Pekat Group Berhad

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

SHARIAH Compliant

Corporate Update

Maintain BUY

Unchanged Target Price **RM1.51**)

EPE Switchgear Scores Again

Maintain BUY. We maintain our **BUY** recommendation on Pekat with an unchanged **TP** of **RM1.51**, pegging its FY26F 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. 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.

EPE Switchgear wins second job from TNB. The latest addition to the Pekat Group, EPE Switchgear, has bagged yet another contract from TNB. The 60% indirectly owned subsidiary has received a letter of award (LOA) for the supply, installation, testing and commissioning for an agreed quantity of 33kV and 11kW gas insulated switchgears and additional equipment for TNB's distribution network for RM135.2m. The contract period is two years, starting from 9 May 2025.

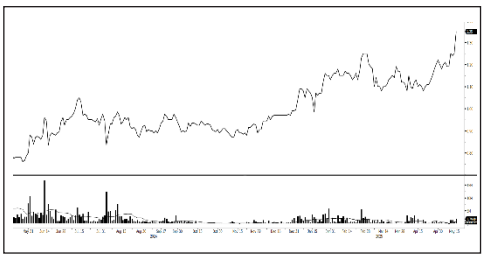
Potential upsizing of contract. Part of the terms of the LOA allows TNB to request an optional value of up to 30% of the contract price, meaning that TNB has the discretion to add further job scopes, which may potentially see Pekat taking on an additional RM40.6m worth of jobs related to the contract. The group's outstanding order book should be in the range of RM650m currently, including this latest contract (60% stake). Recall that EPE Switchgear's first RM97.3m contract from TNB in Feb-25 this year is for the supply of 11kV Single Busbar Circuit Breakers (SCADA-Ready Type) for TNB's distribution network. Future replenishment prospects will include EPCC jobs from LSS5 and the upcoming LSS5+ and LSS6.

Earnings estimates and TP. We are making no changes to our earnings estimates as the win is within expectations. We are also maintaining our target price of RM1.51, pegging Pekat's FY26F EPS of 5.4sen to a PER of 28x based on its three-year mean.

Results preview. Pekat is expected to release its 1QFY25 results tomorrow, where we expect it to achieve core earnings of about RM8m to RM9m, based on our FY25F full year projection of RM35.4m, driven mainly by EPCC jobs for the Corporate Green Power Programme (CGPP), rooftop solar and earthing & lightning protection (ELP) jobs for data centres. This will also be the first full quarter consolidating the earnings from EPE Switchgear, following the completion of acquisition in Dec-24.

RETURN STATISTICS	
Price @ 16th May 2025 (RM)	1.35
Expected share price return (%)	+14.4
Expected dividend yield (%)	-
Expected total return (%)	+14.4

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	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	1,571.75
Issued shares (m)	644.97
Estimated free float (%)	34.02
Market Capitalisation (RM'm)	870.71
52-wk price range	RM0.74 - RM1.35
3-mth average daily volume (m)	0.97
3-mth average daily value (RM'm)	1.13
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	8.80
Wee Chek Aik	7.63

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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