Pekat Group Berhad

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ESG 2 Stars

Corporate Update

Maintain BUY

Unchanged Target Price **RM1.86**

Visit Note: EPE Switchgear

Maintain BUY. We maintain our BUY recommendation on Pekat with a n 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. 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. Illustratively, it may dilute our target price from RM1.86 to RM1.70. The exercise is expected to be completed by the end of 3QCY25.

Technical visit to EPE Switchgear. We visited EPE Switchgear (M) Sdn Bhd recently, a 60% indirectly owned subsidiary of Pekat Group. Its factory sits on a 5-acre land at the Arab Malaysian Industrial Park, with a total build up area of 13,500 sq m. With 150 employees, it has an annual production capacity of 2,000 panels.

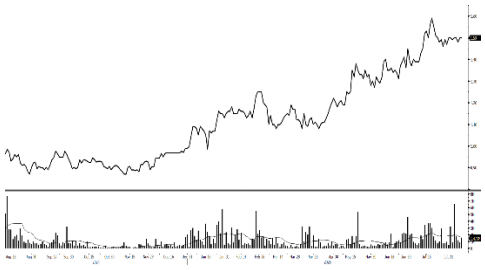
Background of Pekat's acquisition. In Dec-24, Pekat, through its wholly-owned subsidiary Pekat Teknologi Sdn Bhd, acquired a 60% stake in Apex Power Industry Sdn Bhd for RM96.0m at an FY23 PE multiple of 10.8x. Apex Power is the sole shareholder of EPE Switchgear. There is a profit guarantee for three financial years by Apex Power that its consolidated PAT will not be less than RM48m collectively, or at least RM16m annually for FY24-FY26 ending 30th September. The remaining 40% stake are held by Mega First Power Industries Sdn Bhd (30%), Rubber Thread Industries (M) Sdn Bhd (7%) and Mohammad Zhakri bin Mohammed Azlan (3%).

High barrier to entry. EPE Switchgear specialises in the medium voltage category (11kV and 33kV) where it competes mainly with four other companies in the supply chain of Tenaga Nasional Berhad (TNB). TNB's mandatory requirements are that the company must be Malaysian with a local manufacturing license by the Government and the product must have a Certificate of Product Acceptance, also known as the Sijil Guna Pakai (SGP). The SGP certification signifies a technical acceptance of a product to be used in TNB system. Due to the stringent process, we gathered that it could take up to two years from the identification of a new product, type tests, field trial and technical vetting by TNB Labs before the SGP can be issued.

Clientele. Other than TNB, EPE Switchgear's clients include Sarawak Energy, Sabah Electricity and independent power producers (IPPs). They also cater

RETURN STATISTICS	
Price @ 12th August 2025 (RM)	1.56
Expected share price return (%)	+19.2
Expected dividend yield (%)	-
Expected total return (%)	+19.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.4	1.7
3months	10.3	24.7
12 months	56.3	60.6

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	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS	
FBM KLCI	1,567.90
Issue shares (m)	644.97
Estimated free float (%)	38.80
Market Capitalisation (RM'm)	967.45
52-wk price range	RM0.82 - RM1.62
3-mth average daily volume (m)	1.40
3-mth average daily value (RM'm)	1.99
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	8.80
Wee Chek Aik	7.63

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to local industries such as shopping complexes, universities, hospitals, commercial buildings, factories and housing developments. Among notable projects that procured its 33kV Gas Insulated Switchgear (GIS) include Forest City, AEON Mall Nilai, Four Season Place, Country Garden and the MRT station at TRX. The breakdown of its customer segments is approximately 70% for local utilities, 20% for local industries and 10% for exports to countries in Asia Pacific, the Middle East and Africa. EPE Switchgear has been consistently securing contracts, with three from TNB year-to-date.

Table 1: Contracts secured by EPE Switchgear YTD

Date	Contract	Duration	Sum (RM'm)
25-Feb-25	Supply of 11kV single busbar circuit breakers (SCADA-ready type) - with 30% variation order	2 years	97.3
15-May-25	Supply, installation, testing and commissioning of 33kV and 11kV GIS switchgears for TNB's distribution network - with 30% variation order	2 years	135.2
1-Aug-25	Maintenance and repair and the supply and installation switchgear spare parts for TNB's distribution network - additional option for another year	2 years	31.3

Source: Pekat, MBSBR

Results preview. Pekat is expected to announce its 2QFY25 results on the 22nd August, where we expect its core net profit to come at about RM9m to RM10m, about two-fold of what it achieved in 2QFY24 at RM4.6m. This will be driven primarily by solar EPCC and contributions from EPE Switchgear. EPE Switchgear recorded a revenue of RM27.9m in 1QFY25, making up 18.6% of Pekat's revenue during the quarter.

Synergy with Pekat's existing businesses. Pekat is one of the renowned names in the solar EPCC business and switchgears are among the crucial components in the solar photovoltaic (PV) systems. As EPE Switchgear specialises in the medium-voltage segment, its products are mainly used by solar farms that are no larger than 30MW. We believe programmes such as the Corporate Renewable Energy Supply Scheme (CRESS) could further drive the demand for EPE Switchgear's products. Its 11kV and 33kV switchgears are also suitable for data centres that are 30MW and below. Those larger than that will usually have 132kV requirements.

Order book. Pekat's consolidated order book stands at over RM600m, led mainly by EPE Switchgear at about RM220m, driven by ongoing deliveries for power distribution equipment and upcoming utility and private sector contracts. Its solar division contributes about RM170m ranging from commercial and industrial (C&I), solar farms and residential rooftops. The earthing and lightning (ELP) division commands a strong RM110m order book, supported by strong project pipelines in infrastructure, data centres and public sector developments while its trading segment stands at approximately RM100m, comprising supply contracts for electrical components and accessories.

EPE Switchgear products



Source: EPE Switchgear

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**

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