



P.I.E. Industrial Bhd

“New Customers to Catalyze Growth”

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

Main Board
Industrial Products
BUY
TP: RM4.07
Price: RM3.28

Valuation / Recommendation

Results were below expectations, achieving 45.8% and 34.5% of our full year revenue and profit forecasts for FY22 respectively due to higher labour cost and provision for slow moving inventories.

We revise our revenue and profit forecasts downward by 8.3% - 15.9% and 19.1% - 30.6% for FY22F – FY24F due to higher labour cost and provisions, and lower volume from customer N. We maintain a BUY recommendation on PIE with a revised TP of RM4.07 based on FY23F EPS 18.6 sen and PE of 21.9x in line with the 2-years average. We like the stock for its attractive dividend yield, 3-year CAGR forward earnings of 13.2% from FY21 to FY24F. The target price represents a potential return of 24.1% over the current price.

Investment Highlights

Revenue for the quarter was stronger year-on-year (yoy, up by 25.9%) due to higher demand from new and existing customers. Profit was weaker yoy (down by 38.8%) due to higher labour cost and provision for slow moving inventories.

Proven track record and strong support from Foxconn. 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. 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.

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, driven by higher margins as raw materials are consigned by the customer.

Arrival of more workers. In tandem with the expansion plans, the company plans to hire more workers, expected to arrive in 3Q22. The additional workers are expected to replace some inefficient existing workers and produce higher productivity and output. Running at double shifts on 24 hours a day, we expect a RM150m worth of backlog orders to be cleared by end of FY22.

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	1353.3	1488.6
EBITDA	74.5	93.0	100.3	110.7	124.3
PATMI	45.6	60.3	63.6	71.5	80.6
EPS (sen)	11.9	15.7	16.6	18.6	21.0
EPS Growth (%)	163.5	32.3	5.5	12.4	12.7
BV Per Share (sen)	124.3	134.5	146.5	156.7	172.9
PE (x)	27.6	20.9	19.8	17.6	15.6
Dividend Yield (%)	2.1	1.3	2.0	2.0	2.0
Net Gearing (%)	Net	Net	Net	Net	Net
	Cash	Cash	Cash	Cash	Cash
ROA (%)	6.9	7.3	6.9	7.2	7.1
ROE (%)	9.5	11.7	11.3	11.9	12.1

Sources: Mercury Securities, Company

RESULTS (RM m)	2Q22	1Q22	qoq %	2Q21	yoy %
FY Dec					
Revenue	296.3	267.0	11.0	235.4	25.9
COGS	280.4	247.5	13.3	213.6	31.3
Gross Profit	15.9	19.4	-18.0	21.8	-27.1
Operating expenses	5.9	5.7	3.5	8.7	-32.2
Other income	1.9	8.1	-76.5	2.6	-26.9
Investment income	1.3	1.8	-27.8	1.5	-13.3
Finance cost	0.3	-	-	-	-
Pretax profit	12.9	23.6	-45.3	17.2	-25.0
Tax	4.7	4.7	-	3.8	23.7
Profit after tax	8.2	18.8	-56.4	13.4	-38.8
Minority interest	-	-	-	-	-
PATMI	8.2	18.8	-56.4	13.4	-38.8
Extraordinary losses (gains)	-	-	-	-	-
Core net profit	8.2	18.8	-56.4	13.4	-38.8
EPS (sen)	2.2	4.9	-55.1	3.5	-37.1
Core EPS (sen)	2.2	4.9	-55.1	3.5	-37.1

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

KLICI (pts)	1,506.19
Expected Share Return (%)	24.1
Expected Dividend Yield (%)	2.0
Expected Total Return (%)	26.1

Price Performance

	1M	3M	12M
Absolute (%)	15.1	21.5	4.8
Relative to Index (%)	8.9	24.0	4.7

Share Information

Market Cap (RM m)	1,259.7
Issued Shares (m)	384.0
52W High (RM)	4.25
52W Low (RM)	2.15
Estimated Free Float (%)	34.4
Beta vs FBM KLICI	0.6
3-month Average Vol. (m)	9.56

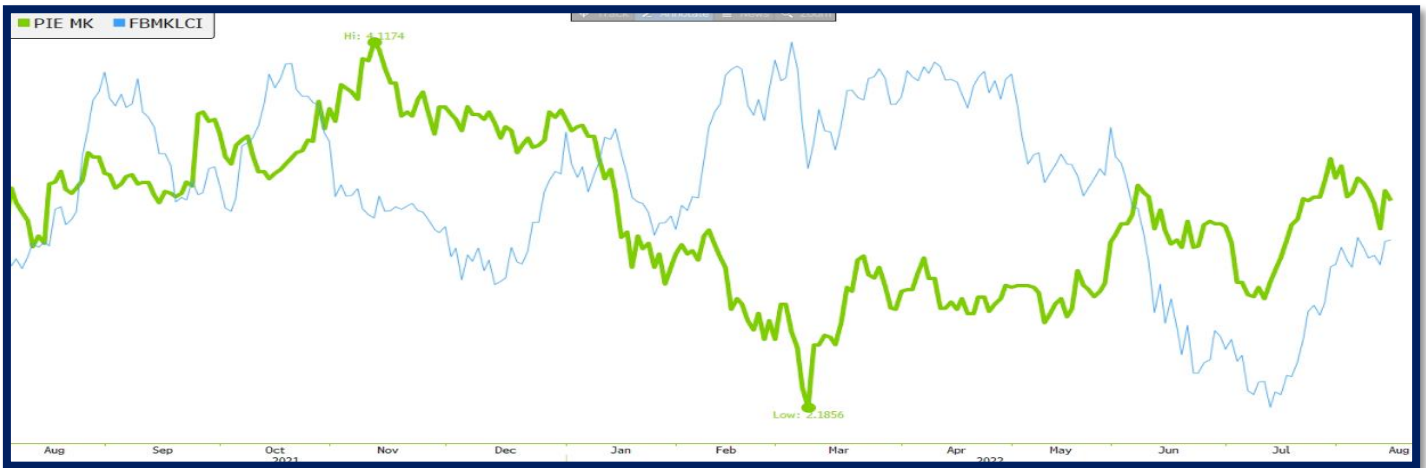
Top 3 Shareholders (%)

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

Sources: Mercury Securities, Company, Bloomberg

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Sources: Mercury Securities, Bloomberg



PROFIT & LOSS (RM m) FY Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Net Revenue	686.4	1025.2	1230.2	1353.3	1488.6
Gross Profit	51.4	79.1	78.2	86.5	97.9
Other Operating Income	33.8	29.5	43.1	47.4	52.1
EBIT	57.0	74.9	81.3	90.7	103.3
Administrative Expenses	22.4	24.9	30.1	33.2	36.5
Selling & Distribution Expenses	3.5	3.7	4.4	4.9	5.4
Other Operating Expenses	4.6	6.1	7.0	7.4	7.9
Profit from operations	54.6	74.0	79.7	88.4	100.3
Interest Income	2.0	0.6	1.3	2.0	2.7
Interest Expense	0.0	0.3	2.5	2.1	3.5
Profit Before Tax	56.6	74.3	78.5	88.3	99.5
Exceptional Items	-	-	-	-	-
Taxation	11.0	14.0	14.9	16.8	18.9
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	45.6	60.3	63.6	71.5	80.6
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	45.6	60.3	63.6	71.5	80.6
BALANCE SHEET (RM m) FY Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Cash & Equivalents	143.7	78.3	121.5	169.5	222.7
Trade & Other Receivables	206.9	256.1	279.2	287.4	311.4
Inventories	163.9	300.9	321.4	314.9	391.3
Other Current Assets	10.9	7.5	3.0	2.4	2.4
Current Assets	522.0	638.3	724.6	774.1	927.4
Property, Plant & Equipment	83.6	124.5	135.2	144.9	153.6
Investment Properties	47.0	47.4	48.0	50.0	48.0
Other Non-Current Assets	8.8	10.9	16.0	17.9	18.2
Non-Current Assets	141.5	188.0	201.1	213.2	210.4
Trade & Other Payables	149.0	227.6	266.4	307.7	342.6
Short-Term Borrowings	28.3	71.5	82.2	69.9	116.0
Other Current Liabilities	4.0	2.5	1.8	4.3	1.3
Current Liabilities	179.7	300.9	352.9	378.9	462.9
Other Non-Current Liabilities	5.9	6.3	8.9	9.5	6.0
Non-current Liabilities	6.3	8.9	9.5	6.0	9.5
Share Capital	83.2	83.2	83.2	83.2	83.2
Retained Profits	377.6	418.8	462.1	510.0	563.2
Other Equity	16.7	14.5	17.4	8.7	17.4
Total Equity	477.5	516.5	562.7	601.9	663.8
CASH FLOW (RM m) FY Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Profit before tax	45.8	56.6	74.3	78.5	88.3
Depreciation	17.8	18.4	19.3	20.3	21.3
Interest income	-2.0	-0.6	-1.3	-2.0	-2.7
Interest expense	0.0	0.3	2.5	2.1	3.5
Other operating cash flow	-0.6	-7.6	-4.8	-4.4	-4.0
Operating profit/(loss) before working capital	71.9	84.8	94.3	104.4	117.7
Change in working capital	-64.2	-106.5	-4.8	39.7	-65.6
Cash generated from operations	105.0	7.7	-21.7	89.4	144.1
Income tax paid	-9.2	-11.0	-14.0	-14.9	-16.8
Interest paid	-0.6	0.0	-0.3	-2.5	-2.1
Cashflow from operations	95.2	-3.4	-36.0	72.0	125.2
Capital expenditure	-7.5	-29.0	-65.7	-30.0	-30.0
Other investing cash flow	5.4	6.8	1.3	2.0	3.1
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	-20.4	-23.6
Changes in bank borrowings	-36.2	28.3	43.2	10.7	-12.3
Cashflow from financing	-55.4	9.1	24.0	-9.6	-35.9

Sources: Mercury Securities, Company

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