TRADEVIEW
RESEARCH

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P.I.E Industrial Berhad (7095)

Earnings Dragged by Tariff Impact

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HOLD ⇔

TP: RM 2.78 (-4%) ⬇

Current Share Price: RM 2.85

Result Report

Growth

Investment Horizon
12 months

Valuation

Our target price is based on:

FY26F with PE of 16x (from 18x), which is in line with its 5-year forward average, given the shifted in EMS sentiment and geoeconomic impact.

Results Review

PIE's 9MFY25 core earnings of RM30.5mn came in below expectations, accounting for only 56% of both our and consensus full-year forecasts. The shortfall was primarily due to an unfavourable product mix, as the reciprocal tariff created uncertainty and delayed customers' purchasing decisions. Consequently, we revise our FY25F-FY27F earnings forecasts downward by 15%-41% to reflect the tariff impact and adjustments to prospective customers from China expected to utilise Plant 6. QoQ, 3QFY25 core earnings declined by 34%, weighed down by softer EMS revenue which mainly attributed to a sharp reduction in orders from Customer A, following the implementation of the reciprocal tariff.

Outlook

Following the implementation of the reciprocal tariff at 19%, customer sentiment has shifted, as Malaysia's competitive advantage has narrowed compared to neighbouring countries—particularly under the Vietnam+1 strategy. Consequently, we do not anticipate any significant diversion of orders from Vietnamese customers in the near term. We understand that orders from Customer A have declined and have yet to recover, largely due to the impact of the reciprocal tariff and ongoing geopolitical tensions. While the timeline for order recovery remains uncertain, management remains optimistic that production will continue to migrate to Southeast Asia, given the region's relatively lower operating costs even after factoring in the 19% tariff. Meanwhile, the China+1 trend remains intact, and we foresee more potential customers shifting their production lines to Malaysia. This trend presents an opportunity for the Group to capitalise on and fully utilise Plant 6. However, given the current execution pace, ramp-up timing, and geopolitical uncertainties delaying capital expenditure, we expect a gradual recovery ahead, with more meaningful improvements likely emerging in FY26. We maintain a HOLD call with lower TP of RM2.78 (from RM4.02) based on FY26F PE of 16x (from 18x), in line with its 5-year forward average PE, given that the reciprocal tariff has adversely affected the business performance of electronic manufacturing service (EMS) players, coupled with customers' cautious decision-making amid ongoing geopolitical tensions, the industry continues to face a period of uncertainty.

Key Assumptions

Revenue growth	Before			After		
	FY2025F	FY2026F	FY2027F	FY2025F	FY2026F	FY2027F
Customer A	5%	15%	15%	-10%	2%	5%
Customer H	New	-19%	0%	New	-19%	0%

Results Summary

FYE 31 Dec (RMmn)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	244.5	231.0	204.9	*-11.3*	*-16.2*	723.9	707.7	*-2.2*
Gross profit	26.7	13.3	8.6	*-35.4*	*-67.8*	67.2	44.3	*-34.1*
EBITDA	18.0	16.1	14.3	*-10.7*	*-20.1*	65.5	56.4	*-13.9*
Depreciation	-5.8	-7.7	-7.7	*0.9*	*32.8*	-16.6	-22.9	*38.1*
EBIT	12.1	8.4	6.6	*-21.2*	*-45.5*	49.0	33.5	*-31.5*
Pretax Profit	10.8	8.1	5.9	*-26.9*	*-44.9*	46.0	32.0	*-30.5*
Taxation	-2.2	-2.3	-1.6	*-31.9*	*-28.8*	-10.5	-6.9	*-34.3*
Net Profit	8.6	5.8	4.4	*-24.8*	*-49.1*	35.5	25.1	*-29.4*
Core Net Profit	20.8	8.8	5.8	*-34.3*	*-72.4*	46.4	30.5	*-34.4*
Margin (%)								
GP	10.9	5.8	4.2			9.3	6.3	
EBITDA	7.3	7.0	7.0			9.1	8.0	
Pretax	4.4	3.5	2.9			6.4	4.5	
Net Profit	8.5	3.8	2.8			6.4	4.3	

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMmn)	1,216.9	975.4	989.7	1,256.7	1,621.9
EBITDA (RMmn)	111.9	85.0	77.2	115.3	143.1
Pretax profit (RMmn)	89.5	57.9	46.2	80.7	104.8
Net profit (RMmn)	73.6	52.1	38.4	67.0	87.0
EPS (sen)	19.2	13.6	10.0	17.4	22.6
PER (x)	15.1	21.3	28.9	16.6	12.8
Core net profit (RMmn)	73.6	60.2	38.4	67.0	87.0
Core EPS (sen)	19.2	15.7	10.0	17.4	22.6
Core EPS growth (%)	5.1	-18.1	-36.3	74.5	29.9
Core PER (x)	15.1	18.4	29.0	16.6	12.8
Net DPS (sen)	7.0	9.0	12.0	14.0	14.0
Dividend Yield (%)	2.4	3.1	4.2	4.8	4.8
ROE (%)	12.1	7.9	6.0	10.2	12.4
P/BV (x)	1.8	1.7	1.7	1.7	1.6

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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