

01 March 2021

## P.I.E Industrial

### 4QFY20 Earnings Tripled

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4QFY20 CNP jumped 3.2x YoY to RM35.1m due to strong orders and improved efficiency, bringing FY20 CNP to RM45.8m (+25% YoY) which exceeded our/consensus full-year estimates by 94% and 60%, respectively. Moving into 1QFY21, we expect the group to maintain earnings momentum thanks to improved yield rate for a new key customer, and higher volume forecast. PIE will be purchasing a new plant which will be its biggest facility yet to cater for higher order volume for existing customers and potential new customers currently in negotiations. Maintain **OUTPERFORM** with a higher Target Price of RM4.00.

**Above expectations.** 4QFY20 CNP jumped 3.2x YoY to RM35.1m, bringing FY20 CNP to RM45.8m (+25% YoY) which exceeded our/consensus full-year estimates by 94% and 60%, respectively.

**Results' highlight. YoY,** 4QFY20 CNP surged 3.2x to RM35.1m on 54% increase in revenue as the group was able to deliver backlogs with the travel ban lifted as well as getting more orders from customers. Cumulatively, FY20 revenue inched 4% to RM686.4m while CNP increased at a quicker rate of 25% to RM45.8m thanks to better cost control. **QoQ,** 4QFY20 revenue climbed 8% to RM246.9m while CNP rose 155% to RM35.1m. Even with the FX gains aside, QoQ growth would still be at a commendable level of 83%.

**Returning with a vengeance.** Moving into 1QFY21, we expect earnings momentum to remain healthy despite shorter working days owing to the Chinese New Year festive season. We believe this is possible thanks to the inclusion of the new key customer which has started production two quarters ago and is now able to achieve a satisfactory yield rate. This has motivated its key customer to consider increasing allocation to PIE due to very strong market demand.

In addition, PIE is in discussion with a handful of multinational corporations that are looking to diversify their supply chain and are attracted to PIE's production capability and efficiency. To cater for higher orders from existing customers and new potential customers, the group will be buying a new 80k sq. ft. plant and further expand it to 150k sq. ft. The new plant will be completed by 4QFY21 and will be its largest facility yet, boosting existing floor space by c.50%.

**We raise FY21E CNP by 10% to RM73.3m and introduce FY22E CNP of RM84.9m,** representing a 60% and 16% growth, respectively.

**Maintain OUTPERFORM but with a higher Target Price of RM4.00** (previously RM3.30) to reflect good prospects ahead with the new key customer driven by very strong demand for their end products. We base our valuation on a higher FY21E PER of 21x (previously 19x), representing +1SD of its 3-year mean.

**Risks to our call include:** (i) lower-than-expected sales, (ii) loss of orders from its key customers, and (iii) adverse currency translations.

## OUTPERFORM ↔

Price : **RM3.37**  
Target Price : **RM4.00** ↑

### Share Price Performance



KLCI 1,577.75  
YTD KLCI chg -3.0%  
YTD stock price chg +39.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PIE MK Equity
Market Cap (RM m)	1,294.2
Shares Outstanding	384.0
52-week range (H)	3.71
52-week range (L)	0.72
3-mth avg daily vol:	724,987
Free Float	35%
Beta	0.9

### Major Shareholders

Pan Global Holding Co Ltd	51.4%
Employees Provident Fund	4.2%
Mak Tian Meng	4.1%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	686.4	1097.4	1179.7
EBITDA	73.0	140.4	153.5
PBT	55.2	97.7	113.2
<b>Net Profit (NP)</b>	<b>45.8</b>	<b>73.3</b>	<b>84.9</b>
<b>Core NP</b>	<b>45.8</b>	<b>73.3</b>	<b>84.9</b>
Consensus (NP)	N.M	51.9	64.1
Earnings Revision	N.M	10%	0%
Core EPS (sen)	11.9	19.1	22.1
BV/Share (RM)	1.2	1.4	1.6
PER (x)	28.2	17.7	15.2
Price/BV (x)	2.7	2.3	2.2
Net Gearing (x)	-0.2	0.1	0.0
NDPS (sen)	0.0	9.0	10.0
Dividend Yield (%)	0.0	2.7	3.0

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<b>Result Highlight</b>								
	<b>4Q</b>	<b>3Q</b>	<b>QoQ</b>	<b>4Q</b>	<b>YoY</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
<b>FYE: Dec (RM m)</b>	<b>FY20</b>	<b>FY20</b>	<b>Chg</b>	<b>FY19</b>	<b>Chg</b>	<b>FY20</b>	<b>FY19</b>	<b>Chg</b>
<b>Revenue</b>	<b>246.9</b>	<b>227.4</b>	<b>8.5%</b>	<b>160.6</b>	<b>53.7%</b>	<b>686.4</b>	<b>659.3</b>	<b>4.1%</b>
EBIT	40.2	17.2	133.5%	13.1	206.2%	56.9	46.2	23.3%
PBT	40.2	17.2	133.4%	13.0	210.1%	55.2	45.8	20.6%
Taxation	-5.2	-3.5	-48.7%	-2.0	-156.9%	-9.4	-9.2	-1.7%
Net Profit (NP)	35.1	13.8	154.8%	11.0	219.8%	45.8	36.6	25.3%
<b>Core NP</b>	<b>35.1</b>	<b>13.8</b>	<b>154.8%</b>	<b>11.0</b>	<b>219.8%</b>	<b>45.8</b>	<b>36.6</b>	<b>25.3%</b>
FD core EPS (sen)	9.1	3.6	154.8%	3.5	161.2%	11.9	10.1	17.9%
DPS (sen)	0.0	0.0		0.0		0.0	5.0	
EBIT margin	16.3%	7.6%		8.2%		8.3%	7.0%	
Pretax margin	16.3%	7.6%		8.1%		8.0%	6.9%	
CNP margin	14.2%	6.1%		6.8%		6.7%	5.5%	
Effective tax rate	-12.8%	-20.1%		-15.5%		-17.0%	-20.2%	

Source: Kenanga Research

<b>Operating segment</b>								
	<b>4Q</b>	<b>3Q</b>	<b>QoQ</b>	<b>4Q</b>	<b>YoY</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
<b>FYE: Dec (RM m)</b>	<b>FY20</b>	<b>FY20</b>	<b>Chg</b>	<b>FY19</b>	<b>Chg</b>	<b>FY20</b>	<b>FY19</b>	<b>Chg</b>
<b>Revenue</b>	<b>246.9</b>	<b>227.4</b>	<b>8.5%</b>	<b>160.6</b>	<b>53.7%</b>	<b>686.4</b>	<b>659.3</b>	<b>4.1%</b>
Manufacturing	246.8	227.3	8.6%	160.5	53.8%	686.0	654.5	4.8%
Trading	0.0	0.1	-70.6%	0.1	-67.7%	0.2	4.7	-96.1%
Others	0.0	0.0	-20.0%	0.1	-73.3%	0.2	0.2	28.7%

Source: Kenanga Research

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## Malaysian Technology Peers Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
D&O GREEN TECHNOLOGIES BHD	4.02	4,679.3	Y	12/2019	44.3%	21.9%	102.4%	21.3%	79.9	39.5	32.5	9.6	8.3	21.0%	0.9%	4.20	OP
INARI AMERTRON BHD	3.60	11,936.3	Y	06/2020	37.4%	24.9%	80.1%	15.8%	67.6	38.1	32.9	8.9	8.5	23.3	2.5%	4.00	OP
JHM CONSOLIDATION BHD	2.32	1,293.6	Y	12/2020	44.8%	13.3%	132.9%	13.8%	60.4	25.9	22.8	5.9	4.7	18.1%	0.6%	2.35	MP
KELINGTON GROUP BHD	2.36	758.5	Y	12/2020	9.5%	13.3%	42.6%	14.1%	34.6	24.3	21.3	4.5	3.9	16.2%	1.0%	3.10	OP
KESM INDUSTRIES BHD	15.10	649.5	Y	07/2020	14.6%	5.3%	19158%	34.2%	3768	24.5	18.2	1.0	1.0	5.0%	1.1%	10.60	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	37.00	7,359.2	Y	06/2020	8.0%	8.0%	16.0%	11.0%	19.5	16.7	15.1	1.7	1.8	11.8%	1.9%	43.00	OP
P.I.E. INDUSTRIAL BHD	3.37	1,294.2	Y	12/2020	59.9%	7.5%	60.0%	15.8%	28.2	17.7	15.2	2.7	2.3	13.1%	2.7%	4.00	OP
SKP RESOURCES BHD	2.28	2,849.7	Y	03/2020	23.7%	2.4%	67.3%	32.2%	40.8	24.4	18.5	4.9	4.4	18.0%	2.7%	3.00	OP
UNISEM (M) BHD	8.90	7,118.2	Y	12/2020	18.5%	7.0%	64.3%	8.5%	45.7	27.8	25.6	3.7	3.4	7.8%	0.7%	10.00	OP

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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