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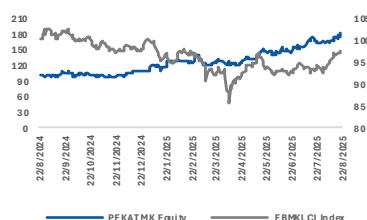
Recommendation:	HOLD
Current Price:	RM 1.66
Previous Target Price:	RM 1.87
Target Price:	RM 1.72
Capital Upside/Downside:	3.6%
Dividend Yield (%):	1.8%
Total Upside/Downside	5.4%

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)	1,070.6
52-Week Price Range (RM)	1.67-0.82
Beta (x)	1.0
Freefloat (%)	39.0
3M Average Volume (m)	1.4
3M Average Value (RM' m)	2.1

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 (%)	11.4	24.8	82.4
Relative (%)	7.0	20.0	86.8

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	287.0	515.7	651.8
PATAMI (RM'm)	22.0	47.2	62.8
CNP (RM'm)	23.1	47.2	62.8
EPS - core (sen)	3.6	7.3	9.7
P/E(x)	46.4	22.7	17.0

Pekati Group Berhad

Missed expectations

- PEKAT's 2QFY25 CNP was RM11.0m (-3.0% QoQ, +143.2% YoY), bringing 6MFY25 CNP to RM22.2m (+171.3% YoY), which accounted for 37% and 41% of our and consensus full-year estimates, respectively. The shortfall was largely attributable to weaker EPCC performance, particularly in rooftop solar, following the expiry of SolarIS incentives and the full allocation of NEM 3.0 quotas.
- Post-results, we cut our FY25F/FY26F earnings forecasts by 21.9%/3.5%, mainly on more conservative assumptions for rooftop solar order book replenishment.
- Looking ahead, we expect 3Q earnings to improve modestly, supported by CGPP projects entering the accelerated S-curve phase and stronger contributions from the power distribution segment on the back of recent TNB contract wins.
- Following the earnings revision, we downgrade our recommendation to HOLD (from BUY) and lower our TP to RM1.72 (from RM1.87), based on SOP valuation.

Below expectations. After adjusting for non-core items (+RM0.1m), PEKAT's 2QFY25 core net profit (CNP) came in at RM11.0m, bringing 6MFY25 to RM22.2m, which was below expectations, accounting for 37% of our FY2025 forecast and 41% of consensus. The shortfall was mainly attributable to weaker EPCC performance, particularly in rooftop solar, following the expiry of SolarIS incentives and the full allocation of NEM 3.0 quotas. The Group declared a first interim dividend of 1.0 sen during the quarter.

QoQ. CNP slipped 3.0% to RM11.0m, weighed down by softer residential rooftop demand under the EPCC segment (segmental revenue -32.6%) following the expiry of SolarIS incentives and the full allocation of NEM 3.0 quotas. The decline was compounded by lower ELP contribution from slower project execution and higher finance costs arising from the consolidation of the power distribution segment and borrowings to fund CGPP projects. Nevertheless, core PATMI margin improved 1.0%-pts to 8.6%, supported by stronger power distribution (segmental revenue +27.9%) from the accelerated execution of recent TNB contract wins, which typically command higher margins.

YoY. CNP surged 143.2%, driven by (i) stronger C&I rooftop demand ahead of tariff hikes, (ii) new contributions from CGPP projects under the EPCC segment, and (iii) the first full-quarter consolidation of the power distribution segment. However, core PATMI margin contracted slightly (-0.3%-pts to 8.6%), reflecting a higher project mix from utility-scale projects, which typically command lower margins than rooftop installations.

Outlook. We expect PEKAT's 3Q earnings to improve modestly, supported by CGPP projects entering the accelerated S-curve phase ahead of the end-2025 COD deadline. The C&I segment is expected to partially offset softer residential solar demand following the expiry of the NEM scheme, driven by the SELCO framework as corporates front-load investments to address mandatory BESS requirements ahead of 31 Dec 2025 deadline. Earnings visibility will also be reinforced by the power distribution division, supported by RM263.8m in TNB contract wins YTD and steady demand from private sector projects. News report suggest that the MyBeST Programme winner could be shortlisted by October, with projects valued at RM270m-RM300m and COD targeted for 2027. With a proven track record in delivering off-grid C&I projects, PEKAT is well positioned as a strong contender for EPCC contract wins.

Order book. As of 30 June 2025, PEKAT's order book stood at RM665m (44.8% power distribution, 28.3% solar, 25.4% ELP, and the remainder from trading), representing 2.3x FY24 revenue.

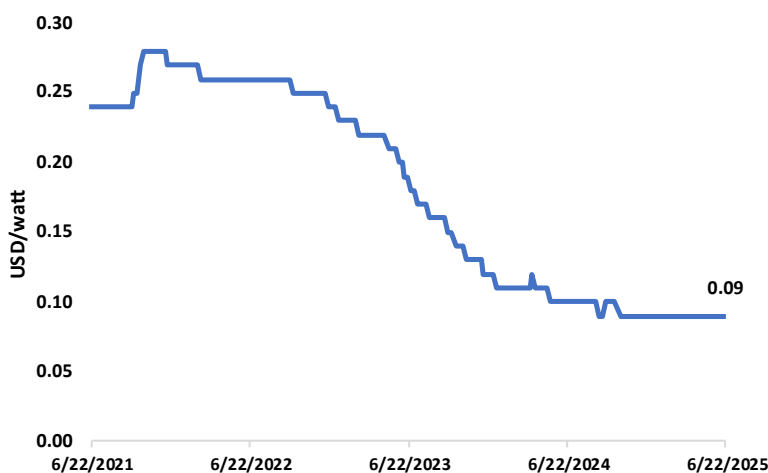
Earnings revision. Post-results, we cut our earnings forecasts by 21.9%/3.5% for FY25F/FY26F, reflecting more conservative assumptions for residential and C&I rooftop solar adoption. We now lower our rooftop solar order book replenishment assumption to RM150-220m (from RM200-

300m) to capture a more neutral adoption outlook in light of recent government policy changes. Our forecasts have not yet factored in any potential contributions from the MyBeST programme.

Valuation & Recommendation. Following earnings revision, we have lowered our TP to **RM1.72** (from RM1.87), based on SOP valuation and supported by a three-star ESG rating. We downgrade our recommendation to **HOLD** from BUY. Note that our TP has yet to factor in the recent private placement, which would lower fair value to RM1.52 based on forecasted FY26F EPS under the maximum scenario. We continue to favour PEKAT for its **synergistic business model**, strong margins in the **Power distribution division**, and **sustainable order book**. PEKAT's strong historical financial results qualify the Group for a transfer to the Main Market of Bursa Malaysia.

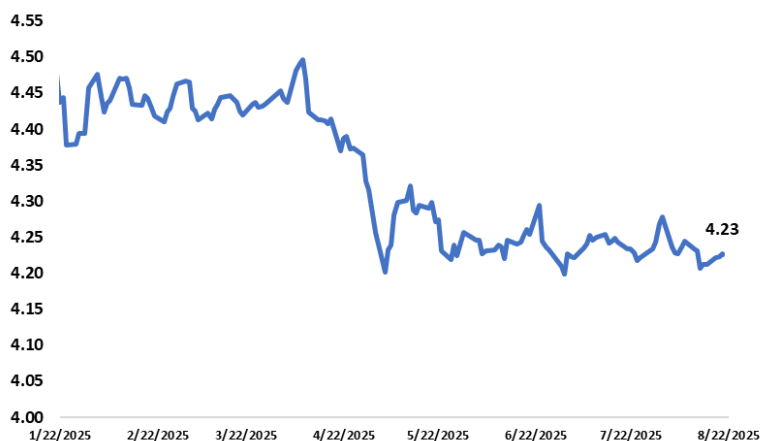
Risks. Heavy reliance on government initiatives. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

Figure 1: Solar Module Price Trend



Source: Bloomberg, Apex Securities

Figure 2: YTD USD/MYR Trend



Source: Bloomberg, Apex Securities

Results Note

Monday, 25 Aug, 2025

Results Comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6M FY25	6M FY24	yoy (%)	Comments
Revenue	127.0	56.6	124.5	150.3	(15.5)	277.3	114.2	142.8	
COGS	(91.6)	(39.8)	130.1	(111.7)	(18.0)	(203.3)	(82.7)	146.0	
Gross profit	35.4	16.7	111.2	38.6	(8.4)	74.0	31.5	134.5	
EBITDA	19.4	7.5	157.2	21.4	(9.3)	40.7	13.8	195.6	
Depreciation & Amortisation	(0.8)	(0.4)	80.2	(10)	(24.0)	(18)	(0.9)	93.7	
EBIT	18.6	7.1	161.8	20.3	(8.6)	38.9	12.9	202.9	
Net finance	(14)	0.0	nm	(10)	48.2	(2.4)	0.0	nm	
Associates/JV	0.1	(0.6)	nm	(0.0)	nm	0.1	(0.6)	nm	
Pre-tax profit	17.3	6.6	162.5	19.4	(10.9)	36.6	12.2	199.4	
Tax expenses	(4.7)	(19)	146.3	(5.6)	(16.3)	(10.4)	(3.8)	175.0	
Profit after tax	12.5	4.7	169.1	13.7	(8.7)	26.3	8.5	210.3	
(-) Minority interest	15	0.0	8,770.6	1.7	(9.4)	3.2	0.0	8,250.0	
PAT (-MI)	110	4.6	137.6	12.1	(8.6)	23.1	8.4	174.0	
Core net profit	11.0	4.5	143.2	11.3	(3.0)	22.2	8.2	171.3	
Core EPS (sen)	17	0.7		17		3.4	13		
DPS (sen)	10	-		-		10	-		Declared first interim dividend of 10 sen.
EBITDA margin (%)	15.2	13.3		14.2		14.7	12.1		
PBT margin (%)	13.6	11.6		12.9		13.2	10.7		
Effective tax rate (%)	27.4	29.2		29.1		28.3	30.8		
Core PATMI margin (%)	8.6	8.0		7.5		8.0	7.2		Higher mix from power distribution

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6M FY25	6M FY24	yoy (%)	Comments
Revenue									
EPCC	62.6	33.2	88.8	92.8	(32.6)	155.4	69.8	122.7	qoq weaker on softer residential rooftop
ELP	14.9	116	28.7	16.2	(8.1)	31.1	20.6	50.9	demand after expiry of SolarIS/NEM 3.0
Trading	14.7	119	23.9	13.4	9.6	28.1	23.8	18.0	
Power	34.8	-	nm	27.9	24.9	62.7	-	nm	Higher execution of TNB switchgear contracts.
Total	127.0	56.6	124.5	150.3	(15.5)	277.3	114.2	142.8	

Source: Company, Apex Securities

Results Note

Monday, 25 Aug, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	179.2	227.5	287.0	515.7	651.8
Gross Profit	44.8	53.5	81.9	154.2	195.2
EBITDA	17.4	20.3	38.6	96.3	124.3
Depreciation & Amortisation	-1.5	-1.7	-2.2	-14.4	-17.2
EBIT	15.8	18.7	36.5	81.9	107.1
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	77.5	103.2
Tax	-4.4	-4.4	-12.0	-20.8	-28.3
Profit After Tax	10.0	13.8	22.7	56.7	74.9
Minority Interest	0.0	0.0	0.7	9.5	12.1
Net Profit	10.0	13.7	22.0	47.2	62.8
Exceptionals	-0.9	-0.9	-1.1	0.0	0.0
Core Net Profit	10.9	14.6	23.1	47.2	62.8

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	1.7	2.3	3.6	7.3	9.7
P/E(x)	98.0	73.3	46.4	22.7	17.0
P/B(x)	8.3	7.8	5.5	4.5	3.6
EV/EBITDA(x)	62.1	53.9	27.7	11.8	9.5
DPS (sen)	0.0	1.0	0.0	2.2	2.9
Dividend Yield (%)	0.0%	0.6%	0.0%	1.3%	1.8%
EBITDA margin (%)	9.7%	8.9%	13.5%	18.7%	19.1%
EBIT margin (%)	8.8%	8.2%	12.7%	15.9%	16.4%
PBT margin (%)	8.1%	8.0%	12.1%	15.0%	15.8%
PAT margin (%)	5.6%	6.0%	7.9%	11.0%	11.5%
NP margin (%)	5.6%	6.0%	7.7%	9.1%	9.6%
CNP margin (%)	6.1%	6.4%	8.0%	9.1%	9.6%
ROE (%)	8.4%	10.7%	11.8%	19.8%	21.4%
ROA (%)	5.8%	8.0%	5.3%	9.5%	11.0%
Gearing (%)	16.2%	1.2%	38.2%	28.6%	20.8%
Net gearing (%)	Net Cash	Net Cash	19.2%	Net Cash	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
EPCC	500.7	30x FY26F PER
ELP	153.3	15x FY26F PER
Trading	119.4	15x FY26F PER
EPE	318.1	15x FY26F PER
Solar assets	14.4	Ke = 13.8%
SOP Value	1105.9	
Enlarged share base (m share)	645.0	
Fair Value (RM)	1.72	
ESG premium/discount	0.0%	
Implied Fair Value (RM)	1.72	

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash and bank balances	29.1	27.0	37.3	86.3	118.0
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	52.2	60.0
Total Current Assets	154.5	146.1	305.0	366.1	437.3
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	46.6	54.4
Total Current Liabilities	55.8	42.1	178.1	204.1	224.6
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	191.7	235.6
Minority interest	0.1	0.1	36.7	46.2	58.3
Total Equity	129.5	136.8	195.3	237.9	293.9

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	14.4	18.1	34.7	77.5	103.2
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	17.8	-55.3
Operating cash flow	-18.9	26.6	15.9	92.7	80.7
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	-14.1	-18.8
Others	-10.0	-9.7	70.8	-11.2	-10.6
Financing cash flow	-10.0	-16.2	70.8	-25.3	-29.5
Net cash flow	-14.0	9.7	10.4	49.1	31.7
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	83.4
Ending cash	14.2	23.9	34.3	83.4	115.1

Results Note

Monday, 25 Aug, 2025

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 **Monday, 25 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.