Pekat Group Berhad

(0233 | PEKAT MK) ACE | Industrial Products & Services

SHARIAH Compliant

Corporate Update

Maintain BUY

Revised Target Price **RM1.51** (from RM1.32)

Shining Brightly

Maintain BUY. We maintain our BUY recommendation on Pekat with a higher **TP** of **RM1.51** as we roll forward our valuation base year to FY26, pegging its revised EPS of 5.4 sen to a forward PER of 28x, based on its three-year historical mean. The group's prospects remain bright moving forward, backed by its strong order book, comprising rooftop and solar farm projects and an upcycle for its earthing and lightning protection (ELP) business on the back of a growth in data centre projects. We are also optimistic about the group's recent acquisition of EPE Switchgear Sdn Bhd, allowing it to expand its business into power distribution equipment.

Above expectations. Pekat's core earnings in 4QFY24 surged +124.4%yoy to RM7.7m. The cumulative 12 months saw core earnings grew +38.8% to RM18.4m, driven by stronger performance in all the group's operating segments. The results came in +5.7% above our expectations and +4.5% above consensus.

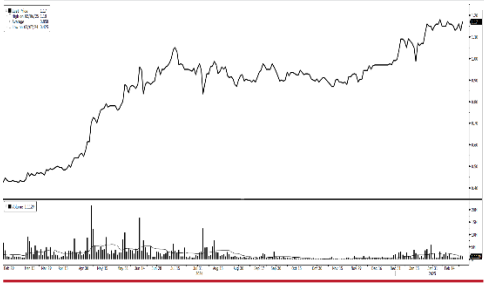
Benefitting from stronger rooftop projects. The group's solar PV division was the main driver of revenue, surging +41.4% during the quarter to RM54.6m, attributable to higher project execution across commercial, industrial and residential segments. The ELP, which has benefitted from a growth in data centre projects, saw its revenue jumped +70.0%yoy to RM14.7m during the quarter. Meanwhile, the trading division registered a +36.9%yoy growth in revenue to RM15.1m. The recently acquired EPE Switchgear Sdn Bhd also contributed to a revenue of RM9.9m during the quarter.

Benefitting from stronger rooftop projects. Pekat's outstanding order book stands at RM590.9m, comprising mainly rooftop solar projects. This also includes a RM97.3m contract that was acquired by EPE Switchgear from Tenaga Nasional Berhad (TNB) yesterday for the supply of 11kV Single Busbar Circuit Breakers (SCADA-Ready Type) for TNB's distribution network. Future replenishment prospects will come from EPCC jobs from the recently finalised LSS5 and the upcoming LSS5+ and LSS6.

Earnings estimates. We are upgrading our earnings estimates by +12.8%/+7.1% for FY25E/FY26F on the back of stronger than expected earnings and better margins for EPCC and rooftop jobs as solar panel prices remain low.

RETURN STATISTICS	
Price @ 25th Feb 2025 (RM)	1.17
Expected share price return (%)	+29.1
Expected dividend yield (%)	-
Expected total return (%)	+29.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	0.2
3months	17.2	29.0
12 months	179.5	175.8

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	291.1	439.6	461.5
Operating Profit	36.0	49.7	49.8
Profit Before Tax	34.6	47.3	47.6
Core PATAMI	18.4	35.4	35.7
Core EPS	2.8	5.3	5.4
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS	
FBM KLCI	1,568.03
Issued shares (m)	664.97
Estimated free float (%)	33.79
Market Capitalisation (RM'm)	748.16
52-wk price range	RM0.42 - RM1.20
3-mth average daily volume (m)	1.25
3-mth average daily value (RM'm)	1.34
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	8.80
Wee Chek Aik	7.86

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PEKAT GROUP BERHAD: 4QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**12MFY24**	**12MFY23**	**YoY**
Revenue	94.3	82.6	58.4	**14.1%**	**61.3%**	291.1	227.6	**27.9%**
Cost of sales	(65.5)	(58.7)	(43.8)	**11.6%**	**49.4%**	(206.8)	(173.8)	**18.9%**
Gross profit	28.8	24.0	14.6	**20.2%**	**96.8%**	84.3	53.8	**56.9%**
Operating profit	13.5	9.7	5.0	**39.4%**	**168.8%**	36.0	18.9	**90.3%**
Finance cost	(0.8)	(0.3)	(0.2)	**122.0%**	**391.6%**	(1.4)	(0.9)	**56.8%**
Profit/(loss) from associates	(0.1)	0.1	0.3	**-173.8%**	**-120.1%**	(0.6)	0.3	**-292.9%**
Profit before tax	12.8	9.6	5.3	**33.7%**	**140.4%**	34.6	18.4	**88.1%**
Tax	(4.7)	(3.3)	(1.8)	**44.7%**	**158.9%**	(11.8)	(2.4)	**385.7%**
Reported net profit	7.4	6.3	3.5	**17.6%**	**110.6%**	22.0	13.7	**60.9%**
Core net profit	7.7	2.4	3.4	**216.2%**	**124.4%**	18.4	13.2	**38.8%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	179.2	227.6	291.1	439.6	461.5
EBIT	15.8	18.9	36.0	49.7	49.8
PBT	14.4	18.4	34.6	47.3	47.6
Taxation	-4.4	-4.7	-11.8	-11.8	-11.9
PAT	10.0	13.7	22.8	35.4	35.7
Core earnings	10.0	13.2	18.4	35.4	35.7
EPS (sen)	1.6	2.1	2.8	5.3	5.4
PER (x)	75.4	57.0	42.3	22.0	21.8
DPS (sen)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Core earnings	10.0	13.2	18.4	35.4	35.7

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	14.4	18.4	34.6	47.3	47.6
Depreciation	1.5	1.8	1.6	1.7	1.7
Change in NWC	-29.0	5.7	-5.1	-8.4	1.0
Operating cash flow	**-19.3**	**26.2**	**20.0**	**22.9**	**34.0**
Capital expenditure	-3.2	-0.7	-2.0	-2.0	-1.0
Investing cash flow	**14.3**	**-0.6**	**-1.9**	**-1.9**	**-0.9**
Debt raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Financing cash flow	**-9.1**	**-16.3**	**-16.8**	**-17.1**	**-18.1**
Net cash flow	**-14.1**	**4.7**	**1.3**	**3.9**	**15.1**
Beginning cash flow	**28.2**	**14.2**	**18.9**	**20.2**	**24.1**
Ending cash flow	**14.1**	**18.9**	**20.2**	**24.1**	**39.2**

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
PPE	23.3	23.4	32.8	26.1	27.4
ROU assets	0.3	183.0	0.2	0.2	0.2
Non-current assets	**35.1**	**36.3**	**45.7**	**39.0**	**40.3**
Trade receivables	40.9	47.9	35.6	37.5	55.8
Cash & bank balances	14.1	18.9	26.6	27.4	28.0
Current assets	**154.5**	**142.0**	**159.8**	**193.7**	**224.7**
Long-term debt	1.6	0.6	11.0	10.5	10.0
Non-current liabilities	**4.3**	**3.4**	**13.8**	**13.3**	**12.8**
Short-term debt	19.5	1.0	2.0	2.0	2.0
Trade payables	9.2	12.3	10.8	16.0	24.9
Current liabilities	**55.8**	**38.0**	**37.6**	**42.8**	**51.7**
Share capital	93.5	93.5	93.5	93.5	93.5
Reserves	86.0	93.1	110.5	133.0	156.9
Equity	**129.5**	**136.7**	**154.1**	**176.6**	**200.5**

Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
EBIT margin	**8.8**	**8.3**	**12.4**	**11.3**	**10.8**
PBT margin	**8.1**	**8.1**	**11.9**	**10.8**	**10.3**
PATAMI margin	**5.6**	**6.0**	**7.8**	**8.1**	**7.7**
Core PATAMI margin	**5.6**	**5.8**	**6.3**	**8.1**	**7.7**
ROE	20.5	22.1	20.9	21.1	20.5

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology