

P.I.E Industrial Berhad (7095)

Trough Behind, Recovery Unproven

Bloomberg Ticker: PIE MK | Investment Horizon: 12 Months

Recommendation

We maintain our SELL recommendation with a higher target price of RM1.27 (from RM0.86), as we roll forward to a FY27F PE of 15x (from 13x FY26F), in line with its 5-year historical average, to reflect the improving earnings trajectory. The reciprocal tariffs have materially affected the operating performance of EMS players, while prolonged geopolitical tensions continue to weigh on customer capex decisions, sustaining industry-wide uncertainty.

Results Review

PIE reported 1HFY26 results below expectations, posting a core net loss of RM0.4mn and falling short of both our full-year forecast and consensus estimates. The weaker performance was mainly attributable to an unfavourable product mix following the sharp drop in orders from Customer A, alongside underutilisation of the expanded capacity at the Plant 5 extension and Plant 6.

YoY, 1HFY26 revenue declined 36%, dragged by a 51% collapse in EMS revenue to RM194.7mn following the sharp decline in Customer A orders. The Group continued to post a core net loss of RM0.4mn, weighed down by the EMS segment, which swung to a pretax loss of RM16.3mn (1HFY25: profit of RM11.3mn), on the loss of operating leverage across underutilised EMS lines and elevated operating expenses

QoQ, 2QFY26 revenue rose 26% to RM180.1mn (1QFY26: RM142.5mn), with all three segments recovering. The Group returned to profitability, likely reflecting a partial replenishment of EMS order flow alongside firmer demand in the wire and cable and wire harness segments, consistent with a trough having formed in 1QFY26; nonetheless, 2QFY26 revenue was still 22% below the corresponding quarter last year (2QFY25: RM231.0mn), underscoring that the recovery remains partial and unconfirmed.

Outlook

Near-term earnings stay pressured by Customer A and tariffs. We remain cautious in the near term. EMS continues to be dragged by the near-total loss of Customer A, a crypto-mining machine maker hit by weaker cryptocurrency prices and the US tariffs in force since August 2025; with the tariff quantum now broadly uniform across South-East Asia, management sees little incremental case for OEM customers to shift production from Vietnam into Malaysia, removing one anticipated source of new EMS volume.

Recovery is underway but protracted, with the inflection more likely in FY27. We see longer-term optionality in China+1 diversification and in discussions with potential new server customers that could reach mass production by 4Q2026. Though we do not yet build this into our base case, while PIW (c.33% of revenue and least tariff-exposed), the expanding PIT operation in Thailand (c.7%), solar rollout and automation should offer gradual margin support. Given the current execution pace, extended ramp-up timelines and geopolitical uncertainty that continues to delay customer capex, however, we expect meaningful earnings improvement only from FY27. We take some comfort from the newly installed, Foxconn-backed management team, which is prioritising technological capability to strengthen the medium-term competitive positioning of the Group.

Forecast

We revise our FY26F-FY28F earnings forecasts downward by 25%-42% to reflect the drastic drop in orders from Customer A and higher operating expenses.

Investment Risk to our Call

(i) Dependent on imported input material, (ii) Dependent on its major customers, and (iii) Reliant on foreign workers.

SELL ↔

Target Price: RM1.27 (-20%) ↑

Current Share Price: RM1.59

Main Market
Industrial Products & Services

Tan Jia Hui

Research Analyst

jiahui@tradeviewcapital.my

Company Overview

P.I.E. Industries Berhad is a leading Electronics Manufacturing Services (E.M.S.) provider. The company offers various services, including printed circuit board assembly, cable and wire harnesses, and turnkey manufacturing solutions across various industries.

Stock Information

Market Cap (RM'mn)	610.6
Issued Shares (mn)	384.0
52W High (RM)	3.70
52W Low (RM)	1.09
Estimated Free Float (%)	29.4
Beta vs FBM KLCI	1.2
3-month Average Vol. (mn)	1.4
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	5.5	5.4	8.2
TP (RM)	High	Mean	Low
	1.51	1.12	0.86
Ratings	Buy	Hold	Sell
	0	1	2

Category	Score	Materiality	Weighted Score
Environmental	29	45%	2.8
Social	28	25%	1.4
Governance	28	30%	1.7
Total	85	100%	5.9

Results Summary

FYE 31 Dec (RMmn)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	231.0	142.5	180.1	26.4	(22.0)	502.8	322.6	(35.8)
Gross profit	13.3	1.3	3.6	169.7	(73.1)	35.7	4.9	(86.2)
EBITDA	16.1	3.3	14.0	321.5	(12.7)	42.1	17.3	(58.8)
Depreciation	(7.7)	(7.9)	(8.1)	2.0	5.7	(15.2)	(16.0)	5.6
EBIT	8.4	(4.6)	5.9	(228.3)	(29.6)	26.9	1.3	(95.1)
Pretax Profit	8.1	(5.1)	5.8	(213.6)	(28.5)	26.0	0.7	(97.3)
Taxation	(2.3)	(1.1)	(2.4)	120.2	4.6	(5.3)	(3.5)	(34.0)
Net Profit/(Loss)	5.8	(6.2)	3.4	(154.7)	(41.6)	20.7	(2.8)	(113.6)
MI	(0.5)	(0.4)	(0.4)	(8.7)	(24.4)	(0.7)	(0.9)	27.7
PATAMI/(LATAMI)	6.4	(5.8)	3.8	(166.1)	(40.2)	21.4	(2.0)	(109.1)
Core PATAMI/ (LATAMI)	8.8	(1.7)	1.3	(176.7)	(85.0)	24.6	(0.4)	(101.6)
Margin (%)								
GP	5.8	0.9	2.0			7.1	1.5	
EBITDA	7.0	2.3	7.8			8.4	5.4	
Pretax	3.5	(3.6)	3.2			5.2	0.2	
Core PATAMI/(LATAMI)	3.8	(1.2)	0.7			4.9	(0.1)	

Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
EMS	-25%	-13%	-7%	25%	22%	-35%	15%	31%
Raw Wire & Cable	4%	-3%	2%	2%	2%	2%	2%	2%
Wireharness	31%	56%	1%	1%	1%	1%	1%	1%

*Our revised forecasts are now presented by business segment in line with PIE's reporting structure, rather than by individual customer contribution.

Key Financial Metrics

FYE 31 Dec (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	975.4	879.2	648.9	717.1	873.6
EBITDA (RM'mn)	85.0	65.0	51.8	71.3	79.5
Pretax profit (RM'mn)	57.9	32.1	17.5	38.9	47.9
Net profit (RM'mn)	52.1	21.0	13.3	31.1	38.3
EPS (sen)	13.6	5.5	3.5	8.1	10.0
PER (x)	11.7	29.1	45.9	19.7	16.0
Core net profit (RM'mn)	60.2	29.9	14.9	32.7	39.9
Core EPS (sen)	15.7	7.8	3.9	8.5	10.4
Core EPS growth (%)	-18.1	-50.3	-50.2	119.7	21.8
Core PER (x)	10.1	20.5	41.0	18.7	15.4
Net DPS (sen)	7.0	5.0	2.0	5.0	5.0
Dividend Yield (%)	4.4	3.1	1.3	3.1	3.1
ROE (%)	7.9	3.2	2.0	4.6	5.5
P/BV (x)	0.9	0.9	0.9	0.9	0.9

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	975.4	879.2	648.9	717.1	873.6
Operating expenses	(890.5)	(814.3)	(597.1)	(645.8)	(794.1)
EBITDA	85.0	65.0	51.8	71.3	79.5
Depreciation	(23.0)	(30.7)	(32.3)	(30.4)	(29.7)
EBIT	62.0	34.3	19.5	40.9	49.8
Net int income/(expense)	(4.1)	(2.2)	(1.9)	(1.9)	(1.9)
Exceptional gains / (losses)	(7.1)	(7.3)	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	57.9	32.1	17.5	38.9	47.9
Tax	(5.7)	(11.0)	(4.2)	(7.8)	(9.6)
Minority interest	4.0	5.0	6.0	7.0	8.0
Net profit	52.1	21.0	13.3	31.1	38.3
Core PATAMI	60.2	29.9	14.9	32.7	39.9

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	270.5	268.0	260.7	255.3	250.6
Other long term assets	31.1	32.5	24.3	24.3	24.3
Total non-current assets	301.7	300.6	285.0	279.6	274.9
Cash and equivalents	72.2	54.5	75.0	77.9	70.9
Inventories	213.3	188.4	142.1	153.6	185.5
Receivables	214.1	166.8	115.6	117.9	143.6
Other current assets	53.8	85.0	159.9	163.7	149.1
Total current assets	553.4	494.7	492.5	513.1	549.1
Payables	133.6	78.1	58.5	63.3	77.1
Short term borrowings	56.6	48.8	48.8	48.8	48.8
Other current liabilities	2.3	2.3	-	-	-
Total current liabilities	192.5	129.2	107.3	112.1	125.9
Long term borrowings	0.0	0.0	0.0	1.0	2.0
Other long term liabilities	3.0	5.4	5.4	4.4	3.4
Total long term liabilities	3.0	5.4	5.4	5.4	5.4
Shareholders' Funds	659.6	660.7	664.8	675.1	692.6
Minority Interest	24.3	22.4	20.8	19.3	17.7

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	57.9	32.1	17.5	38.9	47.9
Depreciation & amortisation	23.0	30.7	32.3	30.4	29.7
Working capital changes	15.4	97.1	78.0	(9.1)	(43.9)
Cash tax paid	(5.7)	(11.0)	(4.2)	(7.8)	(9.6)
Others	68.6	(74.8)	0.0	0.0	0.0
C/F from operation	159.2	74.0	123.7	52.5	24.1
Capex	(90.7)	(28.5)	(25.0)	(25.0)	(25.0)
Others	0.1	(8.1)	0.0	0.0	0.0
C/F from investing	(90.7)	(36.7)	(25.0)	(25.0)	(25.0)
Debt raised/(repaid)	(40.0)	(44.5)	0.0	0.0	0.0
Dividends paid	(26.9)	(19.2)	(7.7)	(19.2)	(19.2)
Others	53.8	40.3	0.0	0.0	0.0
C/F from financing	(13.1)	(23.5)	(7.7)	(19.2)	(19.2)
Net change in cash flow	55.3	13.8	91.0	8.3	(20.1)
Free Cash Flow	68.4	45.5	98.7	27.5	(0.9)



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