

Tan Sue Wen

(603) 7890 8888 (ext 2095)

suewen.tan@apexsecurities.com.my

Recommendation:	Subscribe
Current Price:	RM 0.68
Previous Target Price:	N/A
Target Price:	RM 0.82
Capital Upside/Downside:	20.6%
Dividend Yield (%):	4.0%
Total Upside/Downside:	24.6%

Company Brief

Principally a manufacturer of butt weld fittings and welded pipes.

Stock information

Board	Main
Sector	Industrial
Bursa / Bloomberg Code	5331/PGLOBAL
Syariah Compliant	YES
Shares issued (m)	850.0
Market Cap (RM' m)	578.0
Free float (%)	30.9

Top 3 Shareholders	(%)
PGHB	69.2

IPO Timetable	Date
Opening of IPO application	2/10/2025
Closing of IPO application	19/02/2025
Ballotting of IPO application	24/02/2025
Allotment of IPO shares	28/2/2025
Listing of IPO on Bursa Malaysia	3/3/2025

Pantech Global Berhad

Global Reach, Local Expertise

Executive Summary

- **Largest manufacturer of butt weld fittings and welded pipes in Malaysia, commanding 16% market share in the Malaysian stainless steel welded pipes market and 66% of the export market for butt weld pipe fittings. PGLOBAL serves customers both locally and across 27 foreign markets.**
- **Earnings are expected to demonstrate stable growth in the future, with a two-year CAGR of 13.2%, driven by higher sales volume from existing and new customers, as well as improved cost efficiency.**
- **We recommend subscribe to PGLOBAL IPO with a target price of RM0.82 (a 20.6% potential capital upside from the IPO price), based on a P/E multiple of 11x, pegged to the FY26F core EPS of 7.5 sen.**

Key Investment Highlights

Steady sales from long-standing relationship. Pantech (PGLOBAL) has consistently generated >RM35m in earnings from produces and supplies steel PVF, command two-year CAGR 13%, thanks to its strong market position >20 years and brand recognition under brand “Pantech”. ~70% of PGLOBAL’s FY24 sales were generated from top five customers – majority having >20 years of working relationship with the Group. Sales volumes in FY24 remain >30,000 tonnes, though steel price have rebound with lowest low, underscoring PGLOBAL’s market presence.

Expansion plan. The Group operates two operational facilities in Johor and Klang with a total capacity of 50,410 tonnes/annum, achieving a utilisation rate of 69%, running near full optimisation as of FY24. To meet growing demand, it plans to (i) add a new pickling facility and build a single-storey warehouse in Johor, and (ii) add a new office and factory, along with purchasing new machinery and equipment for the Klang plant. These expansions are expected to boost total manufacturing capacity by c.6%, bringing it to 53,410 tonnes/pa. The first expansion is slated for commissioning by 4QCY26, with the remaining expected to be operational by CY27. PGLOBAL intends to purchase the land and buildings of the existing Klang factory, as well as two parcels of land at the existing Johor factory, from the holding company, Pantech Group Bhd. The acquisition is expected to be completed within 3 months from the date of the listing.

Riding the wave of US O&G capex and policy support for expansion. PGLOBAL is poised to grow alongside the development of fossil fuel infrastructure under the Trump administration, which aims to prioritise domestic oil production as a key part of its energy strategy. To address concerns over high energy prices, Trump administration plans to promote more leasing on federal lands and encourage US companies to drill. In addition, Petronas is set to construct three offshore central processing platforms and install approximately 900 km of pipelines under its 2025-2027 Activity Outlook. Meanwhile, CIR2030, which focuses on moving towards ESG-friendly and higher-value specialty chemicals, serves as a catalyst for sustained investment in facility maintenance, upgrades, and new plant development. As a critical supplier of piping and equipment, as well as the sole manufacturer of elbows and long bends using the HFI (High Frequency Induction) process in Malaysia, PGLOBAL is well-positioned to capitalise on this growth, which is expected to drive increased demand for its products in the long term.

Attractive c.4% dividend yield. Historically, PGLOBAL has declared annual dividends averaging >4 sen, with dividend payout ratios of 18%/32%/142% for FY22–FY24. The Group targets a dividend payout of 40%–50% of its PAT. By conservatively applying 40%, this translates to yields of 4.0%/4.4% for FY25F–FY26F, which is decent for a growth. In light of the current economic situation, coupled with the uncertain environment, PGLOBAL's valuation is undemanding,

considering its attractive and generous dividend yield of >10-year MGS 3.8%, providing sustainable cash flow for shareholders.

Valuation & Recommendation. We recommend **subscribe** to PGLOBAL with a target price of **RM0.82** (a 20.6% potential capital upside from the IPO price), based on an 11x P/E ratio pegged to FY26F EPS of 7.5 sen. The valuation is premised on its listing PER. We believe the assigned P/E is justified, as it is based on PGLOBAL's position as a market leader in the field and its solid growth prospects.

Earnings Summary

FYE Feb (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	351.9	551.4	440.9	456.3	500.6
EBITDA	63.4	121.0	78.8	91.5	103.3
Pre-tax profit	51.0	107.5	65.1	75.7	83.7
Net profit	38.4	81.4	49.7	57.6	63.6
Core net profit	38.9	79.8	49.7	57.6	63.6
Core EPS (sen)	4.6	9.4	5.8	6.8	7.5
P/E (x)	14.9	7.2	11.6	10.0	9.1
P/B (x)	2.2	1.9	2.0	1.1	1.1
EV/EBITDA (x)	7.7	4.6	6.6	8.0	7.0
Dividend Yield (%)	1.2%	4.6%	12.2%	4.0%	4.4%
Net Gearing (%)	34.5%	8.7%	18.9%	Net Cash	Net Cash

Source: Company, Apex Securities

Company Background

Pantech Global Berhad (PGLOBAL), is an investment holding company involved in the manufacturing of butt weld pipe fittings and welded pipes through its wholly owned subsidiaries, Pantech Stainless & Alloy Industries Sdn Bhd (PSA) and Pantech Steel Industries Sdn Bhd (PSI).

History can be traced back to its prior acquisition when PSA and PSI were subsidiaries of Pantech Group Holdings Berhad (PGHB). PGHB was incorporated in 1988 as a private limited company and primarily carried out the trading and distribution of industrial hardware and machinery, as well as carbon steel and stainless-steel pipes and fittings, mainly catering to the Malaysia market. In 2000, PSI was incorporated as a unit responsible for producing butt weld pipe fittings and HFI long bends for the export market. PGHB's shares were listed on the Main Board of Bursa Securities in 2007. In 2001, PSA was incorporated as a manufacturer of stainless-steel welded pipes with a focus on the export market. PSA and PSI were subsequently transferred to PGLOBAL via an SSA acquisition in Aug 2024. After the completion of the acquisition, PGHB retained a 69.2% equity interest in PGLOBAL, acting as the holding company.

In 2023, PGLOBAL holds a 16% market share in the Malaysian stainless steel welded pipes market and a 66% market share in Malaysia's export market for butt weld pipe fittings. The main revenue and income contributors are the United States (29.2%), Malaysia (24.4%), and Taiwan (14.3%), with other markets contributing less than 10% or being in relatively nascent stages of development as of 6MFY25.




IPO Utilisation

Details of Utilisation	Estimated time frame for utilisation	RM'm	(%)
Establishment of a new factory and corporate head office in Selangor	Within 36 months	46.0	25.8%
Establishment of a new warehouse in Johor	Within 36 months	12.3	6.9%
Set-up of an additional pickling facility at our Johor Factory	Within 24 months	9.0	5.0%
Acquisition of existing Klang Factory	Within 3 months	40.0	22.4%
Acquisition of the land of existing Johor Factory	Within 3 months	12.5	7.0%
Purchase of new machinery and equipment	Within 36 months	12.2	6.8%
Repayment of bank borrowings	Within 24 months	15.0	8.4%
Working capital	Within 24 months	22.7	12.7%
Estimated listing expenses	Within 3 months	8.6	4.8%
Total		178.3	100%

Business Overview

PGLOBAL is a prominent manufacturer and supplier of butt weld pipe fittings and welded pipes, producing various sizes, especially for commercial use. These pipes are used in extreme temperatures or severely corrosive environments in industries such as oil & gas, petrochemicals, chemicals, water treatment, and shipbuilding. The Group is also involved in other business activities, including the provision of HFI long bend services, sales of by-products, scrap, and other products. PGLOBAL operates two facilities across Malaysia, including manufacturing plants and warehouses located in Johor and Klang. The Group's sales mainly come from the export market, with exports to 27 countries and plans to further expand its footprint in the future to strengthen its presence in strategic markets.

Business activities

Business activities and revenue streams	Geographical markets served	Distribution channels and customer base
<p>Principal activities</p> <p>Manufacturing</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Butt weld pipe fittings</p> <ul style="list-style-type: none"> • Carbon steel • Stainless steel </div> <div style="text-align: center;">  <p>Welded pipes</p> <ul style="list-style-type: none"> • Stainless steel </div> </div> <p>Other business activities</p> <ul style="list-style-type: none"> • Provision of high frequency induction long bend services • Sales of by-products, scrap and other products 	 <p>Our head office and manufacturing facilities in Malaysia</p>	<p>Indirect channel</p> <ul style="list-style-type: none"> <input type="checkbox"/> Distributors and trading companies <p>Direct channel</p> <ul style="list-style-type: none"> <input type="checkbox"/> Fabricators and engineering companies <input type="checkbox"/> Others⁽¹⁾

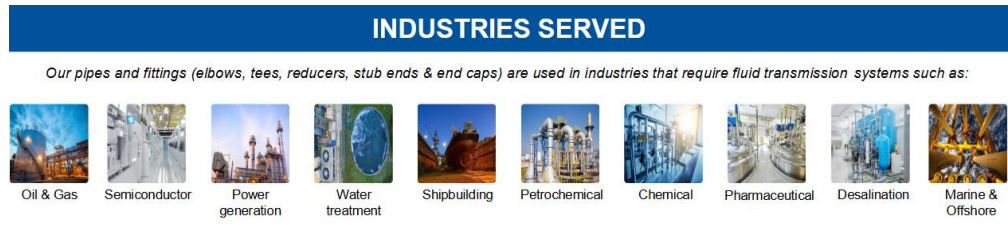
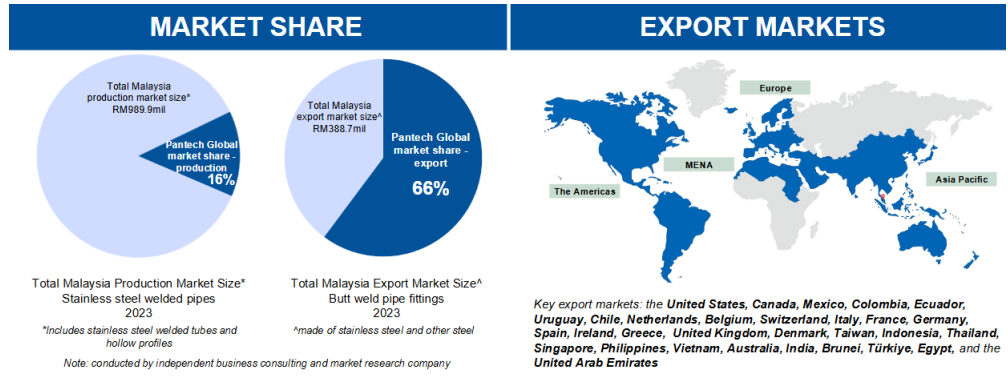
Source: Company, prospectus

Manufacturing of Butt weld pipe fittings (54.3% of 6MFY25 revenue). PGLOBAL manufactures and supplies a variety of products, including short and long radius elbows, equal and reducing tees, concentric and eccentric reducers, stub ends (stainless steel only), and end caps made from carbon steel and stainless steel. These products are used in pressure piping applications and have significantly contributed to the Group's revenue, commanding a 66% market share in Malaysia's export value in 2023.

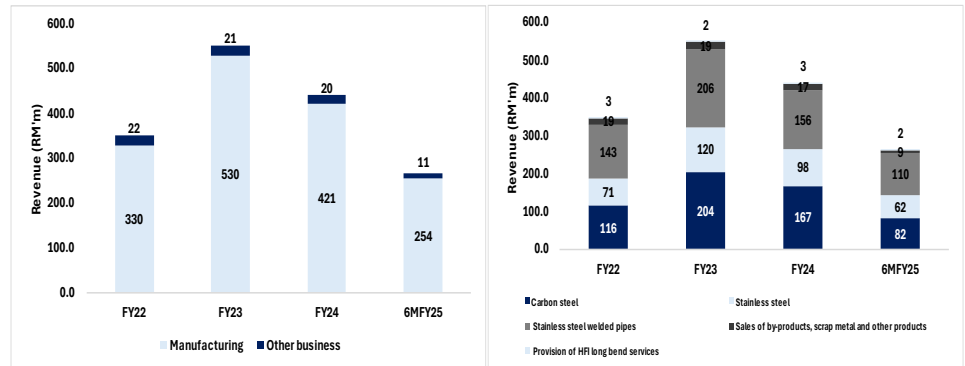
Manufacturing of Stainless-steel welded pipes (41.5% of 6MFY25 revenue). PGLOBAL produces stainless steel welded pipes in various sizes, ranging from NPS 1/2 inch to NPS 16 inches. These products are designed for high-temperature and corrosive environment applications. PGLOBAL is estimated to hold a market share of 16% in Malaysia as of 2023.

Other business activities (4.1% of 6MFY25 revenue). The Group involved in provision of HFI long bend services, and sales of by-products, scrap metal, and other products. HFI long bend services refer to type of technology that used to shape long-pipes. PGLOBAL have ability to radius bend in various diameter from 2 inches up to 48 inches.

Moving forward, PGLOBAL aims to establish a new corporate head office, factory, warehouse, and pickling plant in Klang, Selangor, and Johor. The established factory and warehouse are expected to be completed within 36 months post-listing, while the additional pickling plant is expected to be completed within 24 months. The business expansion will also be supported by the acquisition of the existing Klang factory, the land of the existing Johor factory, and new machinery and equipment to support operations. A total of 16 units of machines, with an estimated cost of RM12.2m, will be financed by 6.8% of the IPO proceeds. Additionally, PGLOBAL intends to use 8.4% of the proceeds mainly for the repayment of bank borrowings for the acquisition of the Johor warehouse.

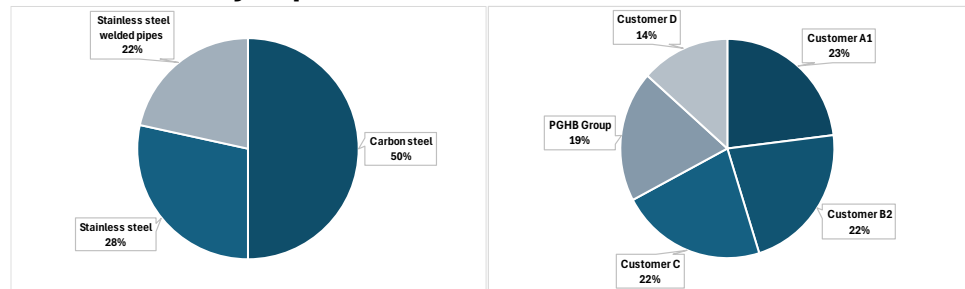


Revenue Breakdown by Business Activities



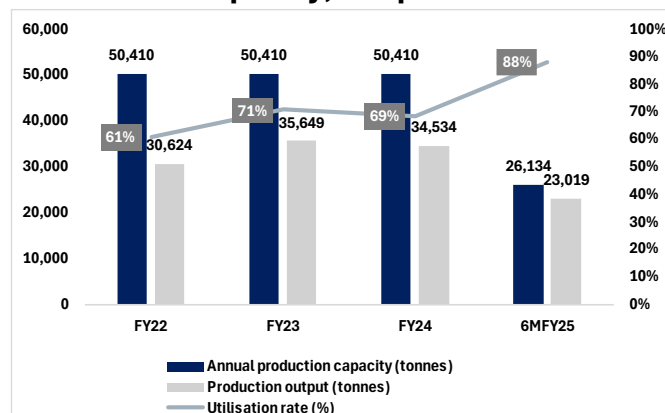
Source: Company, Apex Securities

6MFY25 Manufacturing Revenue Breakdown & Total Revenue Contribution by Top Five Customers



Source: Company, Apex Securities

Production Capacity, Output and Utilisation



Source: Company, Apex Securities

Industry Overview

Pipes and pipe fittings are primarily used in the oil and gas industry, among others. Given that 95% of PGLOBAL's revenue derives from the manufacture and sale of pipe fittings, these products are specifically designed to resist corrosion from saltwater, oil, and gas, as well as being leak-proof.

According to a report released by the International Energy Agency (IEA) in Dec 2024, global oil demand is expected to increase by 31% to 1.1m/b/d in 2025, driven by higher demand for petrochemical feedstocks. On the supply side, oil production is forecasted to rise by 1.9m/b/d, bringing the total oil supply to 103.4m/b/d, primarily driven by higher output from the United States, Brazil, Guyana, Canada, and Argentina. EIA's Short-Term Energy Outlook predicts slight increases in oil prices, with an average of \$USD-75/barrel throughout 2025, on the back of influenced by the OPEC+ group's recent extension of production cuts and rising tensions in the Middle East.

To address concerns over high fuel costs, the Trump administration intends to prioritise domestic oil production as a key part of its energy strategy. In Jan 2025, President Trump declared a "national energy emergency" to expedite the development of fossil fuel infrastructure. This executive order aims to streamline regulations and remove barriers to energy production, thereby encouraging increased oil and gas extraction. We believe these initiatives will help ensure strong domestic oil and gas production, reducing reliance on imports during the Trump administration. In turn is expected to drive increased investment in oil and gas innovation, including new pipelines, which will indirectly boost demand for PIPC. As a key supplier and manufacturer of PIPC, PGLOBAL is well-positioned to benefit from growing demand driven by increased oil production and infrastructure development.

In Malaysia, Petronas' Activity Outlook for 2025–2027 projects steady growth across key sectors, positioning the country's oil and gas industry to benefit from increased upstream and downstream activities. Key growth areas include drilling, particularly in well development and exploration, as well as offshore projects such as fabrication, installation, and hook-up and commissioning (HUC) of both new and existing structures. Petronas aims to maintain 2m/boepd in local oil and gas production, while constructing three offshore central processing platforms and installing approximately 900 km of pipelines. This robust pipeline creates an attractive environment for service providers and manufacturers like PGLOBAL, particularly in piping and equipment for both new and ongoing projects.

Malaysia's chemicals and petrochemical industry is the third-largest contributor to the country's trade in manufactured goods. In Aug 2023, MITI launched the Chemical Industry Roadmap 2030 (CIR2030), outlining 22 strategic focus areas and 10 key enablers to transform the chemical

industry landscape over the next seven years. A robust roadmap will accelerate the development of the domestic chemical industry, and with the rollout of new plants, PGLOBAL stands to benefit from increased demand for piping and equipment for industrial use in the long run.

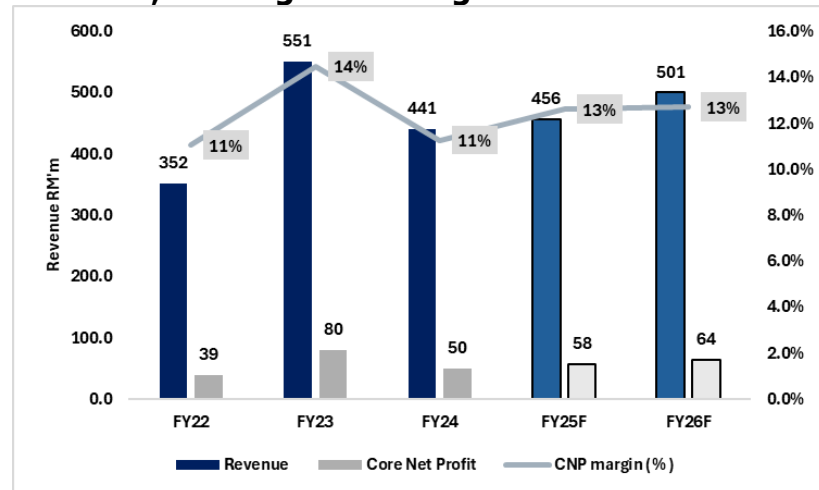
Financial Highlights

PGLOBAL’s core net profit surged from RM38.9m in FY22 to RM49.7m in FY24, achieving a CAGR of 13% over the two-year period. The stellar improvement was largely driven by increase in manufacturing of butt weld pipe fittings sales. Despite this, net margins have been narrowed from 14.5% in FY23 to 11.3% in FY24, mainly due to global fluctuations in steel prices impacting raw material costs.

Looking ahead, we estimate the Group to register core earnings growth of 15.8%/10.6% to RM57.6m/RM63.6m for FY25F/26F, respectively. Growth is expected to be largely driven by the following assumption:

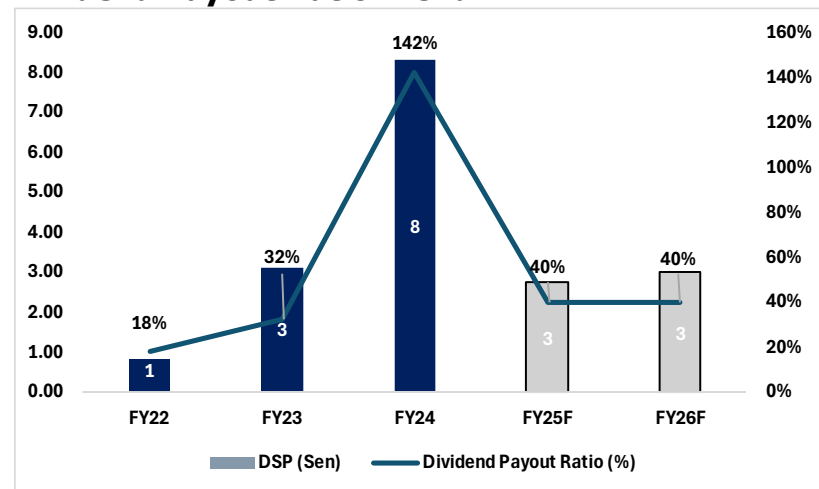
- (i) Higher sales volume from existing and new customers, boosted by efforts to penetrate foreign markets.
- (ii) Better cost efficiencies from the automated process enhancements, resulting in higher profit margins for the Group.

Revenue, Earnings and Margin from FY22 to FY26F



Source: Company, Apex Securities

Dividend Payout Ratio Trend



Source: Company, Apex Securities

Peers Comparison

Company	FYE	Market Cap	Price	Target Price	Potential Upside	P/E (x)		Dividend Yield (%)	
		RM'm	(RM)	(RM)	(%)	CY25	CY26	CY25	CY26
Pantech Global Bhd	Feb	578.00	0.68	0.82	21.10	9.2	8.6	3.68	3.95
Wah Seong Corporation Bhd	Dec	813.03	1.05	1.76	67.30	6.4	6.3	2.67	3.62
UZMA Bhd	Jun	304.50	0.69	1.27	83.33	5.1	4.6	2.90	2.90
Engtex Group	Dec	436.36	0.55	0.83	51.09	13.1	6.1	2.18	3.64
Dancomech Holdings Bhd	Dec	188.08	0.43	0.57	34.12	7.9	7.3	4.71	7.06
Average (ex)- Pantech Global Bhd						8.3	6.6	3.2	4.2

Source: Bloomberg, Apex Securities

Valuation & Recommendation

Valuation & Recommendation. We recommend **subscribe** to PGLOBAL with a target price of **RM0.82** (a 20.6% potential capital upside from the IPO price), based on an 11x P/E ratio pegged to FY26F EPS of 7.5 sen. The valuation is premised on its listing PER. We believe the assigned P/E is justified, as it is based on PGLOBAL's position as a market leader in the field and its solid growth prospects.

Investment Risk

Fluctuation in steel prices. Raw materials make up ~75% of PGLOBAL's costs, with stainless steel and carbon steel coils being the key raw materials used in producing pipes and fittings. Any unfavorable changes in the prices of these commodities could impact profitability.

Shortage of foreign labour. The Group relies heavily on foreign workers to handle its operations, with 507 foreign workers making up 66% of the total workforce. Any shortage of foreign labor could disrupt production and increase operational costs, impacting profitability.

Subject to anti-dumping duties. Anti-dumping duties are tariffs imposed on imported goods that are considered to be sold at unfairly low prices, below their fair market value. These duties are typically reviewed every five years and could impact the Group's profitability if imposed.

Financial Highlights

Income Statement

FYE Feb (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	351.9	551.4	440.9	456.3	500.6
Gross Profit	95.9	171.3	100.2	113.9	124.6
EBITDA	63.4	121.0	78.8	91.5	103.3
Depreciation & Amortisation	-9.3	-9.2	-10.0	-11.2	-14.7
EBIT	54.1	111.8	68.9	80.3	88.6
Net Finance Income/ (Cost)	-3.2	-4.3	-3.7	-4.6	-4.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	51.0	107.5	65.1	75.7	83.7
Tax	-12.6	-26.1	-15.4	-18.2	-20.1
Profit After Tax	38.4	81.4	49.7	57.6	63.6
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	38.4	81.4	49.7	57.6	63.6
Exceptionals	-0.5	1.6	0.0	0.0	0.0
Core Net Profit	38.9	79.8	49.7	57.6	63.6

Key Ratios

FYE Feb (RM m)	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	4.6	9.4	5.8	6.8	7.5
P/E (x)	14.9	7.2	11.6	10.0	9.1
P/B (x)	2.2	1.9	2.0	1.1	1.1
EV/EBITDA (x)	7.7	4.6	6.6	8.0	7.0
DPS (sen)	0.8	3.1	8.3	2.7	3.0
Dividend Yield (%)	1.2%	4.6%	12.2%	4.0%	4.4%
EBITDA margin (%)	18.0%	21.9%	17.9%	20.0%	20.6%
EBIT margin (%)	15.4%	20.3%	15.6%	17.6%	17.7%
PBT margin (%)	14.5%	19.5%	14.8%	16.6%	16.7%
PAT margin (%)	10.9%	14.8%	11.3%	12.6%	12.7%
NP margin (%)	10.9%	14.8%	11.3%	12.6%	12.7%
CNP margin (%)	11.0%	14.5%	11.3%	12.6%	12.7%
ROE (%)	15.0%	26.2%	16.9%	11.4%	11.7%
ROA (%)	9.0%	17.3%	10.6%	8.0%	8.3%
Gearing (%)	54.2%	35.2%	47.0%	34.1%	33.6%
Net gearing (%)	34.5%	8.7%	18.9%	Net Cash	Net Cash

Valuations

	FY25F
Core EPS (RM)	0.075
P/E multiple (x)	11.0
Fair Value (RM)	0.82
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.82

Source: Company, Apex Securities

Balance Sheet

FYE Feb (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	51.2	80.7	82.5	322.8	327.9
Receivables	57.4	63.9	56.5	58.2	60.0
Inventories	185.3	164.3	179.5	184.9	190.4
Other current assets	18.0	32.2	27.3	27.3	27.3
Total Current Assets	311.9	341.1	345.8	593.2	605.6
Fixed Assets	120.8	118.4	121.5	120.3	158.1
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.4	2.0	2.7	2.7	2.7
Total Non-Current Assets	121.2	120.5	124.2	123.0	160.8
Short-term debt	127.9	98.8	132.3	146.4	175.0
Payables	15.1	14.5	19.7	20.5	22.6
Other current liabilities	1.6	18.5	1.8	1.8	1.8
Total Current Liabilities	144.6	131.8	153.8	168.8	199.3
Long-term debt	13.1	8.2	5.8	25.8	7.3
Other non-current liabilities	15.6	17.3	16.6	16.6	16.6
Total Non-Current Liabilities	28.7	25.6	22.3	42.4	23.9
Shareholder's equity	259.9	304.2	293.9	505.0	543.1
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	259.9	304.2	293.9	505.0	543.1

Cash Flow

FYE Feb (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	51.0	107.5	65.1	75.7	83.7
Depreciation & amortisation	9.3	9.2	10.0	11.2	14.7
Changes in working capital	-81.4	0.0	5.8	-6.2	-5.3
Others	1.7	-14.5	-19.9	-13.6	-15.3
Operating cash flow	-19.4	102.2	61.0	67.1	77.9
Capex	-5.7	-6.5	-13.3	-10.0	-52.5
Others	0.0	-0.4	1.9	2.3	2.5
Investing cash flow	-5.8	-6.9	-11.4	-7.7	-50.0
Dividends paid	-7.0	-26.3	-70.8	-23.0	-25.5
Others	40.8	-39.5	23.1	203.9	2.7
Financing cash flow	33.8	-65.8	-47.7	180.8	-22.7
Net cash flow	8.7	29.5	1.9	240.2	5.1
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	45.6	54.2	83.7	85.5	325.8
Ending cash	54.2	83.7	85.5	325.8	330.9

Recommendation Framework:

SUBSCRIBE: Total returns* are expected to exceed 10% within the next 12 months.

NOT SUBSCRIBE: Total returns* are expected to be below -10% within the next 12 months.

*Capital gain

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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.

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.

As of **Thursday, 13 Feb, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.
