Pekat Group Berhad

(0233 | PEKAT MK) ACE | Energy

SHARIAH Compliant

ESG 2 Stars

Corporate Update

Bright Prospects

Maintain **BUY**

Unchanged Target Price **RM2.00**

Maintain BUY. We came away from a meeting with Pekat Group and its Managing Director Mr Chin Soo Mau with a renewed optimism on its prospects in CY26. This will be driven by sustainable growth across all its operating segments, riding on the growth in large-scale and rooftop solar, ELP-related jobs for DCs and from EPE Switchgear (M) Sdn Bhd, specialising in the medium voltage category (11kV and 33kV) where it competes mainly with four other companies in Tenaga Nasional Bhd's supply chain. We maintain our **BUY** recommendation on Pekat with an unchanged **TP** of **RM2.00,** derived by pegging its FY26F EPS of 6.9 sen to a forward PER of 27x based on its three-year historical mean.

COD for CGPP by Apr-26. Pekat's commercial operation date (COD) target for its Corporate Green Power Programme (CGPP) asset is by Apr-26. Its 29.99MWac solar farm is in Tronoh, Perak. According to an announcement in Nov-23, the group had already secured five offtakers for the plant, as per Table 1. Recall that Pekat was also appointed as the EPCC contractor for the 29.99MWac CGPP solar farm owned by MF Solar Tronoh Sdn Bhd, an indirect wholly owned subsidiary of Mega First Corp Bhd. The RM115.0m project is now in its final legs and is expected to achieve COD by Feb or Mar-26.

Table 1: Pekat's CGPP offtakers

	Corporate consumer	Capacity (MWac)
1	CTRM Aero Composites Sdn Bhd	7.40
2	HICOM Automotive Manufacturers (Malaysia) Sdn Bhd	10.87
3	HICOM Automotive Manufacturers (Malaysia) Sdn Bhd	2.02
4	Motosikal dan Enjin Nasional Sdn Bhd	7.30
5	PHN Industry Sdn Bhd	2.40

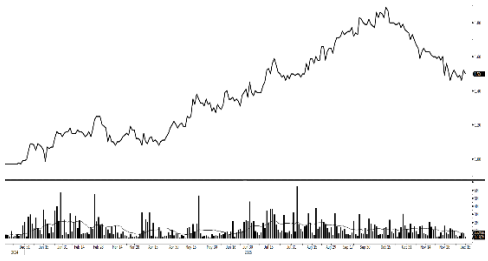
Source: Pekat, MBSBR

Transfer to Main Market by 2QCY26. Pekat's plan to transfer its listing to the Main Market remains on track, and the group has set its eyes for 2QCY26. It aims to obtain its Certificate of Completion and Compliance (CCC) by Jan-26, which will then allow it to kickstart the submission process for the transfer listing.

Solar module prices manageable. While prices of solar modules have risen about +10.0% over the past two months, the group maintained that the impact remains minimal as its contracts with clients are mostly on a cost-plus basis, which will allow Pekat to pass on the higher material costs to its clients, allowing margins to be protected. Even in cases where projects are lump sum contracts, the impact was minimal as the price increase was partially offset by the strengthening ringgit.

RETURN STATISTICS	
Price @ 15th Dec 2025 (RM)	1.50
Expected share price return (%)	+33.3
Expected dividend yield (%)	0.6
Expected total return (%)	+33.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.0	-9.0
3months	-16.2	-16.1
12 months	54.6	51.3

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	291.1	555.3	594.2
Operating Profit	36.0	62.7	73.1
Profit Before Tax	34.6	59.5	69.9
Core PATAMI	22.8	44.6	52.5
Core EPS	2.6	6.3	7.4
DPS (sen)	-	1	1
Dividend Yield	-	0.6	0.6

KEY STATISTICS	
FBM KLCI	1,643.72
Issue shares (m)	644.97
Estimated free float (%)	44.28
Market Capitalisation (RM'm)	1,059.41
52-wk price range	RM0.90 - RM1.9
3-mth average daily volume (m)	1.02
3-mth average daily value (RM'm)	1.75
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	8.80
Wee Chek Aik	7.63

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Strong order book. As at Nov-25, Pekat's consolidated order book stood at RM632m, with the bulk of the jobs coming from the power distribution equipment segment at RM291m. The solar division has an order book worth RM189m, reflecting continued demand across commercial, industrial, residential, and large-scale solar projects while the earthing and lightning protection (ELP) division has RM140m in its order book, supported by strong project pipelines in infrastructure, data centres, and public sector developments. The remaining RM12m is from the trading division, comprising supply contracts for electrical components and accessories. We expect job replenishment prospects to remain healthy for all divisions - solar with the recently announced LSS5+ and the upcoming LSS6, ELP capitalising on the healthy pipeline of data centre projects and EPE Switchgear, which is among the companies in the supply chain of Tenaga Nasional. We understand that management is in the talks with a potential client for a 100MWac solar farm.

Better demand for rooftop solar starting 1QCY26. There was a slowdown in the demand for rooftop solar across the industry in 2HCY25 after the expiry of the Net Energy Metering (NEM) in Jun-25, but this is expected to pick up starting next year with the Solar Accelerated Transition Action Programme that will be rolled out by the Energy Commission (ST) starting 1st January 2026. It is a hybrid version of the NEM and self-consumption (SelCo), which aims to speed up rooftop solar adoption by allowing larger installs, using market-based offsets and streamlining registration. Management also expects demand for battery energy storage systems (BESS) to pick up next year, especially among commercial and industrial (C&I) clients.

DC jobs to remain hot. Management is optimistic about the growth of DC-related jobs going into CY26, which will benefit the group's ELP division, at least over the next two to three years. It recently secured a job from Gamuda Engineering Sdn Bhd for the ELP systems for a hyperscale data centre at Eco Business Park V in Puncak Alam. With the division's current capacity, management guided the idea that it should be able to handle twice the value of jobs it has in hand currently. DC jobs are among the main drivers for the stronger ELP performance in FY25, with a +46.3%yoy growth in revenue to RM47.7m as at 9MFY25. Pekat has also been receiving green electricity supply enquiries from DCs via the Corporate Renewable Energy Supply Scheme (CRESS) and negotiations are ongoing.

Earnings estimates and TP. We are maintaining our earnings estimates and our TP of RM2.00, pegging its FY26F EPS of 7.4 sen to a forward PER of 27x, based on its three-year mean.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	179.2	227.6	291.1	555.3	594.2
EBIT	15.8	18.9	36.0	62.7	73.1
PBT	14.4	18.4	34.6	59.5	69.9
Taxation	-4.4	-4.7	-11.8	-14.9	-17.5
PAT	10.0	13.7	22.8	44.6	52.5
Core earnings	10.0	13.2	18.4	44.6	52.5
EPS (sen)	1.4	1.9	2.6	6.3	7.4
PER (x)	105.9	80.0	57.7	23.7	20.2
DPS (sen)	-	-	-	1	1
Dividend yield (%)	-	-	-	0.6	0.6

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	14.4	18.4	34.6	59.5	69.9
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**	**11.3**	**12.3**
PBT margin	**8.1**	**8.1**	**11.9**	**10.7**	**11.8**
PATAMI margin	**5.6**	**6.0**	**7.8**	**8.0**	**8.8**
Core PATAMI margin	**5.6**	**5.8**	**6.3**	**8.0**	**8.8**

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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