



P.I.E. Industrial Bhd

“Strong Orders to Catalyze Growth”

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

Main Board
Industrial Products
BUY
TP: RM3.72
Price: RM2.55

Valuation / Recommendation

Results were within expectations, achieving 67.0% and 68.2% of our full year revenue and profit forecasts for FY22, lower qoq (-12.0%), higher yoy (+8.2%) due to higher demand from new and existing customers for raw wire & cable products and wire harness products, and higher orders for EMS.

We revise our revenue and profit forecasts downward by 7.1% and 2.7% - 7.6% due to lower revenue contributions and maintain a BUY recommendation on PIE with a lower TP of RM3.72 based on FY23F EPS 18.0 sen and PE of 20.7x in line with the 2-years average. We like the stock for its attractive growth prospects, and diversified customer base. The target price represents a potential return of 45.9% over the current price.

Investment Highlights

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.

Strong orders from existing customers. Customer N was secured in FY20, involved in the video games business. A full-year revenue contribution from this customer was realised in FY21, contributing approximately 40% to total revenue, allowing the company to achieve a record-breaking revenue above RM1bn. As of end Oct 2022, 6 SMT lines had been commissioned for this customer.

The company dedicated a floor space of 120,000 sq ft and 5 SMT lines to a new customer namely Customer A, involved in the supercomputing cloud business secured in FY21. Customer A currently contributes approximately 20% to PIE's total revenue. 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. Orders from customer N and A remained strong with its SMT lines running at full utilisation rate, and we do not rule out any possibilities of further expansion by PIE to cater for more orders from its existing and pipeline of customers.

Arrival of more workers. In tandem with the expansion plans, the company brought in additional foreign workers which arrived in 3Q22. The additional workers replaced some inefficient existing workers to produce higher productivity and output. Running at double shifts on 24 hours a day, we expect RM80m worth of backlog orders to be cleared by 1H23.

Risk factor. Fluctuation of raw material prices and labour shortages.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	686.4	1025.2	1148.2	1263.0	1389.3
EBITDA	74.5	93.0	100.0	113.4	128.1
PATMI	45.6	60.3	59.4	69.1	78.5
EPS (sen)	11.9	15.7	15.5	18.0	20.5
EPS Growth (%)	163.5	32.3	-1.5	16.3	13.6
BV Per Share (sen)	124.3	134.5	145.8	155.6	171.4
PE (x)	27.6	20.9	16.5	14.2	12.5
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	7.0	7.1	7.5
ROE (%)	9.5	11.7	10.6	11.6	11.9

Sources: Mercury Securities, Company

RESULTS (RM m) FY Dec	3Q22	2Q22	qoq %	3Q21	yoy %
Revenue	260.6	296.3	-12.0	240.8	8.2
COGS	240.5	280.4	-14.2	218.1	10.3
Gross Profit	20.1	15.9	26.4	22.7	-11.5
Operating expenses	5.2	5.9	-11.9	7.7	-32.5
Other income	4.4	1.9	131.6	2	120
Investment income	1.3	1.3	0	0.9	44.4
Finance cost	0.6	0.3	100	0.1	500
Pretax profit	19.9	12.9	54.3	17.9	11.2
Tax	3.6	4.7	-23.4	4.4	-18.2
Profit after tax	16.3	8.2	98.8	13.5	20.7
Minority interest	-	-	-	-	-
PATMI	16.3	8.2	98.8	13.5	20.7
Extraordinary losses (gains)	-	-	-	-	-
Core net profit	16.3	8.2	98.8	13.5	20.7
EPS (sen)	4.2	2.2	90.9	3.9	7.7
Core EPS (sen)	4.2	2.2	90.9	3.9	7.7

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)	1,449.32
Expected Share Return (%)	45.9
Expected Dividend Yield (%)	2.0
Expected Total Return (%)	47.9

Price Performance

	1M	3M	12M
Absolute (%)	-0.4	-20.0	-34.0
Relative to Index (%)	0.3	-2.6	-5.1

Share Information

Market Cap (RM m)	979.3
Issued Shares (m)	384.0
52W High (RM)	4.00
52W Low (RM)	2.15
Estimated Free Float (%)	34.4
Beta vs FBM KLCI	0.7
3-month Average Vol. (m)	5.61

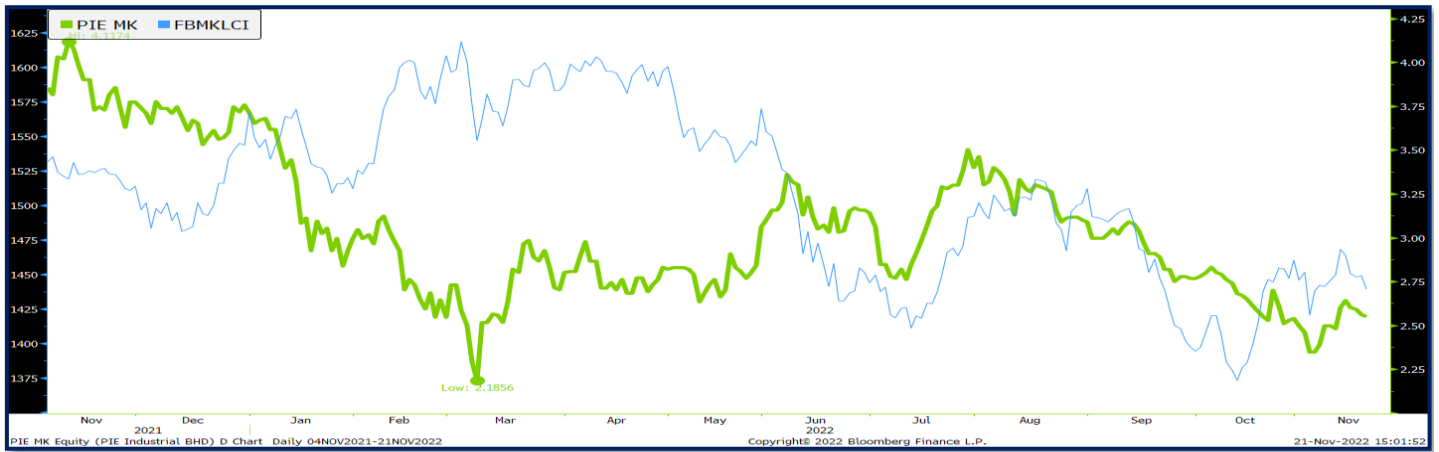
Top 3 Shareholders (%)

Pan Global Holdings Co Ltd	51.42
Public Smallcap Fund	3.34
Kenanga Funds Bhd	1.72

Sources: Mercury Securities, Company, Bloomberg

Ronnie Tan

ronnie-tan@mersec.com.my



Sources: Mercury Securities, Bloomberg



PROFIT & LOSS (RM m) FY Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Net Revenue	686.4	1025.2	1148.2	1263.0	1389.3
Gross Profit	51.4	79.1	84.9	96.9	110.2
Other Operating Income	33.8	29.5	33.3	36.6	40.3
EBIT	57.0	74.9	81.0	93.4	107.1
Administrative Expenses	22.4	24.9	28.1	30.9	34.0
Selling & Distribution Expenses	3.5	3.7	4.1	4.5	5.0
Other Operating Expenses	4.6	6.1	6.5	6.9	7.4
Profit from operations	54.6	74.0	79.4	91.1	104.1
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	78.2	91.0	103.3
Exceptional Items	-	-	-	-	-
Taxation	11.0	14.0	18.8	21.8	24.8
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	45.6	60.3	59.4	69.1	78.5
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	45.6	60.3	59.4	69.1	78.5
BALANCE SHEET (RM m) FY Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Cash & Equivalents	143.7	78.3	118.7	165.0	216.9
Trade & Other Receivables	206.9	256.1	273.5	282.3	327.2
Inventories	163.9	300.9	307.4	298.4	351.1
Other Current Assets	10.9	7.5	3.0	2.4	2.4
Current Assets	522.0	638.3	702.0	748.1	897.2
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	248.0	287.2	319.7
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	334.4	358.4	440.0
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	459.2	505.5	557.4
Other Equity	16.7	14.5	17.4	8.7	17.4
Total Equity	477.5	516.5	559.8	597.5	658.0
CASH FLOW (RM m) FY Dec	FY20A	FY21A	FY22F	FY23F	FY24F
Profit before tax	45.8	56.6	74.3	78.2	91.0
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	93.9	107.1	121.5
Change in working capital	-64.2	-106.5	-3.5	39.5	-65.1
Cash generated from operations	105.0	7.7	-21.7	90.4	146.5
Income tax paid	-9.2	-11.0	-14.0	-18.8	-21.8
Interest paid	-0.6	0.0	-0.3	-2.5	-2.1
Cashflow from operations	95.2	-3.4	-36.0	69.2	122.6
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	-19.0	-22.8
Changes in bank borrowings	-36.2	28.3	43.2	10.7	-12.3
Cashflow from financing	-55.4	9.1	24.0	-8.3	-35.2

Sources: Mercury Securities, Company

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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