

Malaysia Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Sep 2020

Malaysian Pacific Industries (MPI MK) : HOLD

Mkt. Cap: US\$750m | **3m Avg. Daily Val:** US\$0.79m

Last Traded Price (28 Aug 2020): RM15.70

Price Target 12-mth: RM14.60 (7% downside) (Prev RM10.45)

Analyst

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Sequential rebound in sales

- 4QFY20 earnings of RM49m beat expectations on higher revenue and better margins
- Healthy sequential rebound in 4QFY20 sales despite MCO restrictions
- We raise FY21-22 earnings factoring in higher sales growth assumptions
- Maintain HOLD with higher TP of RM14.60 (based on 1.8x BV) , implying 17x CY21 PE

Forecasts and Valuation

FY Jun (RMm)	2019A	2020A	2021F	2022F
Revenue	1,488	1,565	1,626	1,682
EBITDA	363	389	415	438
Pre-tax Profit	190	211	228	260
Net Profit	128	153	154	175
Net Pft (Pre Ex.)	128	153	154	175
Net Pft Gth (Pre-ex) (%)	(9.9)	19.2	0.8	13.8
EPS (sen)	64.5	76.9	77.5	88.2
EPS Pre Ex. (sen)	64.5	76.9	77.5	88.2
EPS Gth Pre Ex (%)	(10)	19	1	14
Diluted EPS (sen)	64.5	76.9	77.5	88.2
Net DPS (sen)	27.0	27.0	27.0	27.0
BV Per Share (sen)	638	694	745	806
PE (X)	24.3	20.4	20.3	17.8
PE Pre Ex. (X)	24.3	20.4	20.3	17.8
P/Cash Flow (X)	7.7	7.4	11.7	8.0
EV/EBITDA (X)	7.3	6.6	6.1	5.5
Net Div Yield (%)	1.7	1.7	1.7	1.7
P/Book Value (X)	2.5	2.3	2.1	1.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	10.4	11.5	10.8	11.4

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

Ahead of expectations. MPI booked a net profit of RM49.1m in 4QFY20, which beat our and consensus downbeat estimates of RM23m and RM32m respectively. 4QFY20 sales were stronger than expected, despite the earlier cautious outlook and considering the potential impact of the Movement Control Order (MCO). Margins were also better than expected, which we suspect could be partly lifted by government grant income (of RM14.5m).

Strong rebound in 4QFY20 revenue. Notwithstanding MCO restrictions, sales rebounded healthily by 7.7% q-o-q to RM406m in 4QFY20. By geographical segments, revenue for Asia and the US were higher by 10% and 11% respectively, while Europe was lower by 1% against the previous quarter. Amid the higher revenue, operating margins was also higher at 15.3% in 4QFY20, compared to 8.9% in 3QFY20.

Outlook

Nonetheless, still cautious outlook. Despite the good results, MPI remains cautious about the adverse impact of Covid-19 pandemic and on-going trade conflict between US and China. In anticipation of these challenges and backed by a strong balance sheet, MPI is taking cost control measures and re-assessing its business portfolio in order to weather through the current uncertainties.

Raise FY21-22 EPS by 37-44%. We raise our FY21-22 earnings forecasts by 37%-44%, respectively, after adjusting for higher sales growth assumption of 4.0%/3.4% (from -0.5%/3.4% previously).



Live more, Bank less

Flash Note

Valuation and recommendation

Maintain HOLD with higher TP of RM13.00, based on 1.6x BV. Amid ample liquidity and scarcity of reliable earnings growth, the valuation for the tech sector has re-rated significantly in recent months. As we ascribe a higher target P/B of 1.8x (from 1.5x) based on CY21 book value,

our TP rises to RM14.60 (implying 17x CY21 EPS). Maintain HOLD. As at end-June 2020, MPI remains in a healthy net cash position of approximately RM799m (or RM4.21/share).

Quarterly / Interim Income Statement (RMm)

FY Jun	4Q2019	3Q2020	4Q2020	% chg yoy	% chg qoq
Revenue	346	376	405	17.2	7.7
Cost of Goods Sold	(291)	(330)	(329)	12.9	(0.5)
Gross Profit	54.9	46.3	76.9	40.1	66.3
Other Oper. (Exp)/Inc	(16.4)	(12.9)	(14.8)	(9.7)	14.5
Operating Profit	38.5	33.3	62.1	61.4	86.4
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	2.40	0.90	0.35	(85.6)	(61.4)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	40.9	34.2	62.5	52.7	82.5
Tax	(5.2)	(8.0)	(6.9)	31.8	(14.2)
Minority Interest	(5.6)	(4.2)	(6.5)	(16.3)	57.2
Net Profit	30.1	22.1	49.1	63.2	122.4
Net profit bef Except.	30.1	22.1	49.1	63.2	122.4
EBITDA	82.5	78.9	107	29.2	35.1
Margins (%)					
Gross Margins	15.9	12.3	19.0		
Opg Profit Margins	11.1	8.9	15.3		
Net Profit Margins	8.7	5.9	12.1		

Source of all data: Company, AllianceDBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	29 Aug 19	8.44	9.05	HOLD
2:	27 Nov 19	11.12	10.45	HOLD
3:	27 Feb 20	11.00	10.45	HOLD
4:	28 Feb 20	10.92	10.45	HOLD
5:	21 May 20	11.10	10.45	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Woo Kim TOH

AllianceDBS recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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