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Pekat Group Berhad

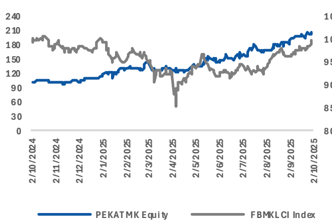
Secures RM85.7m Solar EPC Contract

Recommendation:		HOLD
Current Price:		RM 1.82
Previous Target Price:		RM 1.72
Target Price:	↔	RM 1.72
Capital Upside/Downside:		-5.5%
Dividend Yield (%):		1.6%
Total Upside/Downside		**-3.9%**

Stock information	
Board	ACE
Sector	Renewable Energy
Bursa / Bloomberg Code	0233 / PEKAT MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	646.1
Market Cap (RM' m)	1,175.9
52-Week Price Range (RM)	1.86-0.82
Beta (x)	1.0
Free float (%)	39.1
3M Average Volume (m)	1.6
3M Average Value (RM' m)	2.5

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 (%)	8.3	32.8	102.2
Relative (%)	4.4	25.6	102.7

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)	50.9	24.9	18.7

- **PEKAT secured an RM85.7m solar EPC contract for a 63MWac LSS facility in Kulai, Johor. The project carries an eight-month timeline, with targeted completion by 31 May 2026.**
- **The contract value is lower than typical benchmarks given the exclusion of civil and substation works.**
- **Assuming a PBT margin of 8%, the contract could contribute PBT of RM6.9m in total, representing 4.5% of our forecasted PBT for FY25.**
- **We view this positively, as it supports earnings growth through FY26F.**
- **Maintain a HOLD rating with an unchanged target price of RM1.72, based on SOP valuation, and appraised with a three-star ESG rating.**

Secures RM85.7m Solar EPC Contract. Pekat, via its indirect wholly-owned subsidiary Pekat Solar Sdn Bhd, has secured an RM85.7m engineering, procurement, and construction (EPC) contract with a Malaysian main contractor for the design, supply, installation, testing, and commissioning of a 63MWac large-scale solar photovoltaic (LSS) facility in Kulai, Johor. The project falls under the SELCO programme, with a duration of eight months and is scheduled for completion by 31 May 2026.

Our Take. We view this as a **positive** development for PEKAT, as it supports the Group's earnings growth through FY26F. The contract value appears lower than typical utility-scale benchmarks because it covers only solar EPC and 33kV interconnection works, excluding civil and substation components. Assuming a PBT margin of 8%, the contract could contribute PBT of RM6.9m in total, representing 4.5% of our forecasted PBT for FY25. With this win, PEKAT's unbilled order book has risen to RM750.7m, equivalent to 2.6x FY24 revenue, providing solid earnings visibility through FY27F.

Outlook. We maintain a Neutral stance on the outlook for rooftop solar. While the government recently rolled out the Solar ATAP scheme to replace NEM, we view the framework as less attractive given the absence of capacity charge incentives, implying a longer payback period and could dampen adoption momentum. In the near term, order replenishment is expected to be driven by front-loaded demand under the SELCO programme, as developers seek to complete projects ahead of the mandatory battery requirement that will apply to systems commissioned after December 2025. Meanwhile, solar module prices have inched up to USD0.10/W (from USD0.09/W trough), which remains a key risk to monitor.

Earnings revision. No changes to our earnings forecasts, as the contract win falls within our FY25F order book replenishment assumption of RM220m.

Valuation & Recommendation. We maintain **HOLD** with an unchanged TP of **RM1.72**, based on SOP valuation and supported by an assigned three-star ESG rating. 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. 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.

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)	107.4	80.4	50.9	24.9	18.7
P/B (x)	9.1	8.6	6.0	4.9	4.0
EV/EBITDA (x)	68.1	59.0	30.4	12.9	10.4
DPS (sen)	0.0	1.0	0.0	2.2	2.9
Dividend Yield (%)	0.0%	0.5%	0.0%	1.2%	1.6%
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 Liabilitie	**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**

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 **Friday, 03 Oct, 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.