Pekat Group Berhad

(0233 | PEKAT MK) ACE | Energy

SHARIAH Compliant

ESG 2 Stars

Corporate Update

CGPP Farm Comes Online

Maintain BUY. We maintain our BUY recommendation on Pekat with a revised **TP** of **RM2.46,** derived by pegging its revised FY27F EPS of 8.8 sen to a forward PER of 28x based on +1SD above 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 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.

CGPP plant achieves COD. Pekat Group's 29.99MW solar farm under the Corporate Green Power Programme (CGPP) has achieved its commercial operation date yesterday, after receiving a notification letter by the Energy Commission (ST). Located in Tronoh, Perak, the utility-scale solar PV plant is connected to the grid at 132kV and is expected to generate approximately 77GWh of renewable energy annually over its 21-year concession period. It will be operated and maintained by Pekat Solor Tronoh Sdn Bhd (PSTSB), an indirect wholly-owned subsidiary of the group.

Offtakers secured in Nov-23. To recap, PSTSB had in Nov-23, entered into five corporate green power agreements (CGPA) for the solar energy to be generated by the plant. PSTSB will be paid monthly throughout the 21-year period. This is expected to provide Pekat with a meaningful net recurring income of RM4-5m per annum.

Table 1: CGPAs secured by PSTSB

	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
	Total	**29.99**

Source: Company, MBSBR

Earnings estimates and TP. We are raising our earnings estimates for FY26E/FY27F/FY28F by +3.7%/+9.9%/+9.0% to account for the contribution from the CGPP farm. As such, we are also raising our **TP** to **RM2.46** from RM2.03 previously, pegging its revised FY27F EPS of 8.8 sen to a forward PER of 28x, based on +1SD above its three-year mean. We believe the premium against its peers is justified, given that Pekat differentiates itself from other solar companies through its involvement in the manufacturing of power distribution equipment and earthing and lightning protection (ELP), which is benefiting from the rise in data centre projects.

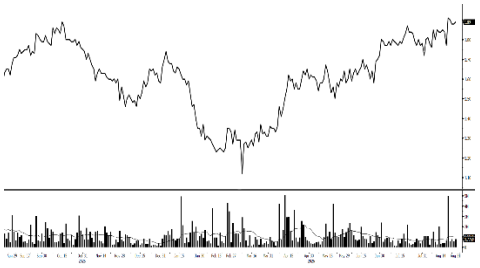
Strong order book. Pekat's consolidated order book stands at approximately RM797m, as at Jun-26, led by EPE Switchgear at RM308m.

Maintain BUY

Revised Target Price **RM2.46**
(from RM2.03)

RETURN STATISTICS	
Price @ 27th Aug 2026 (RM)	1.89
Expected share price return (%)	+30.2
Expected dividend yield (%)	0.5
Expected total return (%)	+30.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.6	3.9
3 months	9.9	15.2
12 months	16.0	5.7

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	638.1	676.8	709.5
Operating Profit	78.7	90.3	97.8
Profit Before Tax	75.1	86.4	93.7
Core PATAMI	54.4	62.6	67.9
Core EPS	7.7	8.8	9.6
DPS (sen)	1	1	1
Dividend Yield	0.5	0.5	0.5

KEY STATISTICS	
FBM KLCI	1,741.72
Issue shares (m)	706.27
Estimated free float (%)	50.61
Market Capitalisation (RM'm)	1,340.11
52-wk price range	RM1.11 - RM1.92
3-mth average daily volume (m)	0.95
3-mth average daily value (RM'm)	1.65
Top Shareholders (%)	
Chin Soo Mau	31.74
Tai Yee Chee	8.01
Wee Chek Aik	4.40

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Earthing & lightning protection (ELP) jobs surpassed solar jobs for the first time, with an outstanding amount of RM298m, backed by a strong pipeline of projects across data centres, infrastructure and other key developments. Meanwhile, the solar division's order book stood at RM151m, supported by a diversified mix of commercial & industrial, off-grid, residential and large-scale solar projects. 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.

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.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	**291.1**	**609.9**	**638.1**	**676.8**	**709.5**
EBIT	36.0	74.1	78.7	90.3	97.8
PBT	34.6	70.3	75.1	86.4	93.7
Taxation	-11.8	-19.3	-20.6	-23.8	-25.8
PAT	22.8	46.2	54.4	62.6	67.9
Core earnings	**18.4**	**46.2**	**54.4**	**62.6**	**67.9**
EPS (sen)	2.6	6.5	7.7	8.8	9.6
PER (x)	68.1	27.2	24.6	21.4	19.7
DPS (sen)	-	1	1	1	1
Dividend yield (%)	-	0.5	0.5	0.5	0.5

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	34.6	70.3	75.1	86.4	93.7
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**	**44.8**	**56.5**	**64.2**
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	-	-	-
Financing cash flow	-	**70.8**	**-7.1**	**-7.1**	**-7.1**
Net cash flow	**70.8**	**10.4**	**164.1**	**163.1**	**162.1**
Beginning cash flow	**10.4**	**23.9**	**145.4**	**157.1**	**164.8**
Ending cash flow	**23.9**	**34.3**	**87.6**	**233.0**	**390.2**

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	12.3	13.3	13.8
PBT margin	11.9	11.5	11.8	12.8	13.2
PATAMI margin	7.8	7.6	8.5	9.3	9.6
Core PATAMI margin	6.3	7.6	8.5	9.3	9.6

Source: Bloomberg, MBSBR

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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