Corporate Update

Pekat Group Berhad

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

SHARIAH Compliant

Maintain BUY

Unchanged Target Price **RM1.86**

Undertaking its First Private Placement

Maintain BUY. We maintain our BUY recommendation on Pekat with an unchanged **TP** of **RM1.86.** Assuming a maximum scenario where the group issues up to 66.2m placement shares, we expect a dilution in our TP to RM1.70. We maintain our target price for now until the private placement is executed. 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.

Proposed private placement. Pekat is planning to undertake a private placement of up to 10% of its issued shares to raise funds, mainly for the capital expenditure for current and future solar photovoltaic (PV) projects, including for its secured Corporate Green Power Programme (CGPP) project. The group will apply for the listing and quotation of up to 66.2m shares in a maximum scenario assuming all outstanding ESOS options are exercised. The exercise is expected to be completed by the end of 3QCY25.

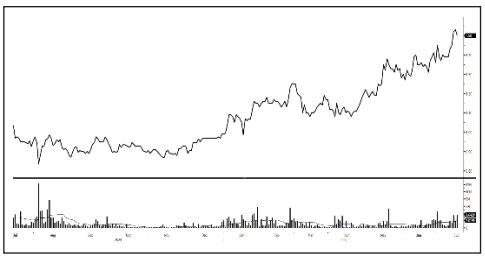
Usage of proceeds. Pekat has earmarked RM30m for the capex for commercial and industrial (C&I) solar PV projects, RM25m for future solar PV projects (including CRESS projects), and RM10m for its CGPP project. The remainder of the proceeds will be used for repayment of bank borrowings and a RM0.2m private placement expenses. Using an illustrative price of RM1.28 under the maximum scenario, Pekat will be able to raise RM84.7m, of which RM19.5m will be used to repay bank borrowings. The group's total borrowings currently stand at RM124.3m.

Our views. In line with the aggressive rollout of solar schemes and policies by the Government such as the Corporate Renewable Energy Supply Scheme (CRESS), Community Renewable Energy Aggregation Mechanism (CREAM), the ongoing LSS5 and the upcoming LSS5+ and LSS6, we view that the timing is apt for Pekat to undertake the private placement exercise for immediate access to funds, that will allow it to finance the initial stages of its upcoming EPCC projects before obtaining the necessary bank financing facilities for the projects, therefore allowing them to fast track the progress of their projects.

Reduce net gearing. As at 1QFY25, Pekat's net gearing was 0.19x. Under the maximum scenario, we estimate that this figure will improve to 0.13x.

RETURN STATISTICS	
Price @ 16th Jul 2025 (RM)	1.50
Expected share price return (%)	+24.0
Expected dividend yield (%)	-
Expected total return (%)	+24.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.1	11.7
3months	10.3	32.0
12 months	45.6	56.7

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	1,511.50
Issued shares (m)	644.97
Estimated free float (%)	38.80
Market Capitalisation (RM'm)	967.45
52-wk price range	RM0.82 - RM1.55
3-mth average daily volume (m)	1.03
3-mth average daily value (RM'm)	1.38
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	8.80
Wee Chek Aik	7.63

Analyst

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

Dilution of EPS and share price. In the maximum scenario, we expect a dilution of FY25E/FY26F EPS by -9.5%/-8.7% to 5.7 sen and 6.3 sen respectively, which may dilute our illustrative target price from RM1.86 to RM1.70, after ascribing a forward PER of 27x, based on its three-year historical meaning to the FY26F EPS of 6.3 sen. We maintain our target price for now until the private placement is executed.

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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MBSB INVESTMENT BANK (formerly known MIDF 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