APEX SECURITIES 鼎峰证券有限公司

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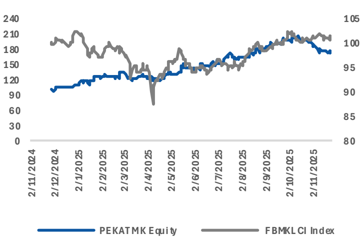
Recommendation:	**HOLD**
Current Price:	RM 1.60
Previous Target Price:	RM 1.68
Target Price: ↓	RM 1.59
Capital Upside/Downside:	-0.6%
Dividend Yield (%):	1.7%
Total Upside/Downside	**1.0%**

Stock information	
Board	ACE
Sector	Renewable Energy
Bursa / Bloomberg Code	0233 / PEKAT MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	706.3
Market Cap (RM' m)	1,130.0
52-Week Price Range (RM)	1.9-0.885
Beta (x)	1.0
Free float (%)	44.3
3M Average Volume (m)	1.1
3M Average Value (RM' m)	2.0

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	-1.8	73.0
Relative (%)	-11.3	-3.7	70.8

Earnings Summary	**FY24**	**FY25F**	**FY26F**
Revenue (RM'm)	287.0	455.1	513.7
PATAMI (RM'm)	22.0	44.3	57.1
CNP (RM'm)	20.9	44.3	57.1
EPS - core (sen)	3.2	6.9	8.9
P/E (x)	49.3	23.3	18.1

Pekat Group Berhad

Below Expectations on Softer-than-Expected Rooftop Demand

- **PEKAT's 3QFY25 CNP came in at RM10.3m (-6.2% QoQ, +248.6% YoY), bringing 9MFY25 CNP to RM32.5m (+191.7% YoY). The results came in below expectations, at 69% of our FY25F forecast and 72% of consensus estimates. The earnings shortfall was mainly due to weaker-than-expected contributions from the solar rooftop EPCC segment, as demand moderated following the expiry of the NEM 3.0 programme.**
- **Post-results, we have revised our FY25F/FY26F earnings forecasts by -6.2%/-5.6%, reflecting more conservative assumptions for residential and C&I rooftop adoption.**
- **Looking ahead, 4Q earnings are expected to remain muted due to the absence of any rooftop incentive programme from June to December, with the ATAP scheme only launching in December.**
- **Following the earnings revision, we maintain HOLD and lower our TP to RM1.59 (from RM1.68), based on SOP valuation.**

Below expectations. PEKAT reported a 3QFY25 core net profit (CNP) of RM10.3m (-6.2% QoQ, +248.6% YoY), lifting 9MFY25 CNP to RM32.5m (+191.7% YoY). The results came in below expectations, at 69% of our FY25F forecast and 72% of consensus estimates. The earnings shortfall was mainly due to weaker-than-expected contributions from the solar rooftop EPCC segment, as demand moderated following the expiry of the NEM 3.0 programme.

QoQ. CNP slipped 6.2%, mainly due to weaker contributions from residential rooftop solar projects within the EPCC segment, reflecting softer demand following the expiry of the NEM 3.0 programme. This resulted in margin contraction, with the Group's gross margin narrowing by 5.3-pts despite an 11.6% increase in overall revenue. All segments recorded revenue growth. EPCC revenue rose 16.3% driven by stronger progress from utility-scale CGPP projects, ELP segment grew 12.1% on improved project execution, while the Trading segment increased 15.5% on higher sales volume.

YoY. CNP surged 248.6% YoY, supported by a 71.2% increase in revenue and additional contributions from EPE Switchgear. By segment, EPCC revenue rose 33.9%, driven by accelerated revenue recognition from CGPP projects, compared to the same period last year which was dominated by smaller-value rooftop installations. The ELP segment's revenue climbed 38.4%, and likely delivered stronger earnings, supported by a more favourable product mix, particularly from rising data-centre-related demand, a segment that typically commands premium margins given its shorter execution cycle and higher technical requirements.

Outlook. 4Q earnings are expected to remain muted, mainly due to softer demand for rooftop solar following the expiry of the NEM scheme in June. With the ATAP scheme scheduled only for launch in December, there has been no rooftop incentive programme from June to December, creating a demand gap for residential installations. For the CGPP project, we believe work progress is already at its tail-end as PEKAT works towards meeting the end-2025 COD deadline. The recent increase in Maximum Demand charges, particularly for MV users, may also spur greater interest in installing BESS to hedge peak demand. We believe this will benefit PEKAT, given its strong track record in off-grid solutions and should provide earnings visibility over the medium term. Meanwhile, the ELP segment is expected to remain robust, supported by recent contract wins for data-centre-related projects, which should drive further order replenishment over the medium term in line with ongoing data centre development.

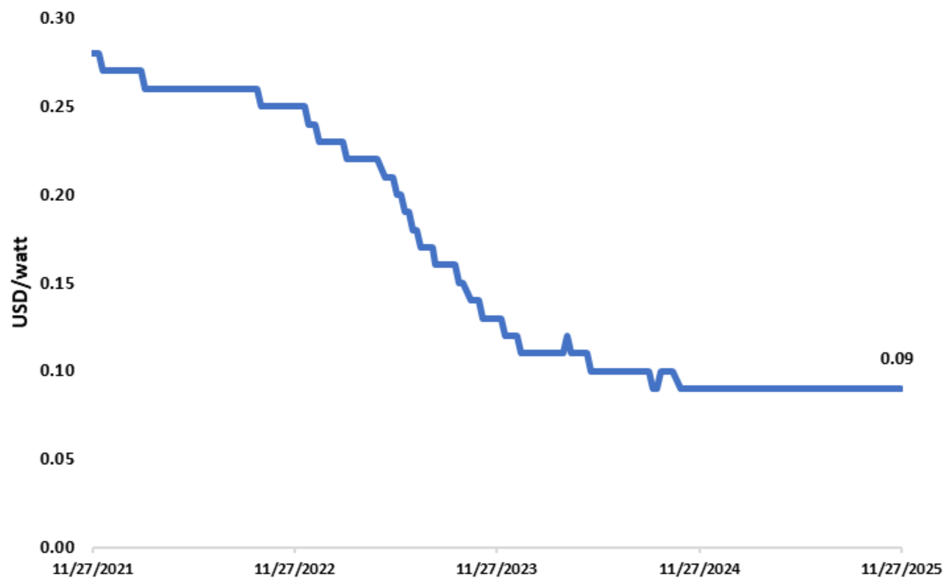
Earnings revision. Post-results, we have revised our earnings forecasts by -6.2%/-5.6% for FY25F/FY26F, reflecting more conservative assumptions for residential and C&I rooftop solar adoption. We have reduced our solar order book replenishment assumption to RM130-160m (from RM150-220m) to account for a more neutral demand outlook in light of recent government policy changes.

KDN PP13226/06/2024 (035469)

Valuation & Recommendation. Following the earnings revision, we have lowered our TP to **RM1.59** (from RM1.68), based on our SOP valuation and supported by a three-star ESG rating. Maintain **HOLD.** 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.

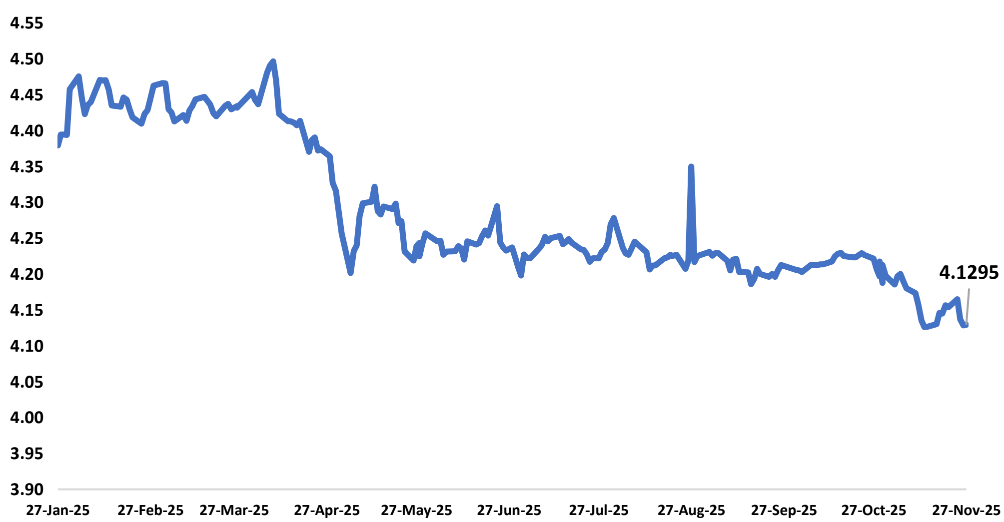
Risks. Heavy reliance on government initiatives. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

Figure 1: Solar Module Price Trend



Source: Bloomberg, Apex Securities

Figure 2: YTD USD/MYR Trend



Source: Bloomberg, Apex Securities

Results Comparison

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	141.7	82.6	*71.5*	127.0	*11.6*	419.0	196.8	*112.9*	
COGS	(109.8)	(58.7)	*87.2*	(91.6)	*19.8*	(313.2)	(141.3)	*121.6*	*Decline reflects weaker rooftop solar*
Gross profit	31.9	24.0	*33.0*	35.4	*(9.8)*	105.8	55.5	*90.6*	*contribution following NEM expiry*
EBITDA	**17.1**	**10.6**	***61.2***	**19.4**	***(11.8)***	**57.8**	**24.4**	***137.2***	
Depreciation & Amortisation	(1.2)	(0.9)	*30.1*	(0.8)	*55.5*	(3.0)	(1.8)	*61.9*	
EBIT	**15.9**	**9.7**	***64.2***	**18.6**	***(14.6)***	**54.8**	**22.5**	*143.3*	
Net finance	(0.9)	(0.2)	*355.3*	(1.4)	*(36.6)*	(3.3)	(0.2)	*1,786.3*	
Associates/JV	0.2	0.1	*132.1*	0.1	*109.7*	0.3	(0.6)	*nm*	
Pre-tax profit	**15.2**	**9.6**	***58.7***	**17.3**	***(12.1)***	**51.8**	**21.8**	***137.7***	
Tax expenses	(3.5)	(3.3)	*7.1*	(4.7)	*(25.6)*	(13.9)	(7.0)	*96.8*	
Profit after tax	**11.7**	**6.3**	***85.7***	**12.5**	***(7.0)***	**37.9**	**14.7**	***157.3***	
(-) Minority interest	1.4	0.0	*5,432.0*	1.5	*(8.3)*	4.6	0.1	*7,131.7*	
PAT (-MI)	10.3	6.3	*64.4*	11.0	*(6.8)*	33.4	14.7	*127.3*	
Core net profit	**10.3**	**2.9**	***248.6***	**11.0**	***(6.2)***	**32.5**	**11.1**	***191.7***	
Core EPS (sen)	1.6	0.5		1.7		5.0	1.7		
DPS (sen)	-	-		1.0		1.0	-		
Gross margin (%)	22.5	29.0		27.8		25.3	28.2		
PBT margin (%)	10.7	11.6		13.6		12.4	11.1		
Effective tax rate (%)	23.2	34.3		27.4		26.8	32.4		
Core PATMI margin (%)	7.3	3.6		8.6		7.8	5.7		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue									
EPCC	72.8	54.4	*33.9*	62.6	*16.3*	228.2	124.2	*83.8*	*accelerated progress recognition*
ELP	16.7	12.0	*38.4*	14.9	*12.1*	47.7	32.6	*46.3*	*under CGPP project*
Trading	17.0	16.2	*4.6*	14.7	*15.5*	45.1	40.0	*12.6*	
Power	35.3	-	*nm*	34.8	*1.2*	98.0	-	*nm*	
Total	**141.7**	**82.6**	***71.5***	**127.0**	***11.6***	**419.0**	**196.8**	***112.9***	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	**179.2**	**227.5**	**287.0**	**455.1**	**513.7**
Gross Profit	**44.8**	**53.5**	**81.9**	**147.6**	**172.7**
EBITDA	**17.4**	**20.3**	**38.6**	**87.2**	**107.8**
Depreciation & Amortisation	-1.5	-1.7	-2.2	-2.8	-3.5
EBIT	**15.8**	**18.7**	**36.5**	**84.4**	**104.3**
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**	**79.9**	**100.4**
Tax	-4.4	-4.4	-12.0	-21.6	-27.8
Profit After Tax	**10.0**	**13.8**	**22.7**	**58.3**	**72.6**
Minority Interest	0.0	0.0	0.7	14.0	15.5
Net Profit	**10.0**	**13.7**	**22.0**	**44.3**	**57.1**
Exceptionals	-0.9	0.3	1.1	0.0	0.0
Core Net Profit	**10.9**	**13.4**	**20.9**	**44.3**	**57.1**

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	1.7	2.1	3.2	6.9	8.9
P/E (x)	94.4	77.0	49.3	23.3	18.1
P/B (x)	8.0	7.5	5.3	2.8	2.4
EV/EBITDA (x)	59.9	52.0	26.7	13.9	11.6
DPS (sen)	0.0	1.0	0.0	2.1	2.7
Dividend Yield (%)	0.0%	0.6%	0.0%	1.3%	1.7%
EBITDA margin (%)	9.7%	8.9%	13.5%	19.2%	21.0%
EBIT margin (%)	8.8%	8.2%	12.7%	18.5%	20.3%
PBT margin (%)	8.1%	8.0%	12.1%	17.6%	19.5%
PAT margin (%)	5.6%	6.0%	7.9%	12.8%	14.1%
NP margin (%)	5.6%	6.0%	7.7%	9.7%	11.1%
CNP margin (%)	6.1%	5.9%	7.3%	9.7%	11.1%
ROE (%)	8.4%	9.8%	10.7%	12.1%	13.5%
ROA (%)	5.8%	7.3%	4.8%	7.0%	8.2%
Gearing (%)	16.2%	1.2%	38.2%	18.6%	14.5%
Net gearing (%)	Net Cash	Net Cash	19.2%	Net Cash	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
EPCC	407.6	30x FY26F PER
ELP	160.8	15x FY26F PER
Trading	142.7	15x FY26F PER
EPE	316.4	15x FY26F PER
Solar assets	14.4	Ke = 13.8%
SOP Value	1041.9	
Enlarged share base (m share)	721.6	
Fair Value (RM)	**1.59**	
ESG premium/discount	0.0%	
Implied Fair Value (RM)	**1.59**	

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	196.5	208.9
Receivables	47.9	55.0	110.3	137.9	155.8
Inventories	25.6	24.9	94.6	104.0	119.6
Other current assets	51.9	39.2	62.8	44.2	40.0
Total Current Assets	**154.5**	**146.1**	**305.0**	**482.6**	**524.3**
Fixed Assets	23.3	23.4	68.9	91.1	112.6
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**	**150.5**	**172.1**
Short-term debt	19.4	1.0	36.9	34.0	30.6
Payables	14.5	27.0	96.1	137.9	155.8
Other current liabilities	21.9	14.1	45.1	38.6	34.4
Total Current Liabilities	**55.8**	**42.1**	**178.1**	**210.5**	**220.8**
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	315.2	355.1
Minority interest	0.1	0.1	36.7	50.7	66.2
Total Equity	**129.5**	**136.8**	**195.3**	**365.9**	**421.4**

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	**14.4**	**18.1**	**34.7**	**79.9**	**100.4**
Depreciation & amortisation	1.5	1.7	2.2	2.8	3.5
Changes in working capital	31.2	-11.2	12.2	-16.9	15.6
Others	-66.1	18.0	-33.1	22.2	-54.8
Operating cash flow	**-18.9**	**26.6**	**15.9**	**88.1**	**64.7**
Capex	-1.6	-0.7	-6.9	-25.0	-25.0
Others	16.5	0.0	-69.4	0.4	0.4
Investing cash flow	**14.9**	**-0.7**	**-76.3**	**-24.6**	**-24.6**
Dividends paid	0.0	-6.4	0.0	-13.3	-17.1
Others	-10.0	-9.7	70.8	109.0	-10.6
Financing cash flow	**-10.0**	**-16.2**	**70.8**	**95.7**	**-27.7**
Net cash flow	**-14.0**	**9.7**	**10.4**	**159.3**	**12.4**
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	193.6
Ending cash	**14.2**	**23.9**	**34.3**	**193.6**	**206.0**

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

As of **Friday, 28 Nov, 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.