Pekat Group Berhad

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

SHARIAH Compliant

Corporate Update

Maintain BUY

Revised Target Price **RM1.86** (from RM1.51)

1QFY25 Results Review Basking in the Sun

Maintain BUY. We maintain our **BUY** recommendation on Pekat with a higher **TP** of **RM1.86** following an earnings upgrade, as we its revised FY26F EPS of 6.9 sen to a forward PER of 27x, 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. The group's recent acquisition, EPE Switchgear Sdn Bhd has also been promising, bagging RM232.5m of contracts from Tenaga Nasional Bhd year-to-date.

Above expectations. Pekat continues to outperform for the second consecutive quarter, recording a core net profit of RM12.0m in 1QFY25, tripling that of the same quarter a year ago. On top of the stronger performances in all operating segments, the quarter also saw the consolidation of results from the newly acquired power distribution equipment division. The results exceeded expectations at 33.9% of our and 32.4% of consensus' full-year estimates.

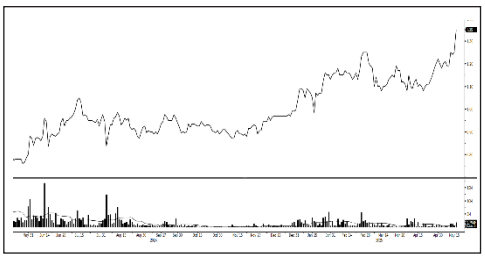
Key takeaways. The group's solar PV division saw a 2.5x growth in revenue to RM92.8m, supported by higher project execution across the commercial, industrial, and residential segments. The earthing and lightning protection (ELP) and trading divisions posted revenues of RM16.2m (79.4%yoy) and RM13.4m (+12.2%) respectively. The new power distribution equipment, through the recently acquired EPE Switchgear Sdn Bhd, contributed a revenue of RM27.9m. Meanwhile, administrative expenses also doubled to -RM19.0m mainly due to workforce expansion and the consolidation of operating expenses.

EPCC jobs to drive order book replenishment. We estimate that the group's outstanding order book should be in the range of RM650m currently, including the latest RM135.2m contract from Tenaga Nasional for the supply of gas insulated switchgears (GIS) and additional equipment for its distribution network. Future replenishment prospects will come from EPCC jobs from the recently finalised LSS5 and the upcoming LSS5+ and LSS6 and the potential upsizing of the TNB contract by up to 30% or RM40.6m.

Earnings estimates. We are upgrading our earnings estimates by +17.8%/+28.7% for FY25E/FY26F on the back of stronger than expected earnings and stronger contribution from the power distribution equipment segment.

RETURN STATISTICS	
Price @ 20th May 2025 (RM)	1.38
Expected share price return (%)	+34.8
Expected dividend yield (%)	-
Expected total return (%)	+34.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	25.0	19.2
3months	15.4	18.1
12 months	70.9	75.8

INVESTMENT STATISTICS

FYE Mar	2024A	2025F	2026F
Revenue	291.1	494.9	519.6
Operating Profit	36.0	49.7	49.8
Profit Before Tax	34.6	47.3	47.6
Core PATAMI	18.4	41.7	45.9
Core EPS	2.8	6.3	6.9
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS	
FBM KLCI	1,548.87
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

Analyst

Royce Tan Seng Hooi
royce.tan@midf.com.my
03-2173 8461

PEKAT GROUP BERHAD: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
Income Statement	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**
Revenue	150.3	94.3	57.6	**59.5%**	**160.8%**
Cost of sales	(111.7)	(65.5)	(42.8)	**70.7%**	**160.8%**
Gross profit	38.6	28.8	14.8	**34.0%**	**160.8%**
Operating profit	20.3	13.5	5.8	**50.9%**	**253.5%**
Finance cost	(1.1)	(0.8)	(0.1)	**49.4%**	**947.2%**
Profit/(loss) from associates	(0.0)	(0.1)	(0.1)	**-82.3%**	**-88.3%**
Profit before tax	19.4	12.8	5.7	**51.6%**	**242.4%**
Tax	(5.6)	(4.7)	(1.9)	**18.8%**	**204.6%**
Reported net profit	12.1	7.4	3.8	**64.1%**	**218.7%**
Core net profit	12.0	7.7	3.7	**56.2%**	**224.6%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	179.2	227.6	291.1	494.9	519.6
EBIT	15.8	18.9	36.0	58.4	63.9
PBT	14.4	18.4	34.6	55.6	61.3
Taxation	-4.4	-4.7	-11.8	-13.9	-15.3
PAT	10.0	13.7	22.8	41.7	45.9
Core earnings	10.0	13.2	18.4	41.7	45.9
EPS (sen)	1.6	2.1	2.8	6.3	6.4
PER (x)	88.9	67.2	499	22.0	20.0
DPS (sen)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	14.4	18.4	34.6	55.6	61.3
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**	**30.2**	**45.4**
Beginning cash flow	**28.2**	**14.2**	**18.9**	**20.2**	**50.4**
Ending cash flow	**14.1**	**18.9**	**20.2**	**50.4**	**95.8**

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**	**11.8**	**12.3**
PBT margin	**8.1**	**8.1**	**11.9**	**11.2**	**12.3**
PATAMI margin	**5.6**	**6.0**	**7.8**	**8.4**	**8.8**
Core PATAMI margin	**5.6**	**5.8**	**6.3**	**8.4**	**8.8**

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