Pekat Group Berhad

(0233 | PEKAT MK) ACE | Energy

SHARIAH Compliant

ESG 2 Stars

Corporate Update

The MEP Dark Horse

Maintain **BUY**

Unchanged Target Price **RM2.46**

Maintain BUY. We maintain our BUY recommendation on Pekat with a unchanged **TP** of **RM2.46,** derived by pegging its 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.

Back where it began. Pekat Group is going back to its roots, but opportunities are considerably larger this time around. Its wholly owned subsidiary Pekat E & LP Sdn Bhd announced the execution of three new earthing & lightning protection (ELP) jobs yesterday totaling RM57.2m for a hyperscale data centre project in Johor Bahru. Pekat began life as an ELP specialist back in 1999 before expanding into solar. Years later, ELP has come full circle to surpass solar in terms of order book size, this time riding a much larger structural opportunity from Malaysia's data centre buildout.

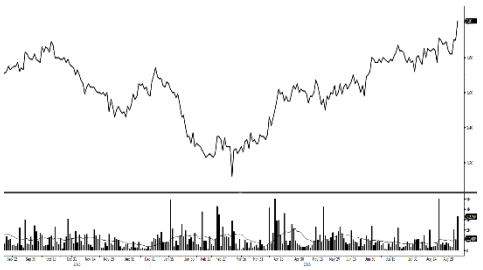
Details of the 3 ELP subcontracts. The first subcontract is for the supply, delivery, installation, testing and commissioning of an ELP system for RM27.2m, while the second is a RM4.6m job for the supply and installation of ELP for a substation. The third subcontract is for the design, supply, installation and testing of ELP, including associated civil works, valued at RM25.3m. Subcontract 1 was executed and commenced in Jul-26, while subcontracts 2 and 3 were only formally executed in Aug-26 and Sept-26 despite works having commenced earlier in Mar-26 and Jan-26, respectively. We believe this is due to the lag of the execution of formal agreements.

ELP shares the same stage with EPE. Pekat's consolidated order book now stands at RM797m, led by EPE Switchgear at RM308m. ELP jobs stood at RM298m. We did not include the three new subcontracts as we believe it may already have been captured in the amount. 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.

Earnings estimates and TP. We are making no changes to our earnings projections. As such, we are also keeping to our **TP** of **RM2.46**, pegging its 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 ELP, which is benefiting from the rise in data centre projects.

RETURN STATISTICS	
Price @ 7th Sept 2026 (RM)	2.01
Expected share price return (%)	+22.4
Expected dividend yield (%)	0.5
Expected total return (%)	+22.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	14.2	15.6
3 months	16.9	19.3
12 months	17.5	8.7

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	1,714.79
Issue shares (m)	706.27
Estimated free float (%)	50.64
Market Capitalisation (RM'm)	1,426.09
52-wk price range	RM1.11 - RM2.03
3-mth average daily volume (m)	0.92
3-mth average daily value (RM'm)	1.62
Top Shareholders (%)	
Chin Soo Mau	31.74
Tai Yee Chee	8.01
AIA Bhd	4.40

Analyst

Royce Tan Seng Hooi
royce.tan@mbsb.com
03-2173 8461

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)	77.3	30.9	26.1	22.8	20.9
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

MBSB Research is part of MBSB Investment Bank 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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