Pekat Group Berhad

(0233 | PEKAT MK) ACE | Energy

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ESG 2 Stars

Corporate Update

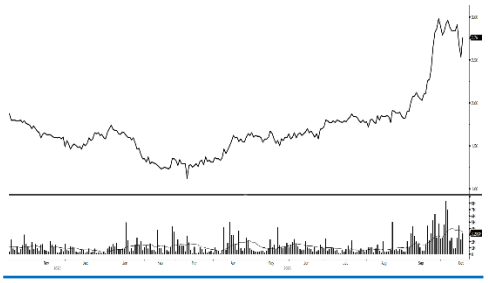
CRESS Remains Attractive

Maintain **BUY**

Revised Target Price **RM3.19**
(from RM2.46)

RETURN STATISTICS	
Price @ 16th Oct 2026 (RM)	2.76
Expected share price return (%)	+15.6
Expected dividend yield (%)	0.4
Expected total return (%)	+16.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	36.0	40.8
3 months	-4.8	67.0
12 months	47.6	47.5

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	638.1	742.5	778.5
Operating Profit	78.7	104.6	109.8
Profit Before Tax	75.1	100.9	105.9
Core PATAMI	54.4	73.2	77.3
Core EPS	7.7	10.3	10.9
DPS (sen)	1	1	1
Dividend Yield	0.4	0.4	0.4

KEY STATISTICS	
FBM KLCI	1,607.76
Issue shares (m)	706.27
Estimated free float (%)	50.69
Market Capitalisation (RM'm)	1,960.23
52-wk price range	RM1.11 - RM3.00
3-mth average daily volume (m)	1.85
3-mth average daily value (RM'm)	4.43
Top Shareholders (%)	
Chin Soo Mau	31.69
Tai Yee Chee	7.99
AIA Bhd	4.39

Maintain BUY. We maintain our BUY recommendation on Pekat with a revised **TP** of **RM3.19,** derived by pegging its revised FY27F EPS of 10.3 sen to a forward PER of 31x based on its five-year historical mean. We are positive on the group's prospects, driven by sustainable growth across all its operating segments and its diversified nature that allows it to participate across multiple segments of the renewable energy supply chain, including ELP and power distribution equipment, which could benefit from the broader investment cycle.

DCs to drive CRESS demand. We came away from a recent engagement with Pekat Group reassured that the revised system access charge (SAC) is unlikely to dampen the demand for the Corporate Renewable Energy Supply Scheme (CRESS), backed by strong demand coming from data centres that have to fulfill a 30% renewable energy requirement.

Bilateral negotiation is key. Management believes CRESS remains commercially viable even at the previous firm SAC of 20 sen/kWh and highlighted that CRESS differs fundamentally from large scale solar (LSS) projects in its commercial flexibility, where developers and offtakers negotiate bilateral agreements spanning up to potentially 30 years and electricity tariffs may also be structured differently across contractual periods, including predetermined step-ups or revisions. Although the revised framework formally assigns 14 sen/kWh to renewable energy developers (REDs) and a separate 4 sen/kWh to green consumers (GCs), management believes the ultimate economic burden can be negotiated between both parties.

Large addressable market. Based on an illustrative 5GW of operational data centre capacity in the next two to three years, management estimates that meeting a 30% RE requirement could require approximately 10GW of solar capacity, accompanied by at least 20GWh of battery energy storage systems (BESS).

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. 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+, CRESS and the upcoming LSS6, and ELP capitalising on the healthy pipeline of data centre projects.

Actively pursuing CRESS deals. Management is actively negotiating CRESS opportunities but declined to disclose the pipeline for now pending firm commitments. Management believes securing even one or two CRESS projects could be meaningful, considering the potentially sizeable EPCC contract values involved. Pekat intends to participate primarily through consortium arrangements, taking minority equity stakes while concurrently

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undertaking the EPCC works. To support its project development ambitions, management indicated that it has already identified and prepared several potential land sites. This is consistent with Pekat's recent proposal to lease approximately 470 acres of land in Sungai Petani, Kedah, for renewable energy development, including solar PV and BESS, under a conditional 24-year agreement. While the intended offtake arrangement has yet to be disclosed, we believe the site could potentially be developed under CRESS.

Earnings estimates and TP. We revise our FY27F/FY28F earnings estimates upwards by +16.9%/+13.8% to account for stronger anticipated job flows from Pekat's solar EPCC and ELP businesses on the back of the accelerating rollout of RE projects and ongoing investments in data centres. As such, we are also revising our **TP** to **RM3.19**, pegging its revised FY27F EPS of 10.3 sen to a forward PER of 31x based on its five-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.

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**	**742.5**	**778.5**
EBIT	36.0	74.1	78.7	104.6	109.8
PBT	34.6	70.3	75.1	100.9	105.9
Taxation	-11.8	-19.3	-20.6	-27.8	-28.6
PAT	22.8	46.2	54.4	73.2	77.3
Core earnings	**18.4**	**46.2**	**54.4**	**73.2**	**77.3**
EPS (sen)	2.6	6.5	7.7	10.3	10.9
PER (x)	106.6	42.4	36.0	26.8	25.3
DPS (sen)	-	1	1	1	1
Dividend yield (%)	-	0.4	0.4	0.4	0.4

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	34.6	70.3	75.1	100.9	105.9
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**	**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	14.1	14.1
PBT margin	11.9	11.5	11.8	13.6	13.6
PATAMI margin	7.8	7.6	8.5	9.9	9.9
Core PATAMI margin	6.3	7.6	8.5	9.9	9.9

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