

Tan Sue Wen

(603) 7890 8888 (ext 2095)

suewen.tan@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.920
Previous Target Price:	RM 1.20
Target Price:	↔ RM 1.20
Upside/Downside:	30.4%

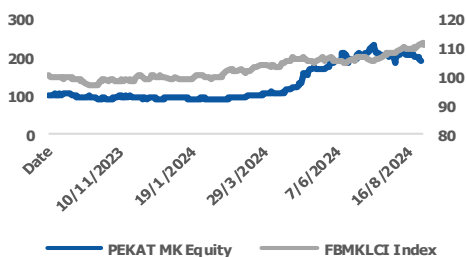
Stock information

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)	593.4
52-Week Price Range (RM)	0.395-1.06
Beta (x)	0.8
Free float (%)	31.8
3M Average Volume (m)	3.2
3M Average Value (RM' m)	2.9

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 (%)	-2.6	15.0	89.7
Relative (%)	-6.5	9.4	65.4

Pekat Group Berhad

Bags New PPA Contract

Summary

- Pekat secured a 10-year PPA with Sun Investments for a project involving a 1,727 kWp solar plant with a BESS capacity of 1,398 kWh, featuring a lucrative tariff rate of USD 0.27/kWh.
- We expect this project to positively impact the Group's bottom line in the long run.
- We maintain our BUY recommendation with an unchanged target price of RM1.20, based on SOP valuation.

Company Update

- **Secured New PPA.** Pekat's wholly-owned subsidiary, Solaroo RE (Maldives), has secured a 10-year PPA with Sun Investments. Pekat will undertake the EPCC of the solar PV systems and act as the investor, asset owner, and renewable energy electricity producer.
- **Project details.** The project includes a 1,727 kWp solar PV plant with a BESS capacity of 1,398 kWh, located at Sun Siyam Vilu Reef Maldives, Meedhufushi, Dhaalu Atoll, Maldives. COD is expected within 12 months of site possession. Contract value for the project is USD 6.9m, with a tariff rate of USD 0.27/kWh, expected to generate around 25.45 mKWh electricity over the 10-year period.
- **Positive Contribution in the long run.** We expect the project to be completed by next year, with meaningful contributions from the power plant beginning in 2026. This is anticipated to positively impact Pekat's earnings over the next 10 years.
- **Valuation.** We make no changes to our earnings forecast as we anticipate the development will not affect our projected figures in the immediate future. We maintain our **BUY** recommendation on Pekat with an unchanged target price of RM1.20, derived from SOP valuations.
- Moving forward, we anticipate most job inflows will stem from the award of CGPP contracts, with the Group targeting to secure RM200m to meet the tight COD deadlines by 2025. Separately, the Group is finalising a SPA for a 60% stake in EPE Switchgear, marking its venture into the power sector. These two developments are expected to be the main drivers of foreseeable earnings growth.
- **Risks.** (i) EPE acquisition took 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	-1.5	-1.7	-5.9	-17.6
EBIT	17.6	15.8	18.7	30.4	57.3
Net Finance Income/ (Cost)	-0.6	-1.4	-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	1.6	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%	1.0%	1.5%	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	61.2	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	11.8	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	1.0	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	1.8	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
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</p>

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.

DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

All analyst(s) names appear in the front page, whom prepared this report, does not have any interest in the following securities covered in this report.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.