

P.I.E Industrial Berhad (7095)

Navigating Uncertainty

By Tan Jia Hui / jiahui@tradeviewcapital.my

HOLD ↓

TP: RM 4.24 (9%) ↓

Current Share Price: RM 3.90

Result Report

Growth


Investment Horizon
12 months

Valuation


Our target price is based on:

FY25F PE of 18x, which is +1SD above its 5-year mean to reflect a premium for AI proxy

Results Review

 PIE's FY24 core net profit of RM60mil came below expectation at 78% of our and 90% of consensus. The shortfall was primarily due to lower revenue from the EMS segment, likely impacted by reduced orders from customer N and unfavourable forex effects. Thus, we cut our FY25F-FY26F earnings by 28%-30% to reflect the uncertainty of policies in AI space impacting server orders from customer H and product hiccups from customer A. On a QoQ basis, 4QFY24 core net profit decline by 34% after taking into account forex gain of RM4mil. However, revenue and EBITDA improved by 3% and 8%, respectively, thanks to better product mix.

Outlook

 Given the uncertainties surrounding government policies and macroeconomic conditions, we are cautiously optimistic about PIE's outlook. Despite these challenges, orders from customers A and H are ongoing. Customer A's orders have rebounded following a slowdown in December due to the heatsink issue, and we anticipate continued demand as PIE remains their preferred supplier. Additionally, PIE is well-positioned to secure new high-margin orders for different modules from customer A. Switch orders from customer H remain stable, while server orders are still undergoing qualification. We believe that PIE will continue to benefit from trade diversion, as newly imposed U.S. tariffs on certain countries will likely drive production relocation and attract new customers. We downgraded to HOLD call (from BUY) and tweak TP to RM4.24 (from RM6.95), which based on 18x PE (from 21x) above its 5-year mean to reflect a premium for AI proxy to reflect uncertainty in government policies in the semiconductor and AI space.

Key Assumptions

Revenue growth	Before			After		
	FY2025E	FY2026E	FY2027E	FY2024E	FY2025E	FY2026E
Customer N	0%	0%		0%	0%	
Customer A	65%	15%	15%	50%	15%	15%
Customer H	New	50%	0%	New	50%	0%

Results Summary

FYE 31 Dec	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	297.2	244.5	251.5	2.9	-15.4	1216.9	975.4	-19.8
Gross profit	35.9	26.7	14.8	-44.5	-58.7	85.8	82.0	-4.5
EBITDA	35.8	18.0	19.4	8.3	-45.6	114.1	85.0	-25.5
Depreciation	-4.8	-5.8	-6.4	10.6	34.9	-22.4	-23.0	2.7
EBIT	31.0	12.1	13.0	7.1	-58.0	91.7	62.0	-32.4
Pretax Profit	30.3	10.8	11.9	9.7	-60.9	89.0	57.9	-35.0
Taxation	-2.2	-2.2	4.7	-315.1	-317.4	-15.2	-5.7	-62.4
Net Profit	28.1	8.6	16.6	93.0	-41.0	73.7	52.1	-29.3
Core Net Profit	28.1	20.8	13.8	-33.6	-50.8	73.7	60.2	-18.3
Margin (%)								
GP	12.1	10.9	5.9			7.1	8.4	
EBITDA	12.0	7.3	7.7			9.4	8.7	
Pretax	10.2	4.4	4.7			7.3	5.9	
Net Profit	9.5	8.5	5.5			6.1	6.2	

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Revenue (RMm)	1,216.9	975.4	1,659.8	1,879.4	1,998.8
EBITDA (RMm)	111.9	85.0	139.9	165.8	177.9
Pretax profit (RMm)	89.5	57.9	108.9	131.2	139.6
Net profit (RMm)	73.6	52.1	90.4	108.9	115.9
EPS (sen)	19.2	13.6	23.5	28.4	30.2
PER (x)	20.4	28.7	16.6	13.8	12.9
Core net profit (RMm)	73.6	60.2	90.4	108.9	115.9
Core EPS (sen)	19.2	15.7	23.5	28.4	30.2
Core EPS growth (%)	5.1	(18.1)	50.1	20.4	6.5
Core PER (x)	20.4	24.9	16.6	13.8	12.9
Net DPS (sen)	7.0	9.0	12.0	14.0	14.0
Dividend Yield (%)	1.8	2.3	3.1	3.6	3.6
ROE (%)	12.1	7.9	13.0	14.5	14.0
P/BV (x)	2.5	2.4	2.2	2.0	1.8



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Tradeview Research Investment Rating System

Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period