

P.I.E Industrial Berhad (7095)

Cautious Optimism Amid Uncertainties

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HOLD ↔

TP: RM 4.24 (+17%) ↔

Current Share Price: RM 3.63

Update 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 and more potential customers onboard due to trade diversion

Outlook

 Following our recent meeting, we maintain a cautiously optimistic outlook on PIE despite lingering uncertainties in government policies and macroeconomic conditions. Encouragingly, orders from Customer A have rebounded since the December issue, expecting sustained demand. Thus, we anticipate a promising earnings outlook for 1QFY25. While ongoing discussions with Customer H over server orders, management remains confident in attracting new customers and more orders from existing clients which will be able to fill up the new plants' capacity. Additionally, geopolitical conflicts and trade diversions (Vietnam +1 / Mexico +1) are driving product reallocations due to rising costs and resource shortages, creating new opportunities for PIE. Given its strong execution capabilities, PIE is well-positioned to secure orders and capitalize on these shifts. However, geopolitical tensions and policy uncertainties could slow progress, tempering earnings growth in the near term.

Recommendation

 We maintain HOLD call with TP of RM4.24, which is based on 18x PE above its 5-year mean to reflect a premium for AI proxy and more potential customers onboard due to trade diversion. However, we are cautious the uncertainty in government policies in the semiconductor space will affect the customers' decision. Any weakness in share price is a buying opportunity as the company has strong support from its parent company, Foxconn and its capability in growing its technology knowhow to attract more MNCs.

Key Assumptions

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

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	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)	18.9	26.7	15.4	12.8	12.0
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)	18.9	23.1	15.4	12.8	12.0
Net DPS (sen)	7.0	9.0	12.0	14.0	14.0
Dividend Yield (%)	1.9	2.5	3.3	3.9	3.9
ROE (%)	12.1	7.9	13.0	14.5	14.0
P/BV (x)	2.3	2.1	2.0	1.9	1.7



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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