

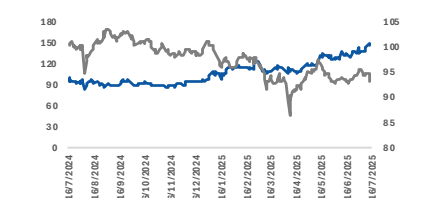
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Recommendation:	BUY
Current Price:	RM 1.50
Previous Target Price:	RM 1.87
Target Price:	↔ RM 1.87
Capital Upside/ Downside:	24.7%
Dividend Yield (%):	2.0%
Total Upside/ Downside	26.7%

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)	967.5
52-Week Price Range (RM)	1.55-0.82
Beta (x)	1.0
Freefloat (%)	38.8
3M Average Volume (m)	1.0
3M Average Value (RM' m)	1.4

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 (%)	11.1	35.1	45.6
Relative (%)	11.8	32.1	56.7

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)	42.0	16.0	14.9

Pekati Group Berhad

Private Placement for up to RM84.7m

- PEKAT has proposed a private placement of up to 66.2m new shares, representing 10% of its existing share base. At an indicative issue price of RM1.28 per share, the placement is expected to raise gross proceeds of RM84.7m.
- The rationale of this placement is to fund the Group's ongoing and future expansion in the solar segment particularly in C&I, utility-scale, and CGPP projects.
- We are mildly Positive on the news as the Group's proactive approach in securing growth capital reflects management's confidence in project pipeline and underscores constructive outlook for the solar segment. That said, the placement is expected to dilute our EPS forecast by 11%, implying a fair value of RM1.71 on a fully diluted basis.
- Maintain a BUY rating with an uncharged target price of RM1.87, based on a sum-of-parts (SOP) valuation, and appraised with a three-star ESG rating.

Proposed Placement. PEKAT has proposed a private placement of up to 66.2m new shares, representing 10% of its enlarged share capital under the maximum scenario, inclusive of all the ESOS shares exercised. Under the minimum scenario, where no ESOS options are exercised, the placement would involve up to 64.5m new shares. The issue price will be determined later, at a discount of no more than 10% to the 5-day VWAP prior to price fixing. The placement is expected to be completed in 3QCY25.

Based on an indicative issue price of RM1.28/share. Under the maximum scenario, the proposed placement is expected to raise up to RM84.7m. Of this, more than 70% is earmarked for CAPEX on solar projects, comprising RM30.0m (35%) for C&I projects, RM25.0m (30%) for utility-scale projects, and RM10.0m (12%) for CGPP projects. Additionally, RM19.5m (23%) will be allocated for the repayment of bank borrowings (see Table 1 for breakdown). The rationale for the private placement is to expand business operations in the solar segments without excessive strain on PEKAT's financial resources. This is expected to marginally improve PEKAT's gearing ratio from 0.67x as of 11 July 2025 to 0.33x.

Table 1: Details of Utilisation under Maximum Scenario

Purposes	RM'mn	%
CAPEX for C&I solar projects	30.0	35.4
CAPEX for utility-scale projects	25.0	29.5
CAPEX for CGPP projects	10.0	11.8
Repayment of bank borrowings	19.5	23.0
Estimated expenses in relation to the proposed placement	0.2	0.2
Total	84.7	

Source: Company, Apex Securities

Table 2: Pro Forma Effects of the Proposed Private Placement

	As of 11 July 2025 (LPD) RM'm	After the proposed placement RM'm
Share capital	93.5	202.9
Share option reserve	1.0	0.0
Merger reserve	-50.1	-50.1
Foreign currency translation reserve	0.0	0.0
Retained earnings	115.2	109.7
Shareholder's equity	159.6	262.6
Number of PEKAT Shares ('000)	645	727.7
NA per PEKAT Share (RM)	0.25	0.36
Total borrowings (RM'000)	106.5	87.0
Gearing (times)	0.67	0.33

Source: Company, Apex Securities

Our Take. We are **mildly Positive** on the proposed placement. While the issuance will improve PEKAT's financial position by paring down its debt, it will also result in an estimated 11% dilution to our forecasted FY25F EPS under the maximum scenario, implying a fair value of **RM1.71** on a fully diluted basis. That said, PEKAT's proactive approach in securing growth capital reflects management's confidence in project pipeline and underscores constructive outlook for the solar segment.

Earnings revision. Maintained pending the determination of issue price and the completion of the exercise.

Valuation & Recommendation. We maintain our **BUY** rating with an unchanged TP of **RM1.87**, based on a SOP valuation and assigned a three-star ESG rating. We remain in favour 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.

Company Update

Thursday, 17 Jul, 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)	88.5	75.3	42.0	16.0	14.9
P/B (x)	7.5	7.1	5.0	3.9	3.2
EV/EBITDA (x)	56.2	48.8	25.0	9.1	8.5
DPS (sen)	0.0	1.0	0.0	2.8	3.0
Dividend Yield (%)	0.0%	0.7%	0.0%	1.9%	2.0%
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	##	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	##	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 labour, and child labour.
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 labour 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 organises 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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(a) nil.