

03 March 2026

# P.I.E. Industrial

## 4Q Missed, FY26 Hinges on New Customers

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PIE's 4QFY25 revenue of RM172m (-32% YoY, -16% QoQ) – lowest in the past five years, brought FY25 revenue to RM879m, accounting for 96%/94% of our forecast/consensus forecast, respectively. Meanwhile, FY25 net profit of RM22.6m made up only 74%/66% of our/consensus estimate. In the briefing, management attributed the underperformance to reduced orders in the EMS segment as Customer A's shipments were disrupted after its end-products were held by the U.S. Customs and Border Protection (CBP) for additional inspection, prompting the customer to divert part of its ASEAN production to Mexico and the U.S. for smoother clearance. As a silver lining, ongoing U.S.–China tensions continue to spur China+1 enquiries, which have helped PIE to secure some new customers to backfill the EMS volume shortfall, with a few more discussions in the pipeline. After adjusting for Customer A's weakness and the potential contribution from new customers, we have cut our FY26 earnings estimates by 45% and introduced our FY27 forecast. Consequently, we reduce our FY26 target price to RM1.40 (from RM2.54).

We attended PIE's post-4QFY25 results briefing with the following key takeaways.

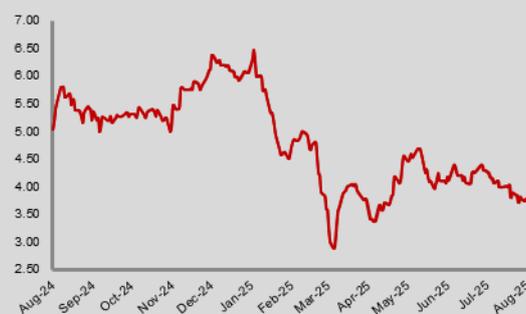
- Not seeing light yet for Customer A.** PIE's subdued 4QFY25 results were largely attributed to a significant 68% QoQ drop in orders from Customer A, falling to RM6m from RM19m in 3QFY25. This weakness stemmed from Customer A's earlier decision to diversify production to Mexico and the U.S. for smoother clearance into the American market, amidst heightened scrutiny on their product by U.S. Customs since 4QCY25. Management expects that orders will gradually flow back to Southeast Asia, particularly for higher-end water-cooled crypto mining machines, given the cost competitiveness of SEA compared to Mexico and the U.S., even after considering the tariffs. The air-cooled models, however, are expected to remain in Mexico and the U.S. Moving forward, PIE, being the only vendor for Customer A within SEA, is positioned to capture any returning volumes should the orders revert to ASEAN. However, this is dependent on the demand for the new liquid-cooled mining machines, with demand being positively correlated with the price of cryptocurrency, notably Bitcoin. Additionally, PIE's margins for Customer A could improve through increased storage and warehousing charges.
- Efforts to secure new customers bearing fruit.** The Plant 5 expansion and M&E installation have been completed, and a few customers have shown interest in taking up the new capacity, with negotiations currently underway. Originally earmarked for Customer A, the capacity is now being freed up for new prospects due to the low visibility surrounding Customer A's orders. Notably, the group has secured a new customer in the consumer/industrial segment for robot lawn mowers to be housed in Plant 5, with PCBA work already underway and potential for an expanded job scope in the future. For Plant 6, the group has secured a new customer in the server business (with a combination of turnkey and consignment arrangements), with the facility and equipment ready, while the project is currently in the prototyping stage and awaiting product qualification and audit, with mass production expected to begin as early as 3QFY26 if qualification is passed; however, given PIE's lack of track record in server assembly, we expect a learning curve that could affect margins, and any revenue contribution is likely to be staggered if the project materializes.

## MARKET PERFORM ↔

Price : RM1.46

Target Price : RM1.40 ↓

### Share Price Performance



KLCI	1,700.21
YTD KLCI chg	1.2%
YTD stock price chg	-45.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PIE MK EQUITY
Market Cap (RM m)	560.7
Shares Outstanding	384.0
52-week range (H)	4.77
52-week range (L)	1.46
3-mth avg. daily vol.	266,434
Free Float	23%
Beta	1.1

### Major Shareholders

Pan Global Holding Co Ltd	51.4%
AmanahRaya Trustees	6.2%
Fing Wong Nyok	6.1%

### Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	879	1,027	1,308
EBIT	34	38	40
PBT	32	35	37
<b>Net Profit</b>	23	31	34
Consensus	-	67	61
Earnings Revision	-	-45%	NEW
EPS (sen)	5.9	8.1	8.7
EPS growth (%)	-57.5	37.4	0.0
NDPS (sen)	0.0	0.0	0.0
BV/Share (RM)	1.7	1.7	1.8
Core PER (x)	24.8	18.1	16.7
P/BV (x)	0.9	0.8	0.8
Gearing (x)	-0.1	-0.2	-0.2
Net Dvd Yield (%)	-	-	-

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**Forecasts.** We have revised down our FY26F net profit by 45%, reflecting lower net margin assumptions of 3.0% (from 4.8% previously), alongside a 12% cut in revenue forecasts, as we factor in reduced contribution from Customer A but additional revenue contribution from new customers, as well as margin dilution stemming from lower mix of consignment-based orders that typically carry higher margins. We also introduce our FY27 forecasts, projecting that new customers will contribute 14% and 24% to FY26 and FY27 revenue, respectively.

**Valuations.** We lower our target price to RM1.40 (from RM2.54 previously), based on a FY26F valuation base and an unchanged PER of 17.2x – aligned with its 5-year average forward PER. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

**Investment case.** We like PIE for: (i) its comprehensive skill set, making it a top-choice EMS provider for MNCs, (ii) various competitive advantages it enjoys as a unit of Foxconn, and (iii) its diversified and evolving client base, from those involved in communication devices and power tools to the latest DeFi equipment.

**Risks to our call include:** (i) loss of orders or non-renewal of contracts by its key customer, (ii) labour shortage and rising labour cost, (iii) unfavourable shifts in US trade policy, and (iv) adverse currency movements.

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	FY Dec	2023A	2024A	2025A	2026F	2027F
Revenue	1,217	975	879	1,027	1,308	<b>Growth (%)</b>					
EBITDA	115	85	65	71	73	Turnover	4.4	-19.8	-9.9	16.8	27.4
Dep & Amort.	22	23	31	33	33	EBITDA	7.0	-26.1	-23.3	8.2	4.1
Operating Profit	93	62	34	38	40	Operating Profit	11.0	-33.1	-44.7	10.8	5.4
Other Income	35	10	16	15	20	PBT	9.6	-35.7	-44.6	7.9	7.7
Interest Exp	-3	-4	-2	-3	-3	Adj. Net Profit	5.8	-28.3	-57.5	37.4	8.1
PBT	90	58	32	35	37	<b>Profitability (%)</b>					
Taxation	-16	-6	-11	-7	-7	EBITDA Margin	9.5	8.7	7.4	6.9	5.6
MI	0	1	2	3	4	Operating Margin	7.6	6.4	3.9	3.7	3.1
Net Profit	74	53	23	31	34	PBT Margin	7.4	5.9	3.6	3.4	2.8
Core Net Profit	74	53	23	31	34	Core Net Margin	6.1	5.4	2.6	3.0	2.6
						Effective Tax Rate	-14.7	-17.7	-9.9	-34.4	-20.0
						ROA	8.2	6.2	2.8	3.0	3.0
						ROE	12.2	8.1	3.4	4.5	4.7
						<b>DuPont Analysis</b>					
						Net Margin	6.1%	5.4%	2.6%	3.0%	2.6%
						Assets T/O (x)	1.3x	1.1x	1.1x	1.0x	1.2x
						Lvg. Factor (x)	1.5x	1.3x	1.2x	1.5x	1.6x
						ROE	12.2	8.1	3.4	4.5	4.7
						<b>Leverage</b>					
						Debt/Asset (x)	0.1	0.1	0.1	0.1	0.0
						Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1
						Net Cash/(Debt) Net Debt/Equity (x)	-5	59	75	135	172
						0.0	-0.1	-0.1	-0.2	-0.2	
						<b>Valuations</b>					
						Core EPS (sen)	19.2	13.8	5.9	8.1	8.7
						DPS (sen)	0.0	0.0	0.0	0.0	0.0
						BVPS (RM)	1.59	1.65	1.66	1.74	1.83
						PER (x)	7.6	10.6	24.8	18.1	16.7
						Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
						P/BV (x)	0.9	0.9	0.9	0.8	0.8
						EV/EBITDA (x)	4.8	7.3	9.8	9.9	10.0
<b>Balance Sheet</b>											
<b>FY Dec (RM m)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>	<b>2026F</b>	<b>2027F</b>						
Fixed Assets	209	278	268	321	328						
Int. Assets	-	-	-	-	-						
Other FA	25	22	32	32	32						
Inventories	278	213	188	233	299						
Receivables	331	216	167	227	233						
Other CA	4	14	16	16	16						
Cash	63	116	123	192	229						
<b>Total Assets</b>	<b>909</b>	<b>858</b>	<b>795</b>	<b>1,021</b>	<b>1,138</b>						
Payables	220	135	78	147	189						
ST Borrowings	-	-	-	-	-						
Other ST Liability	69	61	51	62	62						
LT Borrowings	-	-	-	-	-						
Other LT Liability	11	3	5	123	168						
Minorities Int.	-	24	22	19	16						
<b>Net Assets</b>	<b>609</b>	<b>635</b>	<b>638</b>	<b>669</b>	<b>703</b>						
Share Capital	83	83	83	83	83						
Reserves	526	552	555	586	620						
<b>Equity</b>	<b>609</b>	<b>635</b>	<b>638</b>	<b>669</b>	<b>703</b>						
<b>FY Dec (RM m)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>	<b>2026F</b>	<b>2027F</b>						
Operating CF	117	159	67	122	78						
Investing CF	-45	-91	-55	-62	-41						
Financing CF	-68	-13	-8	8	0						

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Malaysian Technology Peers Comparison

Name	Rating	Last Price	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net. Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>TECHNOLOGY</b>																	
D&O GREEN TECHNOLOGIES BHD	MP	0.450	0.470	4.4%	557.8	Y	12/2026	2.1	2.3	132.7%	39.9%	21.2	19.8	0.8	3.8%	1.0	2.2%
INARI AMERTRON BHD	OP	1.37	2.05	49.6%	5,213.0	Y	06/2026	5.7	7.5	-14.6%	30.6%	23.8	18.3	1.9	7.2%	5.0	3.6%
KELINGTON GROUP BHD	OP	5.30	6.15	16.0%	4,159.1	Y	12/2026	20.5	21.9	23.4%	6.8%	25.9	24.2	5.9	26.1%	13.0	2.5%
LGMS BHD	MP	0.500	0.650	30.0%	228.0	Y	12/2026	2.2	2.7	-18.7%	23.0%	22.8	18.5	2.3	10.3%	2.0	4.0%
MALAYSIAN PACIFIC INDUSTRIES	MP	31.00	35.30	13.9%	6,181.3	Y	06/2026	104.4	120.3	35.2%	15.2%	29.7	25.8	2.8	9.7%	35.0	1.1%
NATIONGATE HOLDINGS BHD	MP	0.810	0.850	4.9%	1,832.7	Y	12/2026	4.7	5.7	7.8%	21.1%	17.2	14.2	1.7	10.2%	2.0	2.5%
OPPSTAR BHD	MP	0.240	0.280	16.7%	153.9	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	24.4	1.2	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.46	1.40	-4.1%	560.7	Y	12/2026	8.1	8.8	37.6%	8.0%	18.0	16.7	0.8	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.480	0.530	10.4%	749.9	Y	03/2026	5.7	4.4	-24.4%	-22.5%	8.5	10.9	0.7	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	2.98	2.22	-25.5%	4,807.0	Y	12/2026	7.6	9.2	94.1%	21.8%	39.4	32.3	2.3	5.8%	6.0	2.0%
UWC BHD	OP	4.28	4.38	2.3%	4,721.4	Y	07/2026	10.0	13.9	172.6%	38.8%	42.7	30.8	7.9	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.29	4.25	29.2%	2,340.2	Y	12/2026	12.1	13.1	39.0%	8.1%	27.1	25.1	2.7	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.18	1.90	61.0%	709.5	Y	05/2026	5.6	7.6	60.7%	34.8%	20.9	15.5	3.6	18.3%	1.0	0.8%
<b>SECTOR AGGREGATE</b>					<b>32,214.6</b>					<b>22.1%</b>	<b>19.2%</b>	<b>26.5</b>	<b>22.2</b>	<b>2.7</b>	<b>9.9%</b>		<b>1.5%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	☆	
<b>SPECIFIC</b>	Worker Welfare	★	★	★		
	Supply Chain Auditing	★	★	★	☆	
	Waste Management	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Work Site Safety	★	★	★		
	Digital Transformation	★	★	☆		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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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