P.I.E. Industrial

Lingering pain from Customer A, recovery in sight

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PIE reported a net loss of RM5.8 m in 1QFY26, missing expectations as we and the consensus had projected full-year profits of RM30.7 m and RM26.9 m, respectively. The loss was primarily driven by reduced EMS orders following disruptions at Customer A (crypto mining machine customer), while new customers secured last quarter have yet to contribute, leaving plant utilisation low. Gross profit margin contracted 1.7 ppts QoQ to 0.9% in 1QFY26, reflecting weak operating leverage due to low plant utilisation. Looking ahead, with tariff uncertainties largely resolved and the China+1 production shift gaining momentum, management is intensifying engagement with prospective customers to secure new programmes and backfill remaining capacity. Consequently, we lower our FY26F and FY27F earnings forecasts by 26% and 4%, respectively. After rolling forward our valuation base to FY27F, we raise our target price slightly to RM1.45 (from RM1.40). Maintain MARKET PERFORM.

PIE's 1QFY26 revenue of RM142.5 m made up 14%/15% of both our and consensus estimates, while the net loss of RM5.8 m came in below expectations. The deviation from our projections was primarily driven by weaker-than-expected EMS activity, as orders from a key crypto mining equipment customer were severely impacted by declining cryptocurrency prices and tariff implementation, resulting in lower plant loading. The softness was largely anticipated, as excess capacity left by Customer A could not yet be absorbed by new customers, leading to lower plant utilisation and weak operating leverage, which continued to exert pressure on margins.

YoY, 1QFY26 revenue dropped 48% to RM142.5 m, primarily due to lower product orders from customers in the electronics manufacturing services (EMS) segment, but partially offset by higher revenue from raw wire and cable products (+9% YoY) and wire harness sales in Thailand (+43% YoY). Loss before tax (LBT) widened by 129% to RM5.1m, driven by an unfavourable product mix since 2QFY25 and higher losses from foreign exchange transactions amid a weakening USD. Consequently, the group posted a net loss of RM5.8 m, a 138% increase YoY.

QoQ, 1QFY26 revenue fell 17%, driven by softer order volumes in the EMS segment, most notably from Customer A, as orders from a key crypto mining equipment client were severely impacted by declining cryptocurrency prices and tariff implementation. Coupled with a largely fixed cost base, this continued to weigh on margins. Gross profit margin contracted 1.7 ppts to 0.9%, pressured by the lower contribution from Customer A, whose consignment-based orders typically carry higher margins. As a result, the group slipped into a net loss of RM5.8 m, a 76% widening QoQ, weighed down by lower revenue and operating leverage.

Outlook. Amid persistent U.S.–China trade tensions, the shift in manufacturing away from China has intensified. PIE has reported encouraging traction from "China+1" initiatives, with multiple ongoing discussions for potential new business. Notably, the group has secured a new server customer under turnkey and consignment arrangements, with management's last update last quarter indicating that the facility and equipment are ready and currently undergoing prototyping and qualification. If this new business materializes, mass production may begin in 2Q26 and potentially offset the revenue shortfall from Customer A. Meanwhile, the group has also 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 PIT Thailand, revenue contribution from cable assembly

MARKET PERFORM ↔

Price :	**RM1.54**
Target Price :	**RM1.45 ↔**

Share Price Performance

KLCI	1,712.67
YTD KLCI chg	1.9%
YTD stock price chg	-42.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PIE MK EQUITY
Market Cap (RM m)	591.4
Shares Outstanding	384.0
52-week range (H)	4.50
52-week range (L)	1.10
3-mth avg. daily vol.	266,846
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	931	1,247
EBIT	34	32	41
PBT	32	29	38
Net Profit	23	23	32
Consensus	-	27	41
Earnings Revision	-	-26%	-4%
EPS (sen)	5.9	5.9	8.4
EPS growth (%)	-57.5	0.3	0.0
NDPS (sen)	0.0	0.0	0.0
BV/Share (RM)	1.7	1.7	1.8
Core PER (x)	26.2	26.1	18.3
P/BV (x)	0.9	0.8	0.8
Gearing (x)	-0.1	-0.2	-0.3
Net Dvd Yield (%)	-	-	-

and wire harness (currently ~7% of group revenue) is expected to increase, supported by improving business prospects in Thailand. With the completion of its new factory block, PIT has expanded its manufacturing capacity in anticipation of incoming orders.

Forecasts. We have revised down our FY26F net profit forecasts by 26%, reflecting lower net margin assumptions of 2.4% (from 3.0% previously), alongside a 9% cut in FY26F revenue forecasts, to factor in lower activity level before new customers could ramp up to offset the revenue vacuum by Customer A, as well as margin dilution stemming from lower mix of consignment-based orders that typically carry higher margins. Consequently, FY27F's revenue and net profit forecast were revised down by 5% and 4% respectively.

Valuations. We raise our TP slightly to RM1.45 after rolling forward our valuation base to FY27F, while keeping our targeted PER unchanged at 17.2x (aligned with its 5Y average forward PE). 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. Maintain **MARKET OUTPERFORM**.

Risks to our call include: (i) loss of orders from/non-renewal of contracts by its key customer, (ii) labour shortage and rising

Results Highlight

FYE Dec (RM m)	1Q26	4Q25	QoQ Chg	1Q25	YoY Chg	3M26	3M25	YoY Chg
Turnover	142.5	171.6	-16.9%	271.8	-47.6%	142.5	271.8	-47.6%
Gross Profit	1.3	4.5	-70.2%	22.3	-94.0%	1.3	22.3	-94.0%
EBITDA	3.5	8.7	-60.1%	26.0	-86.7%	3.5	26.0	-86.7%
EBIT	(4.6)	0.8	-711.5%	18.5	-124.9%	(4.6)	18.5	-124.9%
PBT/(LPT)	(5.1)	0.1	-5910.2%	17.9	-128.6%	(5.1)	17.9	-128.6%
Taxation	(1.1)	(4.2)	-73.6%	(3.0)	-63.6%	(1.1)	(3.0)	-63.6%
MI	0.4	0.8	-43.4%	0.1	244.6%	0.4	0.1	244.6%
Net Profit	(5.8)	(3.3)	-275.9%	15.0	-138.4%	(5.8)	15.0	-138.4%
Core EPS (sen)	(1.5)	(0.9)	75.9%	3.9	-138.4%	(1.5)	3.9	-138.4%
DPS (sen)	0.0	0.0	NM	0.0	NM	0.0	0.0	NM
Gross Margin	0.9%	2.6%		8.2%		0.9%	8.2%	
EBITDA Margin	2.4%	5.1%		9.6%		2.4%	9.6%	
EBIT Margin	-3.2%	0.4%		6.8%		-3.2%	6.8%	
PBT Margin	-3.6%	0.1%		6.6%		-3.6%	6.6%	
NP Margin	-4.0%	-1.9%		5.5%		-4.0%	5.5%	
Tax Rate	-21.4%	4720.5%		16.8%		-21.4%	16.8%	

Source: Kenanga Research

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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.
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%
FRONTKEN BHD	OP	4.91	5.10	3.9%	8,901.5	Y	12/2026	12.8	13.9	31.9%	8.7%	38.4	35.4	6.9	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	1.97	2.02	2.5%	7,501.4	Y	06/2026	5.7	7.5	-14.6%	30.6%	34.3	26.3	2.7	7.2%	5.0	2.5%
KELINGTON GROUP BHD	OP	7.25	6.15	-15.2%	6,553.7	Y	12/2026	20.5	21.9	23.4%	6.8%	35.4	33.1	8.1	26.1%	13.0	1.8%
LGMS BHD	OP	0.515	0.580	12.6%	234.8	Y	12/2026	2.9	3.6	30.4%	21.8%	17.7	14.5	1.8	10.5%	2.0	3.9%
MALAYSIAN PACIFIC INDUSTRIES	MP	48.50	38.90	-19.8%	9,670.8	Y	06/2026	104.7	134.1	35.6%	28.0%	46.3	36.2	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.765	0.660	-13.7%	1,730.9	Y	12/2026	4.7	5.7	7.8%	21.1%	16.2	13.4	1.6	10.2%	2.0	2.6%
OPPSTAR BHD	MP	0.655	0.230	-64.9%	421.5	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	66.6	3.4	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.54	1.45	-5.8%	591.4	Y	12/2026	5.9	8.4	0.4%	42.3%	26.1	18.3	0.9	3.5%	0.0	0.0%
SKP RESOURCES BHD	MP	0.365	0.500	37.0%	570.3	Y	03/2026	5.7	4.4	-24.4%	-22.5%	6.5	8.3	0.5	8.0%	0.0	0.0%
SKYECHIP BHD	OP	2.70	2.00	-25.9%	4,849.2	Y	03/2027	2.6	3.4	30.1%	32.1%	103.8	78.6	28.0	31.2%	70.0	25.9%
UNISEM (M) BHD	UP	4.50	2.47	-45.1%	7,258.9	Y	12/2026	5.4	9.5	39.6%	74.6%	82.7	47.4	3.3	4.1%	0.0	0.0%
UWC BHD	OP	5.98	4.70	-21.4%	6,597.9	Y	07/2026	9.0	14.3	143.3%	59.0%	66.7	41.9	11.4	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.38	3.95	-9.8%	3,115.6	Y	12/2026	12.1	13.1	39.0%	8.1%	36.1	33.4	3.6	10.4%	2.0	0.5%
INFOMINA BHD	OP	1.15	1.90	65.2%	691.4	Y	05/2026	5.6	7.6	60.7%	34.8%	20.4	15.1	3.5	18.3%	1.0	0.9%
SECTOR AGGREGATE					59,247.1					19.7%	25.0%	41.6	33.3	5.4	11.5%		2.8%

Source: Kenanga Research

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Stock ESG Ratings:

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

☆ 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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