Pekat Group Berhad

(0233 | PEKAT MK) ACE | Energy

SHARIAH Compliant

ESG 2 Stars

Corporate Update

Maintain BUY

Unchanged Target Price **RM1.86**

Another Sunny Quarter

Maintain BUY. We maintain our **BUY** recommendation on Pekat with an unchanged **TP** of **RM1.86,** derived by pegging its FY26F EPS of 6.9 sen to a forward PER of 27x based on its three-year historical mean. We are maintaining our earnings estimates as results were in line. With the aggressive rollout of solar schemes and policies by the Government, the ongoing LSS5 and the upcoming LSS5+ and LSS6, we view that the group's prospects remain bright, on top of the strong performing ELP business due to the growth in data centre projects. EPE Switchgear will grow to become a crucial contributor to the group, having secured RM260m worth of contracts from TNB year-to-date. Meanwhile, Pekat is undertaking a private placement of up to 10%, mainly for the capex for its current and future solar PV projects. Assuming a 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 illustratively may dilute our target price from RM1.86 to RM1.70. The exercise is expected to be completed by the end of 3QCY25.

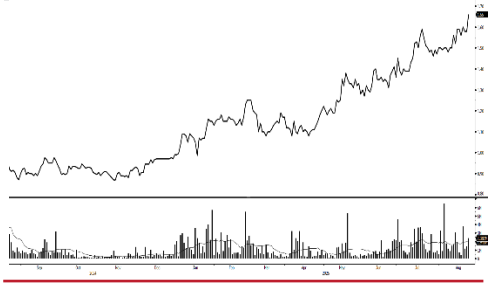
Within expectations. Pekat Group posted a core net profit of RM11.0m in 2QFY25, a growth of 2.4x as compared to 2QFY24. All its operating segments came in stronger during the quarter as compared to a year ago, on top of the consolidation of results from the EPE Switchgear that was acquired in Dec-24. For the cumulative 6MFY25, the group's core earnings grew 2.8x yoy to RM23.0m, in line with expectations at 55.1% of our full year projections and 48.5% of consensus.

Key takeaways. Revenue during the quarter surged 2.2x yoy to RM127.0m, mainly led by the solar PV division at RM62.6m (+88.8%yoy), driven by higher contribution from the residential rooftop top segment and large-scale solar projects under the Corporate Green Power Programme (CGPP). The power distribution equipment segment or EPE Switchgear, was the second top revenue contributor at RM34.8m (+24.9%qoq). The earthing and lightning protection and trading divisions came in at RM14.9m (28.7%yoy) and RM14.7m (+23.9%yoy) respectively. On a quarter-on-quarter basis however, there was a notable decline in the revenue from solar by -32.6%qoq due to the lower demand in residential solar following the expiry of the Solar for Rakyat Incentive Scheme (SolaRIS) and the full allocation of quotas under the Net Energy Metering (NEM) 3.0 programme. The earthing and lightning division also declined slightly by -8.1%qoq due to slower project execution.

Strong order book. Pekat's outstanding order book is at a high of RM665m, mainly from EPE Switchgear at RM298m, driven by ongoing deliveries for power distribution equipment and upcoming utility and private sector contracts while the solar division has RM188m. ELP carries an outstanding amount of RM169m while the remainder RM10m is from the trading segment.

RETURN STATISTICS	
Price @ 22nd August 2025 (RM)	1.56
Expected share price return (%)	+19.2
Expected dividend yield (%)	0.6
Expected total return (%)	+19.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.9	4.6
3months	22.1	19.3
12 months	80.4	85.4

INVESTMENT STATISTICS

FYE Dec	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 (sen)	-	1	1
Dividend Yield	-	0.6	0.6

KEY STATISTICS	
FBM KLCI	1,597.47
Issue shares (m)	644.97
Estimated free float (%)	38.80
Market Capitalisation (RM'm)	1,070.65
52-wk price range	RM0.82 - RM1.67
3-mth average daily volume (m)	1.49
3-mth average daily value (RM'm)	2.17
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	8.80
Wee Chek Aik	7.63

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Pekat Group Berhad: 2QFY25 Results Summary

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**6MFY25**	**6MFY24**	**YoY**
Revenue	127.0	150.3	56.6	**-15.5%**	**124.5%**	277.3	114.2	**142.8%**
Cost of sales	(91.6)	(111.7)	(39.8)	**-18.0%**	**130.1%**	(203.3)	(82.7)	**146.0%**
Gross profit	35.4	38.6	16.7	**-8.4%**	**111.2%**	74.0	31.5	**134.5%**
Operating profit	18.6	20.3	7.1	**-8.6%**	**161.8%**	38.9	12.9	**202.9%**
Finance cost	(1.6)	(1.1)	(0.2)	**45.0%**	**870.4%**	(2.8)	(0.3)	**900.4%**
Profit/(loss) from associates	0.1	(0.0)	(0.6)	**-945.5%**	**-116.8%**	0.1	(0.6)	**-112.6%**
Profit before tax	17.3	19.4	6.6	**-10.9%**	**162.5%**	36.6	12.2	**199.4%**
Tax	(4.7)	(5.6)	(1.9)	**-16.3%**	**146.3%**	(10.4)	(3.8)	**175.0%**
Reported net profit	11.0	12.1	4.6	**-8.6%**	**137.6%**	23.1	8.4	**174.0%**
Core net profit	11.0	12.0	4.6	**-8.4%**	**139.6%**	23.0	8.3	**177.5%**

Source: Company, MBSBR

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)	-	-	-	1.0	1.0
Dividend yield (%)	-	-	-	0.6	0.6

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**

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**

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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