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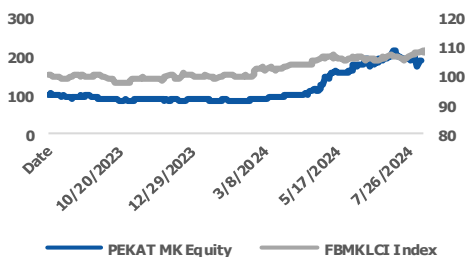
Recommendation:	BUY
Current Price:	RM 0.965
Previous Target Price:	RM 1.14
Target Price:	RM 1.20
Upside/Downside:	24.4%

Stock information

Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0233 / PEKAT MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	645.0
Market Cap (RM' m)	622.4
52-Week Price Range (RM)	0.395-1.06
Beta (x)	1.0
Free float (%)	31.8
3M Average Volume (m)	3.5
3M Average Value (RM' m)	3.1

Top 3 Shareholders	(%)
Chin Soo Mau	34.9
Tai Yee Chee	10.4
Wee Chek Aik	8.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-7.2	37.9	96.9
Relative (%)	-6.5	37.3	78.6

Pekat Group Berhad

Bagged an ELP contract

Summary

- Pekat secured a RM21.8m contract to provide ELP solutions for Gamuda's data centre facility.
- Latest ELP contract win raises Pekat's outstanding order book to RM206.6m (51.2% ELP, 48.8% Solar) which will be recognised till FY25F.
- We reiterate our BUY recommendation with an upgraded target price of RM1.20 by pegging by sum-of-parts (SOP) valuation.

Company Update

- **New ELP contract secured.** Pekat was awarded an ELP contract worth RM21.8m from Gamuda Engineering Sdn Bhd, which involves the testing and commissioning of ELP systems for eight data centre sites. The project is expected to commence on Jul 24 and is targeted for completion by Feb 26. We expect the contract would be able to command double-digit EBITDA margins.
- **Reinforcing position in data centre space.** While this is not Pekat's first data centre-related project; the Group has previously engaged in provision of ELP solutions for several projects, including Bridge DCs, Keppel DCs, Yondr facilities, and AirTrunk facilities. We see this move as a further reinforcement of their track record, allowing them to capitalise on the growing trend of data centres.
- **Orderbook update.** The latest ELP contract win raises Pekat's outstanding order book to RM206.6m (51.2% ELP, 48.8% Solar). We estimate that more than half of these fast-track projects will be executed and recognised in FY24F. Over the near term, we expect Pekat's order book replenishment to come primarily from the tender for the 800.0MW CGPP, where we estimate the Group could secure up to RM200.0m in EPCC contracts. Looking ahead, the upcoming 2GW LSS5 which tender closed at the end of July 24 and additional 450.0MW NEM quota, cements future orderbook replenishment outlook.
- **Valuation.** We kept our earnings estimates unchanged, given that our projections have already factored the anticipated orderbook replenishment. We expect Pekat's FY24F earnings to improve mainly on recognition from existing unbilled orderbook and recognition from CGPP projects. We maintained our **BUY** recommendation with unchanged TP at RM1.20, based on a sum-of-parts (SOP) valuation.
- We favour Pekat for its synergistic business model, attractive in-house solar financing, lucrative margins from the EPE segment, and its consistent maintenance of an order book at the RM200.0m. We believe Pekat is well-positioned as one of the RE players benefiting from long-term NETR trends, potentially generating strong earnings visibility in the foreseeable future, leveraging by arm of EPE division.

- **Risks.** (i) EPE acquisition taking-longer-than-expected, (ii) reversal of solar module prices and, (iii) CGPP project recognition was slower than anticipated and (iv) intense market competition.

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	178.5	179.2	227.5	302.7	503.4
Gross Profit	45.5	44.8	53.5	75.1	132.9
EBITDA	18.4	17.4	20.3	36.4	74.9
Depreciation & Amortisation	-0.8	-15	-17	-5.9	-17.6
EBIT	17.6	15.8	18.7	30.4	57.3
Net Finance Income/ (Cost)	-0.6	-14	-1.1	-2.6	-7.0
Associates & JV	0.5	0.0	0.6	0.6	0.6
Pre-tax Profit	17.4	14.4	18.1	28.4	50.9
Tax	-4.8	-4.4	-4.4	-6.8	-12.2
Profit After Tax	12.6	10.0	13.8	21.6	38.7
Minority Interest	0.0	0.0	0.0	16	9.2
Net Profit	12.7	10.0	13.7	19.9	29.5
Exceptionals	0.1	-0.9	-0.6	-0.6	-0.6
Core Net Profit	12.8	9.1	13.2	19.4	29.0

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	10.3%	9.7%	8.9%	12.0%	14.9%
EBIT margin	9.8%	8.8%	8.2%	10.0%	11.4%
PBT margin	9.8%	8.1%	8.0%	9.4%	10.1%
PAT margin	7.1%	5.6%	6.0%	7.1%	7.7%
NP margin	7.1%	5.6%	6.0%	6.6%	5.9%
Core NP margin	7.1%	5.1%	5.8%	6.4%	5.8%
Dividend yield	0.0%	0.0%	10%	15%	2.2%
ROE	10.6%	7.8%	10.0%	17.5%	21.3%
ROA	6.3%	5.3%	7.5%	6.2%	7.8%
Net gearing	Net Cash	Net Cash	Net Cash	56.1%	38.1%

Valuation

Sum of Parts (SOP)	Equity Value (RM ' m)	Valuation method
EPCC	469.8	30x FY25F PER
ELP	612	15x FY25F PER
Trading	47.8	15x FY25F PER
EPE	160.4	15x FY25F PER
Solar assets	29.3	WACC = 5.8%
Proceeds from exercise of warrants/ESOS	0.0	
SOP Value	768.5	
Enlarged share base (m share)	645.0	
Fair Value (RM)	1.20	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	42.9	29.1	27.0	34.3	53.8
Receivables	35.4	47.9	55.0	85.1	95.3
Inventories	34.3	25.6	24.9	40.2	44.2
Other current assets	57.9	51.9	39.2	39.4	61.0
Total Current Assets	170.5	154.5	146.1	199.0	254.2
PPE	20.8	23.3	23.4	108.2	109.3
Other non-current assets	9.2	118	12.8	12.9	13.1
Total Non-current assets	30.0	35.1	36.3	121.1	122.4
Short-term Debt	25.3	19.4	10	19.7	21.3
Payables	39.7	14.5	27.0	85.1	95.3
Other Current Liabilities	12.4	21.9	14.1	19.7	32.6
Total Current Liabilities	77.4	55.8	42.1	124.4	149.2
Long-term Debt	2.5	1.6	0.6	78.6	85.4
Other non-current liabilities	1.2	2.7	2.9	3.0	3.1
Total Non-current Liabilities	3.6	4.3	3.5	81.6	88.5
Shareholder's equity	119.4	129.4	136.7	112.3	128.0
Minority interest	0.1	0.1	0.1	18	10.9
Total Equity	119.4	129.5	136.8	114.1	138.9

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	17.4	14.4	18.1	28.4	50.9
Depreciation	0.2	0.2	0.2	0.0	0.0
Changes in working capital	-10.4	-31.2	11.2	18.0	-12.6
Others	-4.0	-2.3	-3.0	1.2	11.9
Operating cash flow	3.2	-18.9	26.6	47.6	50.1
Net capex	-0.8	-1.6	-0.7	-42.7	-18.7
Others	-26.2	16.5	0.0	-58.4	0.5
Investing cash flow	-26.9	14.9	-0.7	-101.1	-18.2
Dividends paid	0.0	0.0	-6.4	-9.4	-13.9
Others	36.9	-10.0	-9.7	70.2	1.4
Financing cash flow	36.9	-10.0	-16.2	60.8	-12.5
Net cash flow	13.1	-14.0	9.7	7.3	19.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	15.1	28.2	14.2	23.9	31.3
Ending cash	28.2	14.2	23.9	31.3	50.7

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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