

## M'sian Pacific Industries

### All-Time High Revenue & Profit

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**Upgrade TP to RM29.00 (+23% upside).** MPI registered its all-time high earnings with 1QFY21 CNP of RM55.3m (+50% YoY; +13% QoQ). Despite forex losses of RM6.7m, earnings still came above expectations at 31% each of our/street estimates. Revenue jumped 19%, spurred by higher demand for RFFE modules, power management chips, as well as automotive sensors. We expect demand to remain elevated owing to 5G adoption, WFH practice, and strong automotive recovery. Raise FY21E/22E earnings by 7%/8% to account for higher orders across all products. Maintain OUTPERFORM with a higher TP of RM29.00.

**Above expectation.** MPI registered an all-time high quarterly earnings as 1QFY21 CNP came in above expectations at RM55.3m (+50.3% YoY; +12.8% QoQ), representing 31% each of our and consensus full-year estimates. The group's net cash position further strengthened to RM943m (RM4.70/share) from RM826m in the previous quarter. The group declared a 10.0 sen dividend, in line with our expectation.

**YoY,** 1QFY21 CNP jumped 50.3% to RM55.3m while revenue increased 19.4% to RM440.6m, marking a new high in quarterly profit and revenue despite realising forex losses of RM6.7m. Revenue from Asia (+25%), USA (+21%) and Europe (+4%) rose across the board thanks to higher utilisation for both its Ipoh and Suzhou plants which benefitted from the group's healthy product mix. Operationally, EBIT margin increased 3.4ppt to 16.7% while net profit margin climbed 2.6ppt higher to 12.6%. **QoQ,** CNP increased 12.8% as revenue climbed 8.7%.

**Demand remains robust.** We expect the group's earnings to continue on its upwards trajectory on the back of rising demand for its power management chip packaging service in data centres and laptops due to higher usage of web computing (such as video conferencing, e-learning, and media streaming). Orders for radio-frequency front-end (RFFE) packaging modules are expected to remain elevated thanks to 5G adoption in smartphones along with China's move to source components locally, benefiting its Suzhou plant. Furthermore, the group's venture into silicon carbide (SiC) power modules offers promising prospects given its increasing popularity among EV manufacturers.

**We raise our FY21E and FY22E CNP by 7% and 8% to RM190.3m and RM213.0m,** representing growth of 24% and 12%, respectively.

**Maintain OUTPERFORM with a higher Target Price of RM29.00** (previously RM18.80) based on higher 27.3x CY21E PER (previously 19x), at +1SD to OSAT peers' average. We like MPI for its long-term mission to transform its portfolio into an automotive-centric one; a space which we believe offers bright growth prospects due to rising semiconductor content in automobiles.

**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: **RM23.60**  
Target Price: **RM29.00** ↑

### Share Price Performance



KLCI	1,597.58
YTD KLCI chg	7.4%
YTD stock price chg	106.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MPI MK Equity
Market Cap (RM m)	4,694.0
Shares Outstanding	198.9
52-week range (H)	24.98
52-week range (L)	7.39
3-mth avg daily vol:	102,016
Free Float	26.5%
Beta	1.07

### Major Shareholders

Hong Leong Co Malaysia Bhd	57.5%
EPF	5.0%
KWAP	2.4%

### Summary Earnings Table

FY Jun (RM m)	2020A	2021E	2022E
Turnover	1,565	1,705	1,859
EBIT	388.9	455.1	504.1
PBT	211.5	263.0	294.4
<b>Net Profit (NP)</b>	153.0	190.3	213.0
<b>Core NP</b>	153.0	190.3	213.0
Consensus (CNP)	N.A.	177.6	193.6
Earnings Revision	N.A.	7%	8%
Core EPS (sen)	80.5	100.1	112.1
Core EPS growth (%)	25.4	24.4	11.9
NDPS (sen)	27.0	29.0	30.0
BV/Share (RM)	6.01	6.46	7.09
Core PER (x)	29.3	23.6	21.1
Price/BV (x)	3.9	3.7	3.3
Net Gearing (x)	-0.6	-0.6	-0.7
Net Div. Yield (%)	1.7	1.2	1.3

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<b>Results Highlights</b>								
<b>FYE Jun (RM m)</b>	<b>1Q21</b>	<b>4Q20</b>	<b>QoQ chg</b>	<b>1Q20</b>	<b>YoY chg</b>	<b>3M21</b>	<b>3M20</b>	<b>YoY Chg</b>
<b>Revenue</b>	<b>440.6</b>	<b>405.5</b>	<b>8.7%</b>	<b>369.1</b>	<b>19.4%</b>	<b>440.6</b>	<b>369.1</b>	<b>19.4%</b>
EBIT	73.7	63.0	17.1%	48.9	50.8%	73.7	48.9	50.8%
PBT	73.1	62.5	17.0%	49.3	48.2%	73.1	49.3	48.2%
Taxation	-7.3	-6.9	-6.3%	-5.9	-23.3%	-7.3	-5.9	-23.3%
<b>PATAMI</b>	<b>55.3</b>	<b>49.0</b>	<b>12.8%</b>	<b>36.8</b>	<b>50.3%</b>	<b>55.3</b>	<b>36.8</b>	<b>50.3%</b>
<b>Core PATAMI</b>	<b>55.3</b>	<b>49.0</b>	<b>12.8%</b>	<b>36.8</b>	<b>50.3%</b>	<b>55.3</b>	<b>36.8</b>	<b>50.3%</b>
Core EPS (sen)	28.0	25.8	8.7%	19.4	44.9%	28.0	19.4	44.9%
DPS (sen)	10.0	0.0		10.0		10.0	10.0	
EBIT margin	16.7%	15.5%		13.2%		16.7%	13.2%	
PBT margin	16.6%	15.4%		13.4%		16.6%	13.4%	
NP margin	12.6%	12.1%		10.0%		12.6%	10.0%	
Effective tax rate	-10.0%	-11.0%		-12.0%		-10.0%	-12.0%	

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
<b>FYE Jun (RM m)</b>	<b>1Q21</b>	<b>4Q20</b>	<b>QoQ chg</b>	<b>1Q20</b>	<b>YoY chg</b>	<b>3M21</b>	<b>3M20</b>	<b>YoY Chg</b>
<b>Revenue</b>	<b>440.6</b>	<b>405.5</b>	<b>8.7%</b>	<b>369.1</b>	<b>19.4%</b>	<b>440.6</b>	<b>369.1</b>	<b>19.4%</b>
Asia	288.4	268.7	7.3%	230.8	24.9%	288	230.8	24.9%
USA	63.8	56.4	13.2%	52.6	21.4%	63.8	52.6	21.4%
Europe	87.3	78.7	10.9%	83.9	4.0%	87.3	83.9	4.0%
Non-reportable segments	1.0	1.6	-33.2%	1.8	-40.3%	1.0	1.8	-40.3%
<b>Segment profit</b>	<b>73.1</b>	<b>62.1</b>	<b>17.7%</b>	<b>48.9</b>	<b>49.6%</b>	<b>73.1</b>	<b>48.9</b>	<b>49.6%</b>
Asia	50.2	44.9	11.8%	31.8	57.8%	50.2	31.8	57.8%
USA	9.7	7.3	33.1%	6.6	46.2%	9.7	6.6	46.2%
Europe	13.5	9.9	37.1%	9.0	50.1%	13.5	9.0	50.1%
Non-reportable segments	-0.2	0.1	-320.0%	1.5	-116.6%	-0.2	1.5	-116.6%
<b>Segment profit margin</b>	<b>16.6%</b>	<b>15.3%</b>		<b>13.2%</b>		<b>16.6%</b>	<b>13.2%</b>	
Asia	17.4%	16.7%		13.8%		17.4%	13.8%	
USA	15.1%	12.9%		12.5%		15.1%	12.5%	
Europe	15.5%	12.5%		10.7%		15.5%	10.7%	

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.			
D&O GREEN TECHNOLOGIES BHD	1.62	1,852.9	Y	12/2019	9.2%	15.7	7.7%	69.9%	51.6	48.9	28.8	4.8	4.3	15.0%	1.3%	2.00	OP
INARI AMERTRON BHD	2.67	8,783.2	Y	06/2020	37.4%	24.9%	66.7%	25.1%	55.0	33.5	26.8	7.1	7.2	21.6%	2.7%	3.14	OP
JHM CONSOLIDATION BHD	1.98	1,100.1	Y	12/2020	5.9%	24.7%	3.6%	58.2%	23.8	22.9	14.5	3.6	3.0	13.1%	1.6%	2.00	OP
KELINGTON GROUP BHD	1.76	567.8	Y	12/2020	-8.2%	22.3%	-44.7%	130%	20.8	40.3	17.5	3.3	3.3	8.1%	0.6%	2.30	OP
KESM INDUSTRIES BHD	10.02	431.1	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	23.60	4,954.0	Y	06/2020	9.0%	9.0%	24.0%	12.0%	29.3	23.6	21.1	3.9	3.7	12.6%	1.2%	29.00	OP
P.I.E. INDUSTRIAL BHD	2.00	768.1	Y	12/2020	-6.0%	76.0%	-46.0%	185%	22.5	41.8	14.7	1.8	1.8	4.0%	1.4%	2.32	MP
SKP RESOURCES BHD	1.97	2,460.7	Y	03/2020	23.7%	9.7%	67.3%	20.7%	27.5	19.2	15.9	3.3	3.0	18.0%	3.0%	1.83	MP
UNISEM (M) BHD	5.58	4,091.2	Y	12/2020	9.0%	17.6%	71.9%	47.7%	49.7	28.9	19.6	2.4	2.2	7.8%	1.4%	5.15	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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