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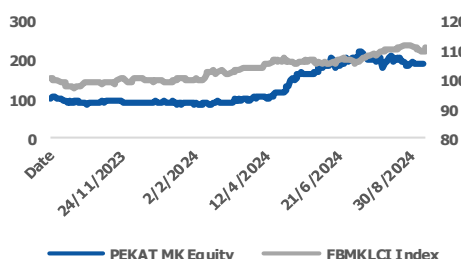
Recommendation:	BUY
Current Price:	RM 0.945
Previous Target Price:	RM 1.20
Target Price:	↔ RM 1.20
Upside/Downside:	27.0%

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)	609.5
52-Week Price Range (RM)	0.395-1.06
Beta (x)	0.8
Free float (%)	31.8
3M Average Volume (m)	2.3
3M Average Value (RM' m)	2.2

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 (%)	0.5	0.0	98.9
Relative (%)	-1.7	-3.3	74.7

Pekat Group Berhad

Bagged a CGPP contract

Summary

- **Secured RM115.0m CGPP contract for a 29.99MW Solar PV Facility, raising outstanding order book to RM332.0m, which is equivalent to 1.5x FY23 revenue.**
- **Based on historical track record, we expect the project will be able to generate EBIT margin of 8.0%, which potentially translate to RM9.2m in EBIT over the project cycle.**
- **We reiterate our BUY recommendation with an unchanged target price of RM1.20, based on a sum-of-parts (SOP) valuation.**

Company Update

- **New contract secured.** Pekat, through its wholly-owned subsidiary Pekat Solar, has secured a Letter of Award from MF Solar Tronoh for the EPCC of a 29.99MW Solar PV Facility under the Corporate Green Power Programme (CGPP).
- **CGPP details.** The CGPP project will have a capacity of 29.99MW and will be built in Daerah Kinta, Perak is valued at RM115.0m. The project is expected to commence in 4QFY24 and achieve COD by end-2025, assuming no delay.
- **Orderbook update.** The latest contract win raised Pekat's outstanding order book to RM332.0m, equivalent to 1.5x FY23 revenue. We anticipate about one-third of the project's value will be recognised in FY24, with the highest recognition occurring in FY25 as the work reaches its peak. We anticipate this contract to achieve a better margin than the industry average, based on the historical performance of contracts secured by Pekat. Assuming EBIT margin of 8.0%, the project is estimated to generate RM9.2m in EBIT over its lifecycle.
- **Earnings revision.** No changes to our earnings forecasts, as the contract win falls within our FY24F order book replenishment assumption of RM315.0m.
- **Valuation.** We reiterate our **BUY** recommendation on Pekat with an unchanged target price of RM1.20, derived from SOP valuation method. We favor Pekat for its product complementarity synergy, attractive in-house solar financing, strong margins in the EPE segment poised for robust earnings growth. Pekat is well-positioned to benefit from long-term NETR trends, potentially generating strong earnings visibility in the foreseeable future, by leveraging on the robust growth of the EPE division.
- **Risk.** (i) EPE acquisition taking longer than expected, (ii) reversal of solar module prices and, (iii) slower-than-anticipated CGPP project recognition 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
P/E (x)	35.7	93.6	32.3	28.3	15.8
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%	1.1%	1.5%	2.3%
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	

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	0.8	1.5	1.7	5.9	17.6
Changes in working capital	-10.4	-31.2	11.2	18.0	-12.6
Others	-4.6	-3.7	-4.5	-4.7	-5.7
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>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) Ong Tze Hern (ext 2113)</p>
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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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