



Company report

MALAYSIAN PACIFIC INDUSTRIES

(MPI MK EQUITY, MPIM.KL)

25 Nov 2021

Better-than-expected 1QFY22

HOLD

(Maintained)

AmInvestment Bank

www.amequities.com.my

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Rationale for report: Company results

Price	RM48.14
Fair Value	RM49.54
52-week High/Low	RM50.00/RM22.84

Key Changes

Fair value	↑
EPS	↑

YE to Jun	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,558.1	1,984.8	2,208.4	2,459.3
Core net profit (RM mil)	162.7	239.3	305.3	343.4
FD Core EPS (sen)	85.5	121.4	154.8	174.2
FD Core EPS growth (%)	25.6	41.9	27.6	12.5
Consensus Net Profit (RM mil)	-	-	171.6	175.4
DPS (sen)	27.0	30.0	30.0	30.0
PE (x)	56.3	39.7	31.1	27.6
EV/EBITDA (x)	22.5	16.7	13.9	12.3
Div yield (%)	0.6	0.6	0.6	0.6
ROE (%)	11.9	15.5	16.7	16.4
Net Gearing (%)	nm	nm	nm	nm

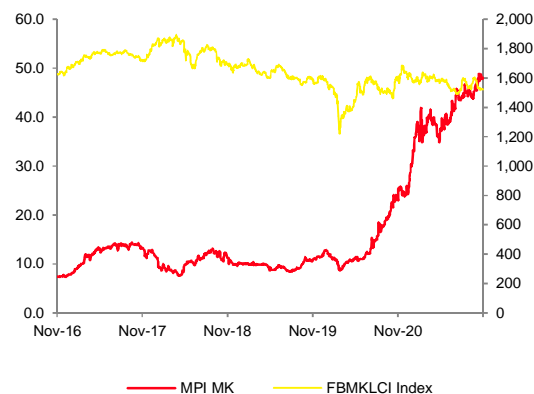
Stock and Financial Data

Shares Outstanding (million)	198.9
Market Cap (RM mil)	9,574.9
Book Value (RM/share)	7.26
P/BV (x)	6.6
ROE (%)	11.9
Net Gearing (%)	-

Major Shareholders	Hong Leong Bhd (56.4%) EPF (5.0%) KWAP (3.6%)
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Free Float	23.5
Avg Daily Value (RM mil)	9.2

Price performance	3mth	6mth	12mth
Absolute (%)	8.5	29.5	109.5
Relative (%)	10.7	33.8	117.2



Investment Highlights

- We maintain our HOLD recommendation on Malaysian Pacific Industries (MPI), with a higher fair value of RM49.54/share (previously RM36.05/share), pegged to FY22F PE of 32x (previously 21x PE on CY22F). We make no ESG adjustment to reflect our 3-star rating (Exhibit 4)
- MPI's 1QFY22 results exceeded expectations, recording a core profit of RM86.9mil. The results accounted for 28% of both our and consensus' full-year estimates. This is after excluding a RM2.1mil forex gain and RM2.7mil gross dividend income from short-term investments, partially offset by RM9.0mil of shared-based payment.
- YoY: MPI core profit soared 45.9% on 32.7% higher revenue as sales rose across all its geographical segments, with Europe leading the growth at 43.1%. Sales from Asia and the USA increased 30.2% and 30.6% respectively. In addition, EBITDA margins improved by 4 percentage points (ppts), which we believe is due to better operational efficiency relating to higher revenue.
- QoQ: 1QFY22 core profit climbed 30.9% despite revenue rising by only 8.8% QoQ. This is despite a higher effective tax rate of 8 ppts. In terms of geographical segment, revenues in Asia and the US continued to be stronger by 11.4% and 14.0% respectively, while Europe slid -1.0%.
- Outlook: Despite Covid-19 uncertainties and prospects of an uneven recovery of the global economy, the group believes the semiconductor industry will continue to show resilience. While MPI expects further challenges such as manpower limitations and supply chain disruptions, it anticipates a satisfactory performance in FY22.
- We like MPI premised on the group's positive prospects arise from: (i) its portfolio rationalization strategy that focuses on higher-margin specialized projects; (ii) its leading market position in the ultra-thin MLP and increased R&D in MEMS sensors; (iii) its move towards producing silicon carbide power products with applications in EVs, servers, and renewable energy; and (iv) strong net cash position of RM914mil as at 30 Sep 2021. However, we deem the stock fairly valued, trading at PE multiple of +2 standard deviations from its 3-year average mean.

EXHIBIT 1: FINANCIAL RESULTS SUMMARY

FYE 30 Jun (RM 'mil)	1QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)
Revenue	440.6	537.3	584.5	8.8	32.7
EBITDA	119.7	145.7	182.2	25.1	52.2
Depreciation/Amortisation	(43.3)	(58.6)	(63.8)	(8.8)	(47.4)
EBIT	76.5	87.1	118.5	36.0	54.9
Interest expense	(0.6)	(1.2)	(1.3)	(6.8)	(101.7)
Interest income	0.6	0.4	0.6	62.2	5.6
Pre-Associates profit	76.4	86.3	117.8	36.5	54.1
Associates	-	-	-	nm	nm
Pre-Exceptionals profit	76.4	86.3	117.8	36.5	54.1
Exceptionals	(3.4)	9.7	(5.2)	nm	(54.4)
Pre-tax profit	73.1	96.0	112.6	17.3	54.1
Taxation	(7.3)	(6.6)	(16.7)	(154.3)	(128.6)
Minority interest	(10.5)	(14.4)	(14.3)	0.7	(36.1)
Net Profit	55.3	75.1	81.7	8.8	47.7
Core Net Profit	58.7	65.4	85.6	30.9	45.9
Basic EPS (sen)	28.05	37.95	41.17		
DPS (sen)	-	-	10.00		
EBITDA margin (%)	27.2	27.1	31.2		
Pretax margin (%)	16.6	17.9	19.3		
Effective tax (%)	10.0	6.8	14.8		
Segmental Breakdown (RM 'mil)					
Revenue					
Asia	288.4	337.0	375.4	11.4	30.2
USA	63.8	73.2	83.4	14.0	30.6
Europe	87.3	126.2	124.9	(1.0)	43.1
Non-reportable segment	1.0	1.0	0.9	(9.9)	(15.9)
Total	440.6	537.3	584.5	8.8	32.7
Pretax profit					
Asia	50.2	65.8	75.6	14.9	50.6
USA	9.7	12.9	14.2	10.4	47.7
Europe	13.5	23.3	23.5	0.6	73.5
Non-reportable segment	(0.2)	(5.2)	0.2	nm	nm
Total	73.1	96.8	113.5	17.2	55.2
EBIT margin (%)					
Asia	17.4	19.5	20.1		
USA	15.1	17.6	17.1		
Europe	15.5	18.5	18.8		
Total	16.6	18.0	19.4		

EXHIBIT 2: PB BAND CHART



EXHIBIT 3: PE BAND CHART



EXHIBIT 4: ESG RATING

Overall	★	★	★		
Energy efficiency	★	★	★		
Recycling & waste management	★	★	★		
Supply chain management	★	★	★	★	
Industry 4.0 implementation	★	★	★	★	
Employee wellbeing	★	★	★		
Human capital development	★	★	★		
Corporate social responsibility	★	★	★		
Board diversity	★	★			
Accessibility & transparency	★	★	★		

We accord a discount/premium of **-6%, -3%, 0%, +3% and +6%** on fundamental fair value based on the overall ESG rating as appraised by us from 1-star to 5-star.

Source: AmInvestment Bank Bhd

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,480.5	1,558.1	1,984.8	2,208.4	2,459.3
EBITDA	362.7	388.9	520.6	621.6	692.2
Depreciation/Amortisation	(173.9)	(174.5)	(194.4)	(217.9)	(239.3)
Operating income (EBIT)	188.8	214.4	326.2	403.7	452.8
Other income & associates	1.1	13.9	48.6	-	-
Net interest	1.0	1.8	(1.0)	(2.7)	(2.5)
Exceptional items	(11.7)	(5.0)	-	-	-
Pretax profit	179.1	216.2	325.1	401.0	450.4
Taxation	(29.8)	(32.7)	(32.1)	(36.0)	(40.4)
Minorities/pref dividends	(31.7)	(25.8)	(53.7)	(59.8)	(66.5)
Net profit	117.7	157.7	239.3	305.3	343.4
Core net profit	129.4	162.7	239.3	305.3	343.4
Balance Sheet (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	664.0	717.0	1,051.2	1,275.9	1,529.4
Intangible assets	-	-	-	-	-
Other long-term assets	30.7	29.8	28.8	26.9	25.0
Total non-current assets	694.7	746.7	1,080.0	1,302.8	1,554.4
Cash & equivalent	713.4	835.2	986.0	1,038.0	1,135.4
Stock	105.4	117.1	170.2	153.1	170.5
Trade debtors	190.5	262.1	285.5	304.7	339.3
Other current assets	4.4	5.6	3.8	3.8	3.8
Total current assets	1,013.7	1,220.1	1,445.5	1,499.7	1,649.0
Trade creditors	194.3	329.0	444.3	412.1	458.9
Short-term borrowings	-	9.3	70.7	70.7	70.7
Other current liabilities	12.8	24.9	25.6	25.6	25.6
Total current liabilities	207.1	363.2	540.6	508.4	555.2
Long-term borrowings	-	-	12.9	12.9	12.9
Other long-term liabilities	2.1	0.8	0.9	0.9	0.9
Total long-term liabilities	2.1	0.8	13.8	13.8	13.8
Shareholders' funds	1,269.2	1,380.9	1,697.7	1,948.7	2,236.2
Minority interests	230.0	238.2	287.0	346.8	413.3
BV/share (RM)	6.68	7.26	8.61	9.88	11.34
Cash Flow (RMmil, YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	179.1	216.2	325.1	401.0	450.4
Depreciation/Amortisation	173.9	174.5	194.4	217.9	239.3
Net change in working capital	67.7	55.8	24.5	(34.3)	(5.2)
Others	(17.6)	(13.5)	5.5	-	-
Cash flow from operations	403.0	433.0	549.5	584.6	684.5
Capital expenditure	(194.6)	(249.1)	(494.9)	(441.7)	(491.9)
Net investments & sale of fixed assets	3.2	0.4	0.2	1.0	1.0
Others	17.1	29.5	13.0	3.8	4.0
Cash flow from investing	(174.2)	(219.2)	(481.6)	(436.9)	(486.8)
Debt raised/(repaid)	(74.0)	9.3	71.5	1.0	1.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(72.3)	(70.0)	(78.1)	(59.2)	(59.2)
Others	(3.2)	(10.7)	(3.6)	(4.2)	(4.2)
Cash flow from financing	(149.5)	(71.5)	(10.2)	(62.4)	(62.4)
Net cash flow	79.2	142.3	57.8	85.4	135.3
Net cash/(debt) b/f	647.6	713.4	835.2	986.0	1,038.0
Net cash/(debt) c/f	729.1	860.0	890.9	1,071.4	1,173.4
Key Ratios (YE 30 Jun)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(4.0)	5.2	27.4	11.3	11.4
EBITDA growth (%)	(7.0)	7.2	33.9	19.4	11.4
Pretax margin (%)	12.1	13.9	16.4	18.2	18.3
Net profit margin (%)	7.9	10.1	12.1	13.8	14.0
Interest cover (x)	nm	nm	313.0	151.7	184.6
Effective tax rate (%)	16.6	15.1	9.9	9.0	9.0
Dividend payout (%)	43.6	32.6	24.7	19.4	17.2
Debtors turnover (days)	47	61	53	50	50
Stock turnover (days)	28	26	26	27	24
Creditors turnover (days)	35	61	71	71	65

Source: Company, AmInvestment Bank Bhd estimates

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