

26 February 2018 | 4QFY17 Results Review

## P.I.E. Industrial Berhad

*FY18 may fare better than FY17*

### INVESTMENT HIGHLIGHTS

- **FY17 earnings within expectations**
- **FY17 net profit climbed 33%yoy due to higher sales**
- **Decent FY18 sales and profit growth**
- **Upgrade to BUY with unchanged TP of RM2.16**


**FY17 earnings within expectations.** P.I.E. Industrial Bhd's (PIE) profit was in-line with our expectation, making up 98% of our forecast but below consensus' estimates at 90%. No dividend was declared for the quarter. Full year DPS is 5.0 sen.

**FY17 net profit climbed 33%yoy due to higher sales.** PIE's revenue for FY17 rose 17% due to higher orders from its existing and new customers from its electronic manufacturing services (EMS), raw wire & cables products and trading segments. The higher yoy profit is also attributed to lower administrative and distribution expenses.

**4QFY17 profit improved marginally yoy by 1% to RM23.9m** as revenue fell by 10%. The lower yoy revenue for the quarter is partly due to the shortage in raw material, which pushed back the delivery of certain products. Qoq, net profit soared over 12 times mainly due to the reversal of provision for doubtful debt in the previous quarter amounting to RM8m.

**Shortage in raw material supply may be resolved soon.** PIE is in discussion with its customer to resolve the issue of shortage in certain components and expect for the issue to be resolved in the next two quarters. Any resolution will be positive for the company.

**FY18 sales and profit growth to be supported** by orders from existing and new customers. We expect 8% of sales growth for FY18 and 15% growth in bottomline due to the potential new projects from existing and new customers. We opine that PIE's margins could improve going forward as it focuses on higher margin contracts for industrial, commercial and also potentially consumer products. Our earnings estimates are unchanged.

**Upgrade to BUY with unchanged TP of RM2.16** as we believe that value has emerged after the recent correction in its share price. Its current PER of 13.5x is lower compared to other EMS players' current average of 19.45x while dividend yield is expected at 3.2%. PIE's fundamentals are still intact as it continues to explore and replenishes new orders. Our TP is based on unchanged valuation method of 15x PER pegged on FY18 EPS of 14.38 sen. 

**Upgrade to BUY**  
**Unchanged Target Price (TP): RM2.16**

RETURN STATS	
Price (23 Feb 2018)	RM1.69
Target Price	RM2.16
Expected Share Price Return	27.6%
Expected Dividend Yield	3.2%
<b>Expected Total Return</b>	<b>30.9%</b>

STOCK INFO		
KLCI	1,861.50	
Bursa / Bloomberg	7095 / PIE MK	
Board / Sector	Main/ Industrial	
Syariah Compliant	Yes	
Issued shares (m)	384.04	
Market cap. (RM'm)	649.03	
Price over NA	1.62	
52-wk price Range	RM1.62-RM2.49	
Beta (against KLCI)	1.17	
3-mth Avg Daily Vol	0.33 m	
3-mth Avg Daily Value	RM0.57m	
Major Shareholders (%)		
Pan Global Holding Co Ltd	51.42%	
RHB Asset Management Sdn Bhd	7.11%	
Employees Provident Fund Board	5.19%	
Price Performance (%)	Absolute	Relative
1 month	-7.7	-8.0
3 months	-13.3	-25.0
12 months	-14.1	-21.6

## INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	662.24	579.29	679.28	730.77	818.47
Pretax Profit (RM'm)	79.95	45.73	63.44	72.67	80.21
<b>Net Profit (RM'm)</b>	<b>57.59</b>	<b>36.07</b>	<b>48.01</b>	<b>55.23</b>	<b>60.96</b>
EPS (sen)	14.99	9.39	12.50	14.38	15.87
EPS growth (%)	49.53%	-37.37%	33.11%	15.04%	10.37%
PER (x)	11.27	18.00	13.52	11.75	10.65
Net Dividend* (sen)	35.0	5.0	5.0	5.5	6.0
Dividend yield* (%)	20.71%	2.96%	2.96%	3.23%	3.57%
Gearing (x)	0.29	0.00	Net Cash	Net Cash	Net Cash
ROE (%)	15.88%	9.64%	11.94%	12.44%	12.65%
ROA (%)	10.44%	8.14%	6.97%	9.10%	6.91%
NTA per share (RM)	0.67	0.97	1.05	1.16	1.25
Price to NTA (x)	2.54	1.74	1.61	1.46	1.35

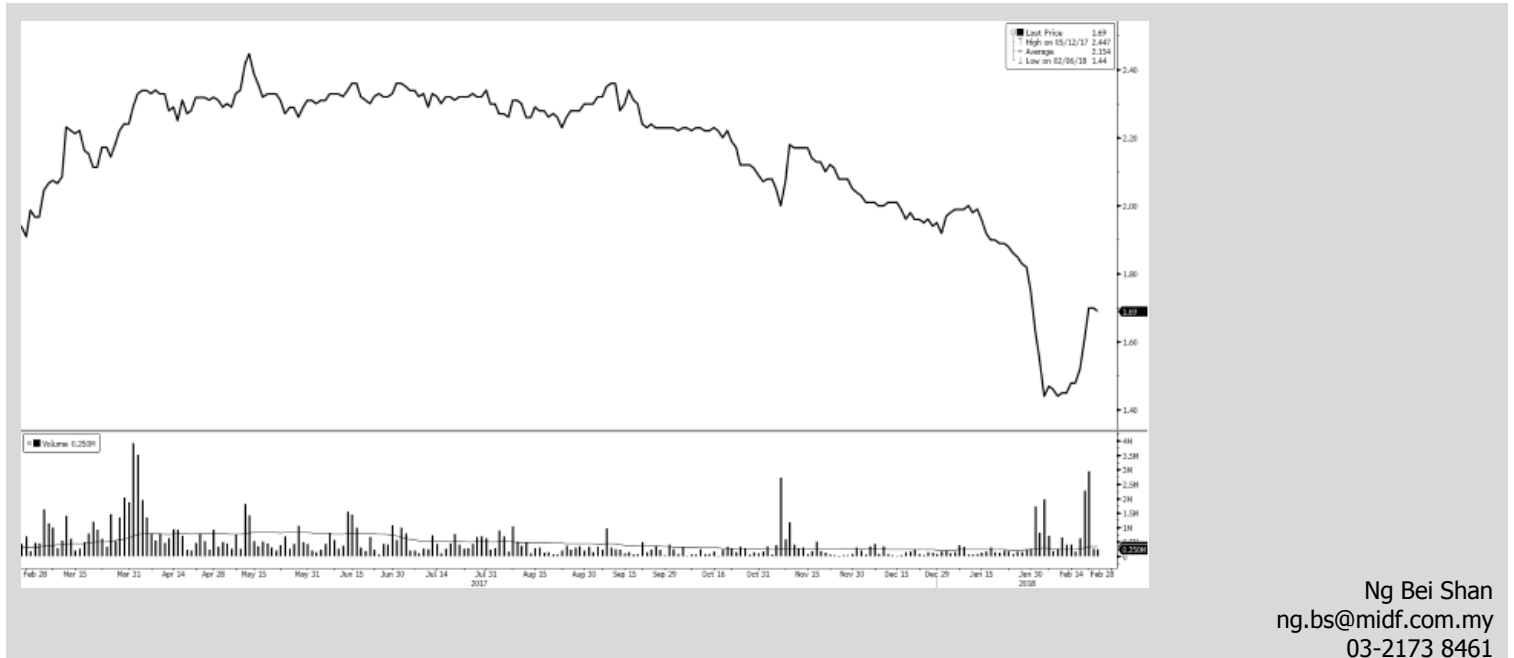
Source: Company, MIDF Research \*FY14 and FY15 figures are based on share base of 76.8m

## PIE: 4QFY17 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	YoY	QoQ	FY17	YoY	
Revenue (RM'm)	183.29	-5.28%	15.96%	679.29	17.26%	
Pretax Profit (RM'm)	31.22	6.60%	1140.74%	63.45	38.74%	Reversal in provision for bad debt amounting to RM8m
Net Profit (RM'm)	23.87	1.02%	1178.94%	48.01	33.11%	
EPS (sen)	6.21	1.02%	1168.20%	12.50	33.15%	
Net DPS (sen)	0	N.M.	N.M.	5.0	-85.71%	
Pretax margin (%/ ppt)	17.0%	1.9	15.4	9.3%	1.4	Lower admin costs

Source: Company, MIDF Research

## DAILY PRICE CHART



Ng Bei Shan  
ng.bs@midf.com.my  
03-2173 8461

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X) pursuant to the Mid and Small Cap Research Scheme ("MidS") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of MidS and/or this report. It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.