

M'sian Pacific Industries Back-to-back Record Earnings

By Samuel Tan / samueltan@kenanga.com.my

MPI's 1QFY22 CNP of RM81.7m (+48% YoY; +9% QoQ) marks a new record as well as its sixth consecutive QoQ climb which came in within expectations, making up 27%/26% of our/consensus full-year estimates. Revenue climbed to a new high of RM584.5m (+33% YoY; +9% QoQ) on strong loading volume for its packages used in data centres and the automotive space. With global chip demand still on the rise, the group is poised for another record FY22. Maintain OUTPERFORM and Target Price of RM56.20.

Within expectation. 1QFY22 CNP of RM81.7m (+48% YoY; +9% QoQ) marks a new record as well as its sixth consecutive QoQ climb which came in within expectations, making up 27%/26% of our/consensus full-year estimates.

Results' highlight. QoQ, MPI managed to extend its record-breaking streak to mark its sixth consecutive QoQ growth as 1QFY22 CNP inched 9% higher to RM87.1m. Revenue climbed 9% higher to a new high of RM584.5m on strong loading volume for its packaging services, especially in the automotive and data centre segments. **YoY,** 1QFY22 CNP soared 48% while revenue climbed 33% on robust demand across all regions; Asia (+30%), USA (+31%) and Europe (+43%). Despite higher cost incurred for worker's vaccination, bi-weekly Covid-19 testing and increased frequency of worker's transportation to maintain social distancing, the group still managed to show better margins as EBIT margin increased 2.8ppt to 19.5% while net profit margin climbed 2.6ppt higher to 14.0%. This was possible thanks to the group's continuous effort to streamline its workflow with the help of automation (e.g. automated guided vehicles, wafer loading robotic arm, rack and stack handler) where certain processes could run 24/7 lights-out without the need for human labour.

Strong momentum to continue. To maintain its edge among the competition, the group will continue to utilise more automation in its plant as well as focusing on advanced packages for 5G related devices and electric vehicles which will yield higher margins. We believe the group can extend the growth trend into FY22 as demand for chips remains elevated around the world. The group continues to experience high demand for its power management chip packaging service as data centres are starting to see the need for expansion due to higher bandwidth usage among consumers working from home. Demand for bandwidth will only increase further with the adoption of 5G.

Maintain FY22E and FY23E CNP of RM302.4m and RM332.8m, representing growth of 11% and 10%, respectively.

Maintain OUTPERFORM with an unchanged Target Price of RM56.20 based on 35x CY22E (+2SD to 3-year mean).

Risks to our call are: (i) weaker-than-expected sales and margins, (ii) unfavourable currency exchange rates, and (iii) further disruption from the US-China trade war.

OUTPERFORM ↔

Price: **RM48.14**
Target Price: **RM56.20** ↔

Share Price Performance



KLCI	1,522.27
YTD KLCI chg	-6.4%
YTD stock price chg	86.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MPI MK Equity
Market Cap (RM m)	9,574.9
Shares Outstanding	198.9
52-week range (H)	50.00
52-week range (L)	22.84
3-mth avg daily vol:	202,295
Free Float	34.5%
Beta	0.3

Major Shareholders

Hong Leong Co Malaysia Bhd	56.4%
EPF	2.2%
Public Strategic SmallCap Fund	2.1%

Summary Earnings Table

FY Jun (RM m)	2021A	2022E	2023E
Turnover	1,988	2,187	2,406
EBIT	557.8	617.9	679.7
PBT	357.6	397.9	437.8
Net Profit (NP)	271.8	302.4	332.8
Core NP	271.8	302.4	332.8
Consensus (CNP)	N.A.	311.0	343.8
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	136.7	152.8	168.2
Core EPS growth (%)	74.1	11.3	10.0
NDPS (sen)	30.0	30.0	30.0
BV/Share (RM)	7.1	8.0	9.1
Core PER (x)	35.0	31.5	28.6
Price/BV (x)	6.8	6.0	5.3
Net Gearing (x)	-0.5	-0.5	-0.4
Net Div. Yield (%)	0.6	0.6	0.6

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Results Highlights

FYE Jun (RMm)	1Q22	4Q21	QoQchg	1Q21	YoY chg	3M22	3M21	YoY Chg
Revenue	584.5	537.3	8.8%	440.6	32.7%	584.5	440.6	32.7%
EBIT	113.9	97.2	17.2%	73.7	54.5%	113.9	73.7	54.5%
PBT	112.6	96.0	17.3%	73.1	54.1%	112.6	73.1	54.1%
Taxation	-16.7	-6.6	-154.3%	-7.3	-128.6%	-16.7	-7.3	-128.6%
PATAMI	81.7	75.1	8.8%	55.3	47.7%	81.7	55.3	47.7%
Core PATAMI	81.7	75.1	8.8%	55.3	47.7%	81.7	55.3	47.7%
Core EPS (sen)	41.3	38.0	8.8%	27.9	47.7%	41.3	27.9	47.7%
DPS (sen)	10.0	0.0		10.0		10.0	10.0	
EBIT margin	19.5%	18.1%		16.7%		19.5%	16.7%	
PBT margin	19.3%	17.9%		16.6%		19.3%	16.6%	
NP margin	14.0%	14.0%		12.6%		14.0%	12.6%	
Effective tax rate	-14.8%	-6.8%		-10.0%		-14.8%	-10.0%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Jun (RM m)	1Q22	4Q21	QoQchg	1Q21	YoY chg	3M22	3M21	YoY Chg
Revenue	584.5	537.3	8.8%	440.6	32.7%	584.5	440.6	32.7%
Asia	375.4	337.0	11.4%	288.4	30.2%	375.4	288.4	30.2%
USA	83.4	73.2	14.0%	63.8	30.6%	83.4	63.8	30.6%
Europe	124.9	126.2	-1.0%	87.3	43.1%	124.9	87.3	43.1%
Non-reportable segments	0.9	1.0	-9.9%	1.0	-15.9%	0.9	1.0	-15.9%
Segment profit	113.5	96.8	17.2%	73.1	55.2%	113.5	73.1	55.2%
Asia	75.6	65.8	14.9%	50.2	50.6%	75.6	50.2	50.6%
USA	14.2	12.9	10.4%	9.7	47.7%	14.2	9.7	47.7%
Europe	23.5	23.3	0.6%	13.5	73.5%	23.5	13.5	73.5%
Non-reportable segments	0.2	-5.2	103.9%	-0.2	183.1%	0.2	-0.2	183.1%
Segment profit margin	19.4%	18.0%		16.6%		19.4%	16.6%	
Asia	20.1%	19.5%		17.4%		20.1%	17.4%	
USA	17.1%	17.6%		15.1%		17.1%	15.1%	
Europe	18.8%	18.5%		15.5%		18.8%	15.5%	

Source: Company, Kenanga Research

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Peer 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 DivYld (%)		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.	1-Yr. Fwd.	1-Yr. Fwd.			
D&O GREEN TECHNOLOGIES BHD	5.87	7,036.0	Y	12/2021	48.9%	26.4%	123%	34.0%	141.7	63.5	47.4	17.0	13.9	21.9%	0.2%	6.60	OP		
GHL SYSTEMS BHD	1.89	2,157.4	Y	12/2021	4.3%	36.3%	8.4%	41.8%	73.5	67.8	47.8	4.4	4.0	6.5%	0.0%	2.30	OP		
INARI AMERTRON BHD	4.18	15,429.4	Y	06/2022	22.5%	14.6%	11.3%	14.7%	43.4	35.9	1.3	10.4	10.2	26.4%	2.5%	4.80	OP		
JHM CONSOLIDATION BHD	1.72	959.1	Y	12/2021	10.4%	15.8%	0.5%	65.2%	46.0	45.8	27.7	5.2	4.5	9.9%	0.7%	1.90	MP		
KELINGTON GROUP BHD	1.75	1,125.3	Y	12/2021	25.5%	40.1%	84.7%	45.7%	61.9	33.5	23.0	6.4	5.6	16.7%	0.7%	2.50	OP		
KESM INDUSTRIES BHD	13.30	572.1	Y	07/2022	4.9%	6.4%	4072%	250%	131.0	37.4	25.0	1.5	1.4	3.8%	0.7%	11.40	MP		
MALAYSIAN PACIFIC INDUSTRIES BHD	48.14	9,574.9	Y	06/2022	10.0%	10.0%	11.3%	10.0%	32.2	28.8	26.2	7.1	8.0	15.6%	0.6%	56.20	OP		
P.I.E. INDUSTRIAL BHD	3.95	1,517.0	Y	12/2021	59.9%	10.6%	31.0%	29.9%	32.3	24.7	19.0	1.3	1.5	11.5%	1.8%	4.30	OP		
SKP RESOURCES BHD	1.80	2,812.2	Y	03/2022	12.3%	12.4%	21.7%	12.4%	21.6	17.7	15.8	4.1	3.7	21.0%	2.8%	2.60	OP		
UNISEM (M) BHD	4.33	6,984.6	Y	12/2021	20.0%	15.0%	47.5%	21.0%	46.8	31.7	26.2	3.8	3.5	11.2%	1.4%	4.90	OP		

Source: Bloomberg, Kenanga Research

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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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

