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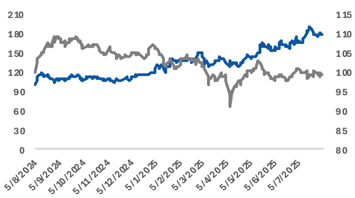
Recommendation:		**BUY**
Current Price:		RM 1.49
Previous Target Price:		RM 1.87
Target Price:	↔	RM 1.87
Capital Upside/Downside:		25.5%
Dividend Yield (%):		2.0%
Total Upside/Downside		**27.5%**

Stock information	
Board	ACE
Sector	Renewable Energy
Bursa / Bloomberg Code	0233 / PEKAT MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	645.0
Market Cap (RM' m)	961.0
52-Week Price Range (RM)	1.62-0.82
Beta (x)	1.1
Free float (%)	38.8
3M Average Volume (m)	1.3
3M Average Value (RM' m)	1.8

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 (%)	6.4	24.2	57.7
Relative (%)	8.0	25.2	58.7

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)	41.7	15.9	14.8

Pekat Group Berhad

RM31.3m TNB Contract

- **PEKAT's 60%-owned EPE Switchgear has secured a RM31.3m LOA from TNB for the maintenance, servicing, and repair of AIS and GIS. The contract will commence on 1 August 2025 and will be effective for two years, with an option to extend for an additional year.**
- **Assuming the full contract sum is utilised over the two-year period and the contract achieves a 25% GP margin, PEKAT is projected to generate c.RM7.8m in GP across two years (4.1% of our FY25F forecast).**
- **This marks EPE's third TNB contract win this year, bringing the total secured value to RM263.8m. Order book replenishment for switchgear are expected to remain robust, driven by rising demand for grid upgrades as TNB accelerates its electrification agenda.**
- **No changes to our earnings forecasts, as this job win is within our order book replenishment assumption.**
- **Reiterate a BUY rating with an unchanged target price of RM1.87, based on a sum-of-parts (SOP) valuation and assigned a three-star ESG rating.**

RM31.3m TNB Contract. PEKAT, through its 60%-owned subsidiary, EPE Switchgear, has secured a LOA valued at RM31.3m from TNB. The contract covers the maintenance, servicing, and repair of Air Insulated Switchgear (AIS) and Gas Insulated Switchgear (GIS), along with the supply and installation of spare parts for TNB's distribution network. The contract is set to commence on 1 Aug 2025 and will remain effective for a period of two years, with an option to extend for an additional year.

Our Take. This is a **positive** development for PEKAT, as it supports the Group's earnings growth through FY27F. Assuming the full contract sum is utilised over the two-year period and the contract achieves a 25% GP margin, PEKAT is projected to generate c.RM7.8m in GP across two years (4.1% of our FY25F forecast). Following recent contract wins, PEKAT's unbilled orderbook is estimated at ~RM757.5m, equivalent to 2.6x FY24 revenue, ensuring earnings visibility for the next three years.

Outlook. This marks EPE's third TNB contract win this year, bringing the total secured value to RM263.8m, which reflects the sustained demand for switchgear solutions. As Malaysia advances its electrification agenda to modernise the national grid to smart grid standards, meet rising electricity demand, and facilitate renewable energy integration, we expect order replenishment for switchgear to remain robust over the short to medium term. With a longstanding relationship with TNB spanning five decades, EPE is strategically positioned to secure additional opportunities and drive PEKAT's medium-term growth.

Earnings revision. No changes to our earnings forecasts, as this job win is within our order book replenishment assumptions.

Valuation & Recommendation. Reiterate our **BUY** recommendation with a TP of **RM1.87**, based on a SOP valuation and a three-star ESG rating. Our TP has yet to reflect the recently proposed private placement, as issue price and completion details are still pending. We remain positive of PEKAT for its **synergistic business model**, **strong margins in the EPE division**, and a **sustainable order book**. Additionally, PEKAT's strong historical financial results qualify the Group for a 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.

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)	87.9	74.8	41.7	15.9	14.8
P/B (x)	7.4	7.0	4.9	3.9	3.2
EV/EBITDA (x)	55.8	48.5	24.9	9.0	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**	**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 Liabilitie	**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**	**136.8**	**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 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

As of **Tuesday, 05 Aug, 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.