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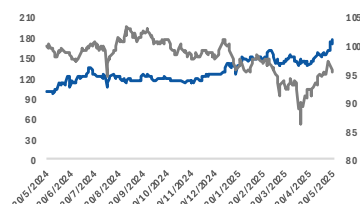
Recommendation:	BUY
Current Price:	RM 1.38
Previous Target Price:	RM 1.55
Target Price:	↑ RM 1.87
Capital Upside/ Downside:	35.5%
Dividend Yield (%):	2.2%
Total Upside/ Downside:	37.7%

Stock information

Board	ACE
Sector	Renewable Energy
Bursa / Bloomberg Code	0233 / PEKATMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	645.0
Market Cap (RM' m)	890.1
52-Week Price Range (RM)	1.39-0.745
Beta (x)	0.9
Free float (%)	34.0
3M Average Volume (m)	1.0
3M Average Value (RM' m)	1.2

Top 3 Shareholders

	(%)
Chin Soo Mau	34.9
Tai Yee Chee	8.8
Wee Chek Aik	7.6

Share Price Performance

	1M	3M	12M
Absolute (%)	25.5	19.0	76.9
Relative (%)	21.5	22.2	85.3

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM' m)	287.0	630.2	677.3
PATAMI (RM' m)	22.0	60.4	65.1
CNP (RM' m)	23.1	60.4	65.1
EPS - core (sen)	3.6	9.4	10.1
P/E (x)	38.6	14.7	13.7

Pekat Group Berhad

Single Quarter Record High Earnings

- Pekat's 1QFY25 core net profit (CNP) surged by 185.3% qoq and 286.2% yoy to RM14.6m, which accounted for our and consensus estimates at 38% and 37%, respectively. The outperformance was largely due to stronger-than-expected performance in the Solar division.
- Post-results, we have raised our earnings forecasts upwards by 58.3/36.2% for FY25F/FY26F respectively.
- We remain positive on EPE Switchgear's business and believe Pekat will be a key beneficiary under Regulatory Period 4 (RP4), as switchgear is a critical system used in power distribution systems. Incorporating recent LSS5 and CGPP project wins, we estimate Pekat's unbilled orderbook at RM615.2m, equivalent to 2.1x FY24 revenue.
- Post-earnings revision, we maintain our BUY recommendation with a higher target price of RM1.87 (from RM1.55), based on a Sum-of-Parts (SOP) valuation and assigned a three-star ESG rating.

Above expectations. After adjusting for impairment (+0.7m) and others (+0.1m), Pekat's 1QFY25 core net profit (CNP) of RM14.6m exceeded expectations, accounting for 38% of our full-year FY2025 forecast and 37% of consensus estimates. The outperformance was largely driven by better-than-expected performance in the Solar division, supported by improved contributions from C&I rooftop solar installations.

QoQ. CNP surged by 185.3%, which we believe is due to (i) stronger contribution from the Solar division driven by 69.9% surge in the segmental revenue, (ii) greater contribution from ELP segment on the back of 10.3% growth in segmental revenue, and (iii) two more months of contribution from the EPE Switchgear (acquired in Dec 2024) in the Power division. Topline growth for the Solar segment is driven by greater execution in the C&I solar rooftop projects which we think could be due to 14.2% hike in base tariff announced by TNB for the upcoming regulatory period (2025-2027) and the commencement of revenue recognition from CGPP EPCC projects, which is expected to sustain until end-2025. CNP margins expanded from 3.6% to 9.7%, supported by greater contribution from Power Distribution segment that commands better margins. Additionally, we believe a favourable project mix from Solar divisions.

YoY. CNP soared by 286.2%, mainly attributed to improvements across all business divisions except the trading division (-11.2% in revenue) as well as additional contribution from EPE Switchgear.

Outlook. We expect sustained earnings improvement on a qoq basis, supported by greater revenue recognition from CGPP-related EPCC projects as the CGPP projects enter the accelerated growth phase of the s-curve and greater demand for switchgear systems driven by recent major contract wins from TNB amounting to RM135.2m. We remain positive on EPE Switchgear's business and believe Pekat will be a key beneficiary under RP4, as switchgear is a critical system used in power distribution systems. Incorporating recent wins, we estimate Pekat's unbilled orderbook at RM615.2m (53% EPE, 28% Solar, 18% ELP and 2% Trading), equivalent to 2.1x FY24 revenue.

Earnings revision. Post-results, we revised our orderbook assumptions for the solar division to RM300m/RM200m for FY25F/FY26F, from RM250m/RM150m previously to reflect stronger demand for solar rooftop solutions. We have yet to factor in any potential contribution from BESS projects. Consequently, we have revised our earnings forecasts upward by 58.3/36.2% for FY25F/FY26F.

Valuation & Recommendation. Post-earnings revision, we maintain our **BUY** recommendation with a higher TP of **RM1.87** (from RM1.55), based on a SOP valuation and supported by a three-

star ESG rating. We remain in favor of Pekat for its **synergistic business model, strong margins in the EPE division, and sustainable order book**. Noted that Pekat's strong historical financial results qualify the Group for the transfer to the Main Board of Bursa Malaysia.

Risks. Heavy reliance on government initiatives. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

Results Note

Wednesday, 21 May, 2025

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	150.3	57.6	160.8	94.3	59.5	150.3	57.6	160.8	
EBITDA	19.3	6.2	209.5	13.8	40.1	19.3	6.2	209.5	
Pre-tax profit	19.4	5.7	242.4	12.8	51.6	19.4	5.7	242.4	
Net profit	13.7	3.8	260.8	8.0	70.9	13.7	3.8	260.8	
Core net profit	14.6	3.8	286.2	5.1	185.3	14.6	3.8	286.2	
Core EPS (sen)	2.3	0.6	286.2	0.8	185.3	2.3	0.6	286.2	
EBITDA margin (%)	12.9	10.8		14.6		12.9	10.8		
PBT margin (%)	12.9	9.8		13.6		12.9	9.8		
Core PATMI margin (%)	9.7	6.6		5.4		9.7	6.6		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue									
EPCC	92.8	36.7	153.2	54.6	69.9	92.8	36.7	153.2	Strong performance in EPCC driven by
ELP	16.2	9.0	79.4	14.7	10.3	16.2	9.0	79.4	C&I and revenue recognition from CGPP
Trading	13.4	12.0	12.2	15.1	(11.2)	13.4	12.0	12.2	projects
Power	27.9	-	nm	9.9	183.1	27.9	-	nm	
Total	150.3	57.6	160.8	94.3	59.5	150.3	57.6	160.8	

Source: Company, Apex Securities

Results Note

Wednesday, 21 May, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	179.2	227.5	287.0	630.2	677.3
Gross Profit	44.8	53.5	81.9	190.0	202.5
EBITDA	17.4	20.3	38.6	114.9	128.0
Depreciation & Amortisation	-1.5	-1.7	-2.2	-14.4	-17.2
EBIT	15.8	18.7	36.5	100.5	110.7
Net Finance Income/ (Cost)	-1.4	-1.1	-0.9	-4.9	-4.3
Associates & JV	0.0	0.6	-0.8	0.4	0.4
Pre-tax Profit	14.4	18.1	34.7	96.0	106.8
Tax	-4.4	-4.4	-12.0	-26.1	-29.7
Profit After Tax	10.0	13.8	22.7	69.9	77.1
Minority Interest	0.0	0.0	0.7	9.5	12.1
Net Profit	10.0	13.7	22.0	60.4	65.1
Exceptionals	-0.9	0.9	-1.1	0.0	0.0
Core Net Profit	10.9	12.8	23.1	60.4	65.1

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	1.7	2.0	3.6	9.4	10.1
P/E(x)	81.4	69.3	38.6	14.7	13.7
P/B(x)	6.9	6.5	4.6	3.6	2.9
EV/EBITDA(x)	51.7	45.0	23.0	8.4	7.9
DPS (sen)	0.0	1.0	0.0	2.8	3.0
Dividend Yield (%)	0.0%	0.7%	0.0%	2.0%	2.2%
EBITDA margin (%)	9.7%	8.9%	13.5%	18.2%	18.9%
EBIT margin (%)	8.8%	8.2%	12.7%	15.9%	16.3%
PBT margin (%)	8.1%	8.0%	12.1%	15.2%	15.8%
PAT margin (%)	5.6%	6.0%	7.9%	11.1%	11.4%
NP margin (%)	5.6%	6.0%	7.7%	9.6%	9.6%
CNP margin (%)	6.1%	5.6%	8.0%	9.6%	9.6%
ROE (%)	8.4%	9.4%	11.8%	24.4%	21.3%
ROA (%)	5.8%	7.0%	5.3%	11.4%	11.1%
Gearing (%)	16.2%	1.2%	38.2%	27.5%	20.1%
Net gearing (%)	Net Cash	Net Cash	19.2%	Net Cash	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
EPCC	611.3	30x FY26F PER
ELP	149.6	15x FY26F PER
Trading	116.5	15x FY26F PER
EPE	310.3	15x FY26F PER
Solar assets	14.4	Ke=13.8%
SOP Value	1202.1	
Enlarged share base (m share)	645.0	
Fair Value (RM)	1.87	
ESG premium/ discount	0.0%	
Implied Fair Value (RM)	1.87	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	29.1	27.0	37.3	95.6	128.9
Receivables	47.9	55.0	110.3	123.6	139.6
Inventories	25.6	24.9	94.6	104.0	119.6
Other current assets	51.9	39.2	62.8	75.1	65.1
Total Current Assets	154.5	146.1	305.0	398.3	453.2
Fixed Assets	23.3	23.4	68.9	73.3	76.0
Intangibles	0.3	0.2	46.9	46.9	46.9
Other non-current assets	11.5	12.7	12.4	12.5	12.6
Total Non-Current Assets	35.1	36.3	128.2	132.7	135.5
Short-term debt	19.4	1.0	36.9	34.0	30.6
Payables	14.5	27.0	96.1	123.6	139.6
Other current liabilities	21.9	14.1	45.1	69.5	59.5
Total Current Liabilities	55.8	42.1	178.1	227.0	229.7
Long-term debt	1.6	0.6	37.8	34.0	30.6
Other non-current liabilities	2.7	2.9	22.0	22.8	23.6
Total Non-Current Liabilities	4.3	3.5	59.8	56.8	54.3
Shareholder's equity	129.4	136.7	158.7	200.9	246.5
Minority interest	0.1	0.1	36.7	46.2	58.3
Total Equity	129.5	##	195.3	247.2	304.8

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	14.4	18.1	34.7	96.0	106.8
Depreciation & amortisation	1.5	1.7	2.2	14.4	17.2
Changes in working capital	31.2	-11.2	12.2	-16.9	15.6
Others	-66.1	18.0	-33.1	12.5	-56.7
Operating cash flow	-18.9	26.6	15.9	106.0	83.0
Capex	-1.6	-0.7	-6.9	-18.7	-20.0
Others	16.5	0.0	-69.4	0.4	0.4
Investing cash flow	14.9	-0.7	-76.3	-18.3	-19.6
Dividends paid	0.0	-6.4	0.0	-18.1	-19.5
Others	-10.0	-9.7	70.8	-11.2	-10.6
Financing cash flow	-10.0	-16.2	70.8	-29.3	-30.1
Net cash flow	-14.0	9.7	10.4	58.4	33.3
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	28.2	14.2	23.9	34.3	92.7
Ending cash	14.2	23.9	34.3	92.7	125.9

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Reduced indirect annual carbon dioxide emissions by 27.9% compared to the previous year, avoiding 199,319 tonnes through completed solar photovoltaic (PV) systems for customers.
Waste & Effluent	★★★★	Implemented the 3R (Reduce, Reuse, Recycle) initiative, promoting the use of reusable containers and recyclable bags.
Energy	★★★★	Energy consumption increased by 21.6% in FY2024 due to business expansion, but electricity consumption per employee decreased by 3.6% to 1,031 kWh per employee, remaining within an acceptable range.
Water	★★★★	Reduced water consumption by 0.7%, from 4,337 m ³ in the previous year to 4,305 m ³ .
Compliance	★★★★	The Group fully complies with all local and international environmental regulations.

Social

Diversity	★★★★	Achieved 31% female representation in the workforce and 33.3% at the management level, surpassing the Malaysian Code on Corporate Governance (MCCG) recommendation of 30% female directors on the Board.
Human Rights	★★★★	Enforces strict policies prohibiting human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★	Trained 60 employees in 2023 to enhance workforce competence, compared to 160 in the previous year. Recorded no fatalities, with a total recordable incident rate (TRIR) of 0.
Labour Practices	★★★★	Adheres to all relevant labor laws.

Governance

CSR Strategy	★★★★	Actively engaged with communities, contributing RM30,000 to various initiatives.
Management	★★★★	Maintained a Board composition with 33.3% (2 out of 6) female directors and 67% (4 out of 6) independent directors.
Stakeholders	★★★★	Regularly organizes corporate events and conducts an annual general meeting (AGM) for investors.

Overall ESG Scoring: ★★★★★

Recommendation Framework:

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.

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

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As of **Wednesday, 21 May, 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.