Pekat Group Berhad

(0233 | PEKAT MK) ACE | Energy

SHARIAH Compliant

ESG 2 Stars

Corporate Update

Maintain BUY

Unchanged Target Price **RM2.03**

Shining as Expected

Maintain BUY. We maintain our BUY recommendation on Pekat with a unchanged **TP** of **RM2.03,** derived by pegging its FY27F EPS of 8.1 sen to a forward PER of 25x based on its three-year historical mean. We are positive on the group's prospects, driven by sustainable growth across all its operating segments, riding on the growth in large-scale and rooftop solar, ELP-related jobs for data centres 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.

Within expectations. Pekat Group posted a core net profit of RM13.8m (+25.3% yoy) in 2QFY26. Revenue came in higher at RM175.4m (+38.1%yoy) during the quarter, on the back of stronger performances across all its operating segments. For the cumulative 1HFY26, revenue grew to RM343.3m (+23.8%yoy) while core earnings rose to RM26.3m (+14.5%yoy). Results were within expectations at 50.0% of our and 47.5% of consensus' full-year projections. It declared a dividend of 1 sen per share, equivalent to a dividend yield of 0.6%.

Key takeaways. Revenue during the quarter was driven mainly by the solar PV division at RM84.0m (+34.2% yoy), on the back of its progress of large scale solar EPCC projects. The power distribution equipment segment or EPE Switchgear was the second largest revenue contributor at RM46.9m (+34.7% yoy). Earthing and lightning protection (ELP) saw a surge in revenue to RM24.9m (+67.2%yoy) due to enhanced project execution while the trading division saw a growth to RM19.7m (+33.8%yoy).

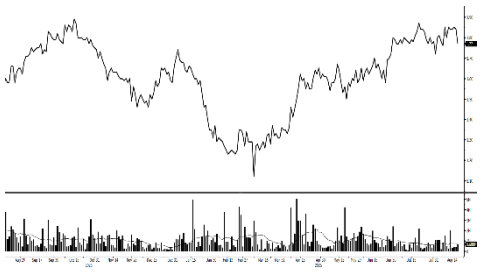
Strong order book. Pekat's consolidated order book is estimated to be above RM800m currently, led by EPE Switchgear. We expect job replenishment prospects to remain healthy for all divisions - solar with LSS5+ and the upcoming LSS6, ELP capitalising on the healthy pipeline of data centre projects. In Jul-26, Pekat secured two data centre (DC) ELP projects, one for a hyperscale DC in Port Dickson and the other for a DC in Johor. Both contracts came up to a total of RM46.9m.

Earnings estimates and TP. We are maintaining our earnings estimates as results are within our expectations. We maintain our **TP** of **RM2.03**, pegging its FY27F EPS of 8.1 sen to a forward PER of 25x, based on its three-year mean.

Proposed transfer to Main Market. An application was submitted to the Securities Commission (SC) on 26th June for Pekat's proposed transfer from the Ace Market to the Main Market. This is expected to enhance its credibility, prestige and reputation and reflects its growth since its listing in Jun-21. The proposed transfer is expected to be completed by 4QCY26.

RETURN STATISTICS	
Price @ 19th Aug 2026 (RM)	1.77
Expected share price return (%)	+14.7
Expected dividend yield (%)	0.6
Expected total return (%)	+15.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.2	-2.7
3 months	2.9	14.8
12 months	10.6	1.5

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	631.3	656.5	689.3
Operating Profit	76.1	82.4	90.0
Profit Before Tax	72.5	78.6	85.9
Core PATAMI	52.5	57.0	62.3
Core EPS	7.4	8.1	8.8
DPS (sen)	1	1	1
Dividend Yield	0.6	0.6	0.6

KEY STATISTICS	
FBM KLCI	1,731.32
Issue shares (m)	706.27
Estimated free float (%)	50.61
Market Capitalisation (RM'm)	1,255.02
52-wk price range	RM1.11 - RM1.9
3-mth average daily volume (m)	0.97
3-mth average daily value (RM'm)	1.64
Top Shareholders (%)	
Chin Soo Mau	31.87
Tai Yee Chee	8.04
Wee Chek Aik	6.80

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Pekat Group Berhad: 2QFY26 Results Summary

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q226**	**Q126**	**Q225**	**QoQ**	**YoY**	**6MFY26**	**6MFY25**	**YoY**
Revenue	175.4	167.9	127.0	**4.5%**	**38.1%**	343.3	277.3	**23.8%**
Cost of sales	(134.8)	(130.4)	(91.6)	**3.4%**	**47.1%**	(265.2)	(203.3)	**30.4%**
Gross profit	40.6	37.5	35.4	**8.2%**	**14.8%**	78.1	74.0	**5.6%**
Operating profit	22.7	19.6	18.6	**15.7%**	**22.2%**	42.3	38.9	**8.8%**
Finance cost	(1.5)	(1.6)	(1.6)	**-8.3%**	**-8.7%**	(3.1)	(2.8)	**13.0%**
Profit/(loss) from associates	0.2	0.4	0.1	**-43.3%**	**135.5%**	0.6	0.1	**637.8%**
Profit before tax	21.7	18.6	17.3	**16.4%**	**25.6%**	40.3	36.6	**10.0%**
Tax	(4.9)	(5.8)	(4.7)	**-14.3%**	**4.7%**	(10.7)	(10.4)	**3.4%**
Reported net profit	14.2	12.4	11.0	**14.2%**	**28.8%**	26.6	23.1	**15.4%**
Core net profit	13.8	12.5	11.0	**9.7%**	**25.3%**	26.3	23.0	**14.5%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	**291.1**	**609.9**	**631.3**	**656.5**	**689.3**
EBIT	36.0	74.1	76.1	82.4	90.0
PBT	34.6	70.3	72.5	78.6	85.9
Taxation	-11.8	-19.3	-19.9	-21.6	-23.6
PAT	22.8	46.2	52.5	57.0	62.3
Core earnings	**18.4**	**46.2**	**52.5**	**57.0**	**62.3**
EPS (sen)	2.6	6.5	7.4	8.0	8.8
PER (x)	68.1	27.2	23.9	22.1	20.1
DPS (sen)	-	1	1	1	1
Dividend yield (%)	-	0.6	0.6	0.6	0.6

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	34.6	70.3	72.5	78.6	85.9
Depreciation	1.6	7.9	1.7	1.7	1.7
Change in NWC	29.5	51.9	55.4	55.8	56.2
Operating cash flow	**15.9**	**42.7**	**42.2**	**48.7**	**56.4**
Capital expenditure	-6.9	-97.1	-1.0	0.0	1.0
Investing cash flow	**-76.3**	**-159.5**	**-63.5**	**-62.5**	**-61.5**
Debt raised/(repaid)	-1.5	-5.8	0.2	1.2	2.2
Dividends paid	-	-6.5	-7.1	-7.1	-7.1
Financing cash flow	-	70.8	170.1	164.1	163.1
Net cash flow	**70.8**	**10.4**	**53.3**	**142.8**	**149.3**
Beginning cash flow	**10.4**	**23.9**	**34.3**	**87.6**	**230.4**
Ending cash flow	**23.9**	**34.3**	**87.6**	**230.4**	**379.8**

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	68.9	167.1	168.8	165.4	163.7
ROU assets	4.7	1.9	0.2	0.2	0.2
Non-current assets	**128.2**	**225.2**	**226.8**	**223.4**	**221.8**
Trade receivables	34.3	87.6	28.0	29.0	30.0
Cash & bank balances	110.3	91.1	94.7	98.5	103.4
Current assets	**305.0**	**489.3**	**402.0**	**433.3**	**462.3**
Long-term debt	50.9	100.6	100.7	104.1	108.6
Non-current liabilities	36.9	40.4	41.2	40.8	38.8
Short-term debt	**178.1**	**232.8**	**233.7**	**236.6**	**239.1**
Trade payables	37.8	120.4	10.0	11.0	12.0
Current liabilities	**59.8**	**137.4**	**27.0**	**28.0**	**29.0**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	12.4	12.1	12.1	12.6	13.1
PBT margin	11.9	11.5	11.5	12.0	12.5
PATAMI margin	7.8	7.6	8.3	8.7	9.0
Core PATAMI margin	6.3	7.6	8.3	8.7	9.0

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MBSB 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