

P.I.E Industrial Berhad (7095)

Recovery Pushed to FY27

Bloomberg Ticker: PIE MK | Investment Horizon: 12 Months

Recommendation

We downgrade to **SELL** (from **HOLD**) recommendation with a lower target price of RM0.86 (from RM1.38), based on unchanged FY26F 13x PE (-1 standard deviation to its 5-year forward average). The reciprocal tariff has materially impacted EMS players' operating performance, while prolonged geopolitical tensions continue to weigh on customers' capex decision-making, sustaining industry-wide uncertainty

Results Review

PIE's 1QFY26 results came in below expectations, posting a net loss of RM1.7mn against both our full-year forecast and consensus estimates. The weaker performance was mainly attributable to an unfavourable product mix arising from lower orders from Customer A, alongside underutilisation at the expanded capacity of Plant 5 extension and Plant 6.

The Group announced a total interim dividend of 2.0 sen per share (0.9 sen ordinary, 1.1 sen special), well below our 7.0 sen forecast, reflecting subdued business performance. Historically, the Group only declares interim dividends once annually, typically in 2Q.

YoY, 1QFY26 revenue declined 48%, primarily due to a 60% contraction in EMS revenue following the sharp decline in Customer A orders. The Group swung to a net loss of RM1.7mn, weighed down by the adverse product mix and elevated operating expenses.

QoQ, 1QFY26 remained in a loss-making position as EMS revenue weakened further. The decline was mainly due to lower order volumes from Customer A, coupled with softer cryptocurrency prices following the implementation of reciprocal tariffs. Earnings were further affected by higher fixed cost absorption at Plant 6, particularly from underutilised production floor space.

Outlook

Orders from Customer A have declined significantly due to reciprocal tariff consequences and geopolitical tensions, compounded by weaker cryptocurrency prices that have dampened demand. Recovery timing remains uncertain. Management remains constructive on the production shift to Southeast Asia, where relatively lower operating costs should partially offset tariff headwinds. The Group has shifted its focus toward actively pursuing new customer acquisitions to mitigate concentration risk and compensate for the Customer A shortfall.

The China+1 manufacturing relocation trend remains structurally intact, positioning the Group to capture additional mandates as customers relocate production lines to Malaysia. Management is currently in discussions with prospective clients to fill remaining Plant 6 capacity, expressing confidence in achieving full utilisation by FY26. If ongoing negotiations materialise, mass production could commence as early as 2Q26, enabling the plant to cover fixed costs with improved margins. We understand the pipeline is weighted toward advanced technology products, including AI-related applications.

Despite these positive developments, we expect a protracted recovery trajectory given the current execution pace, ramp-up timelines, and persistent geopolitical uncertainties that continue to delay customers' capex decisions. Meaningful earnings improvement is more likely to materialise in FY27 rather than FY26. The newly installed management team, with Foxconn's backing, is focused on advancing technological capabilities to strengthen the Group's competitive positioning.

Forecast

We revise our FY26F-FY28F earnings forecasts downward by 18%-38% to reflect the tariff impact and adjustments to prospective customers from China expected to utilise Plant 6.

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: RM0.86 (-44%) ↓

Current Share Price: RM1.54

Main Market
Industrial Products & Services

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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)	591.4
Issued Shares (mn)	384.0
52W High (RM)	4.50
52W Low (RM)	1.10
Estimated Free Float (%)	23.3
Beta vs FBM KLCI	1.4
3-month Average Vol. (mn)	1.3
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	5.5	8.3	10.9
TP (RM)	High	Mean	Low
	1.4	1.29	1.08
Ratings	Buy	Hold	Sell
	0	2	1

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)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	271.8	171.6	142.5	(16.9)	(47.6)
Gross profit	22.3	4.5	1.3	(70.2)	(94.0)
EBITDA	26.0	8.5	3.3	(61.0)	(87.2)
Depreciation	(7.5)	(7.8)	(7.9)	2.0	5.5
EBIT	18.5	0.8	(4.6)	nm	nm
Pretax Profit	17.9	0.1	(5.1)	nm	nm
Taxation	(3.0)	(4.2)	(1.1)	(73.6)	(63.6)
Net Profit	14.9	(4.1)	(6.2)	52.7	nm
Core Net Profit	15.9	(0.5)	(1.7)	nm	nm
Margin (%)					
GP	8.2	2.6	0.9		
EBITDA	9.6	5.0	2.3		
Pretax	6.6	0.1	(3.6)		
Net Profit	5.8	(0.3)	(1.2)		

Key Assumption

Revenue Growth	Actual		Forecast		
	FY24	FY25	FY26F	FY27F	FY28F
EMS	-25%	-13%	-7%	25%	22%
Raw Wire & Cable	4%	-3%	2%	2%	2%
Wireharness	31%	56%	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	835.2	994.0	1,165.6
EBITDA (RM'mn)	85.0	65.0	65.7	87.1	96.1
Pretax profit (RM'mn)	57.9	32.1	31.5	54.7	64.5
Net profit (RM'mn)	52.1	21.0	23.9	43.8	51.6
EPS (sen)	13.6	5.5	6.2	11.4	13.4
PER (x)	11.3	28.1	24.8	13.6	11.5
Core net profit (RM'mn)	60.2	29.9	25.5	45.4	53.2
Core EPS (sen)	15.7	7.8	6.6	11.8	13.8
Core EPS growth (%)	-18.1	-50.3	-14.8	77.9	17.3
Core PER (x)	9.8	19.8	23.2	13.1	11.2
Net DPS (sen)	7.0	5.0	2.0	5.0	5.0
Dividend Yield (%)	4.5	3.2	1.3	3.2	3.2
ROE (%)	7.9	3.2	3.5	6.3	7.1
P/BV (x)	0.9	0.9	0.9	0.8	0.8

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	975.4	879.2	835.2	994.0	1,165.6
Operating expenses	(890.5)	(814.3)	(769.5)	(906.9)	(1,069.5)
EBITDA	85.0	65.0	65.7	87.1	96.1
Depreciation	(23.0)	(30.7)	(32.3)	(30.4)	(29.7)
EBIT	62.0	34.3	33.4	56.7	66.4
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	31.5	54.7	64.5
Tax	(5.7)	(11.0)	(7.6)	(10.9)	(12.9)
Minority interest	4.0	5.0	6.0	7.0	8.0
Net profit	52.1	21.0	23.9	43.8	51.6
Core PATAMI	60.2	29.9	25.5	45.4	53.2

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	59.1	57.9	54.2
Inventories	213.3	188.4	180.9	212.9	247.5
Receivables	214.1	166.8	148.7	163.4	191.6
Other current assets	53.8	85.0	130.4	126.5	118.0
Total current assets	553.4	494.7	519.1	560.7	611.4
Payables	133.6	78.1	74.5	87.7	102.8
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	123.3	136.5	151.7
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	675.4	698.3	729.2
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	31.5	54.7	64.5
Depreciation & amortisation	23.0	30.7	32.3	30.4	29.7
Working capital changes	15.4	97.1	22.0	(33.5)	(47.7)
Cash tax paid	(5.7)	(11.0)	(7.6)	(10.9)	(12.9)
Others	68.6	(74.8)	0.0	0.0	0.0
C/F from operation	159.2	74.0	78.2	40.7	33.6
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	45.5	(3.5)	(10.6)
Free Cash Flow	68.4	45.5	53.2	15.7	8.6



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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

IPO Note:

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

NEUTRAL: Total stock return expected to below +15% over 12-month period