	12.6	12.1	55.4	
Extraordinary losses (gains)	-	-	-	-	-	
Core net profit	18.8	21.5	-12.6	12.1	55.4	
EPS (sen)	4.9	5.6	-12.5	3.1	58.1	
Core EPS (sen)	4.9	5.6	-12.5	3.1	58.1	

Sources: Mercury Securities, Company



Sources: Mercury Securities, Bloomberg



PROFIT & LOSS (RM m) FYE Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Net Revenue	686.4	1025.2	1230.2	1476.3	1771.5
Gross Profit	51.4	79.1	96.5	116.9	143.3
Other Operating Income	33.8	29.5	43.1	51.7	62.0
EBIT	57.0	74.9	99.6	121.2	149.2
Administrative Expenses	22.4	24.9	30.1	36.2	43.4
Selling & Distribution Expenses	3.5	3.7	4.4	5.3	6.4
Other Operating Expenses	4.6	6.1	7.0	8.1	9.4
Profit from operations	54.6	74.0	98.0	118.9	146.2
Interest Income	2.0	0.6	1.3	2.0	2.7
Interest Expense	0.0	0.3	2.3	4.1	5.5
Profit Before Tax	56.6	74.3	97.1	116.8	143.4
Exceptional Items	-	-	-	-	-
Taxation	11.0	14.0	18.4	22.2	27.2
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	45.6	60.3	78.6	94.6	116.1
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	45.6	60.3	78.6	94.6	116.1
BALANCE SHEET (RM m) FYE Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Cash & Equivalents	143.7	78.3	131.7	195.2	271.8
Trade & Other Receivables	206.9	256.1	279.2	339.0	373.8
Inventories	163.9	300.9	312.3	370.5	456.3
Other Current Assets	7.5	3.0	2.4	2.4	2.4
Current Assets	522.0	638.3	725.7	907.0	1104.2
Property, Plant & Equipment	83.6	124.5	135.2	144.9	153.6
Investment Properties	47.0	47.4	48.0	49.0	50.0
Other Non-Current Assets	10.9	16.0	17.9	14.8	10.7
Non-Current Assets	141.5	188.0	201.1	208.8	214.4
Trade & Other Payables	149.0	227.6	266.4	335.7	407.7
Short-Term Borrowings	28.3	71.5	75.1	135.1	182.4
Other Current Liabilities	2.5	1.8	2.8	2.7	2.6
Current Liabilities	179.7	300.9	344.2	473.5	592.7
Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	4.7	7.4	8.0	4.5	6.5
Retirement Benefit Obligations	1.5	1.5	1.5	1.5	1.5
Non-current Liabilities	6.3	8.9	9.5	6.0	8.0
Share Capital	83.2	83.2	83.2	83.2	83.2
Retained Profits	377.6	418.8	472.3	535.7	612.3
Other Equity	16.7	14.5	17.4	17.6	22.0
Total Equity	477.5	516.5	572.9	636.5	717.5

Sources: Mercury Securities, Company



CASH FLOW (RM m) FYE Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Profit before tax	45.8	56.6	74.3	97.1	116.8
Depreciation & Amortization	16.1	17.8	18.4	19.3	20.3
Expected credit loss of trade receivables	-1.3	0.1	0.0	0.0	0.0
Fair value loss/(gain) on financial asset	0.0	0.1	0.0	0.0	0.0
Fair value gain on investment properties	-0.5	-2.8	-0.8	-0.7	-0.6
Gain on disposal of investments, property, plant & equipment	0.0	-0.2	-0.5	-0.4	-0.3
Impairment loss on trade receivables	0.0	0.0	0.0	0.0	0.0
Interest income	-2.7	-2.0	-0.6	-1.3	-2.0
Interest expense	0.6	0.0	0.3	2.3	4.1
Investment income on financial asset	-0.2	-0.2	0.0	0.0	0.0
Property, plant, equipment, inventories written off	0.2	2.1	0.0	0.0	0.0
Provisions	0.3	0.3	0.3	0.3	0.3
Others	3.6	0.1	-6.6	-3.9	-3.7
Operating profit/(loss) before working capital	61.8	71.9	84.8	112.6	134.9
Changes in working capital	43.2	-69.0	-102.9	4.3	-48.6
Cash generated from operations	105.0	2.9	-18.1	116.9	86.3
Income tax & interest paid	-9.8	-11.1	-14.3	-20.7	-26.3
Cash flow from operations	95.2	-8.2	-32.4	96.2	60.0
Capital expenditure	-7.5	-29.0	-65.7	-30.0	-30.0
Decrease/(Increase) in short-term investments	-5.8	3.3	5.8	0.0	0.0
Interest received	2.7	2.0	0.6	1.3	2.0
Proceeds from disposal of property, plant, equipment	0.0	0.0	0.4	0.0	0.0
Rental income	4.7	0.0	0.0	0.0	0.0
Net cash (used in)/from investing activities	-5.9	-23.6	-58.8	-28.7	-28.0
Dividends paid	-19.2	-19.2	-19.2	-25.2	-31.2
Changes in bank borrowings	-36.2	28.3	43.2	3.6	60.1
Cash flow from financing	-55.4	9.1	24.0	-21.6	28.8

Sources: Mercury Securities, Company

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MERCURY SECURITIES SDN BHD

Registration No. 198401000672 (**113193-W**)

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: www.mercurysecurities.com.my

Email: mercurykl@mersec.com.my