

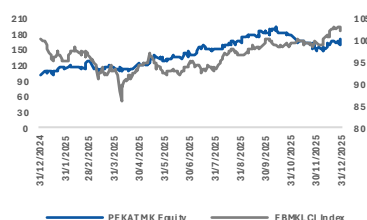
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Recommendation:	BUY
Current Price:	RM 1.66
Previous Target Price:	RM 1.68
Target Price:	↑ RM 1.87
Capital Upside/Downside:	12.7%
Dividend Yield (%)	1.8%
Total Upside/Downside	14.5%

Stock information	
Board	ACE
Sector	Renewable Energy
Bursa / Bloomberg Code	0233 / PEKATMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	706.3
Market Cap (RM' m)	1,172.4
52-Week Price Range (RM)	1.9-0.905
Beta (x)	1.0
Free float (%)	44.3
3M Average Volume (m)	0.9
3M Average Value (RM' m)	1.5

Top 3 Shareholders	(%)
Chin Soo Mau	31.9
Tai Yee Chee	8.0
Wee Chek Aik	6.8

Share Price Performance



	1M	3M	12M
Absolute (%)	9.2	-8.8	66.8
Relative (%)	6.7	-10.5	63.3

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	287.0	455.1	513.5
PATAMI (RM'm)	22.0	44.3	57.1
CNP (RM'm)	23.1	44.3	57.1
EPS - core (sen)	3.6	6.9	8.9
P/E(x)	46.4	24.2	18.7

Pekati Group Berhad

Secures RM113.3m TNB Contract; Upgrade to BUY

- **PEKAT** has secured a **RM113.3m** two-year contract from **TNB** via its **60%-owned indirect subsidiary, EPE Switchgear (M) Sdn Bhd**, for the supply of **11kV motorised Ring Main Units (RMUs)** with interconnector and Remote Control Boxes (RCBs) of various configurations. The award lifts its outstanding order book to **RM745.3m (2.6x FY24 revenue)**.
- Outlook remains positive, supported by **TNB's RP4 capex plan**, under which more than half of total capex is expected to be allocated to distribution upgrades, grid automation and connectivity investments, areas where **EPE** is well positioned.
- No changes are made to earnings forecasts, as the contract win is already captured within the **FY26F EPE order-book replenishment assumption**.
- Upgrade to **BUY**, with a higher **TP of RM1.87 (from RM1.68)** based on a **sum-of-parts (SOP) valuation**, supported by a **three-star ESG rating**.

Secures RM113.3m contract. PEKAT, via its 60%-owned indirect subsidiary EPE Switchgear (M) Sdn Bhd, has received a Letter of Award (LOA) from TNB for the supply of 11kV motorised Ring Main Units (RMU) with interconnector and Remote-Control Boxes (RCB) of various configurations. The two-year contract, valued at RM113.3m (inclusive of SST), is effective from 31 December 2025. The contract also requires a performance security of RM5.7m, representing 5% of the contract value.

Our Take. We view this as a **positive** development for PEKAT, as it strengthens the Group's earnings visibility through FY27F. Assuming a 25% GP margin, the contract is expected to generate c.RM27m in gross profit over the 240-month duration, with c.RM13.5m recognised in FY26 (7.8% of our FY26F forecast) and c.RM13.5m in FY27 (6.9% of our FY27F forecast). With this latest win, PEKAT's unbilled order book increases to RM745.3m, equivalent to 2.6x FY24 revenue, providing solid earnings support over the next three years.

Outlook. We remain positive on EPE's outlook, supported by TNB's RP4 capex plan of up to RM42.8bn, with more than half expected to be allocated towards distribution upgrades, grid automation and connectivity-related investments. These initiatives require extensive deployment of RMUs and RCBs, which are critical components in the MV distribution network. EPE is among a **limited pool of qualified vendors** that meet TNB's technical, quality and track-record requirements. Supported by over five decades of established relationships with local utility companies, we believe the Group is well positioned to secure repeat utility tenders, underpinning multi-year earnings visibility and enhancement.

Earnings revision. No changes are made to earnings forecasts, as the contract win is already captured within the FY26F EPE order-book replenishment assumption of RM250m. Also, we introduced FY27F earnings forecast at RM64.5m.

Valuation & Recommendation. We increase the applied P/E multiple on EPE Switchgear to 17x (from 15x) to reflect a more favourable earnings landscape. Following the valuation rollover and P/E enhancement, we derive a higher TP of **RM1.87** (from RM1.68) based on a SOP valuation, supported by a three-star ESG rating. Upgrade to **BUY** (from 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.

Results Note

Monday, 05 Jan, 2026

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	227.5	287.0	455.1	513.5	583.2
Gross Profit	53.5	81.9	147.6	172.7	196.3
EBITDA	20.3	38.6	87.2	107.8	122.2
Depreciation & Amortisation	-1.7	-2.2	-2.8	-3.5	-4.1
EBIT	18.7	36.5	84.4	104.3	118.0
Net Finance Income/ (Cost)	-1.1	-0.9	-4.9	-4.3	-3.8
Associates & JV	0.6	-0.8	0.4	0.4	0.4
Pre-tax Profit	18.1	34.7	79.9	100.4	114.7
Tax	-4.4	-12.0	-21.6	-27.8	-31.2
Profit After Tax	13.8	22.7	58.3	72.6	83.5
Minority Interest	0.0	0.7	14.0	15.5	19.0
Net Profit	13.7	22.0	44.3	57.1	64.6
Exceptionals	0.3	-1.1	0.0	0.0	0.0
Core Net Profit	13.4	23.1	44.3	57.1	64.6

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.1	3.6	6.9	8.9	10.0
P/E(x)	79.9	46.4	24.2	18.7	16.6
P/B(x)	7.8	5.5	2.9	2.5	2.2
EV/EBITDA (x)	53.9	27.7	14.3	11.9	10.9
DPS (sen)	1.0	0.0	2.1	2.7	3.0
Dividend Yield (%)	0.6%	0.0%	1.2%	1.6%	1.8%
EBITDA margin (%)	8.9%	13.5%	19.2%	21.0%	20.9%
EBIT margin (%)	8.2%	12.7%	18.5%	20.3%	20.2%
PBT margin (%)	8.0%	12.1%	17.6%	19.6%	19.7%
PAT margin (%)	6.0%	7.9%	12.8%	14.1%	14.3%
NP margin (%)	6.0%	7.7%	9.7%	11.1%	11.1%
CNP margin (%)	5.9%	8.0%	9.7%	11.1%	11.1%
ROE(%)	9.8%	11.8%	12.1%	13.6%	13.3%
ROA (%)	7.3%	5.3%	7.0%	8.2%	8.3%
Gearing (%)	1.2%	38.2%	18.6%	14.5%	11.2%
Net gearing (%)	Net Cash	19.2%	Net Cash	Net Cash	Net Cash

Valuations	Equity Value (RM' m)	Valuation method
EPCC	456.7	30x FY27F PER
ELP	171.6	15x FY27F PER
Trading	153.8	15x FY27F PER
EPE	437.7	17x FY27F PER
Solar assets	22.2	Ke=12.1%
SOP Value	1242.0	
Enlarged share base (m share)	721.6	
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)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	27.0	37.3	196.5	208.9	228.3
Receivables	55.0	110.3	137.9	155.8	176.1
Inventories	24.9	94.6	104.0	119.6	137.6
Other current assets	39.2	62.8	44.2	40.0	41.9
Total Current Assets	146.1	305.0	482.6	524.4	583.8
Fixed Assets	23.4	68.9	91.1	112.6	133.5
Intangibles	0.2	46.9	46.9	46.9	46.9
Other non-current assets	12.7	12.4	12.5	12.6	12.7
Total Non-Current Assets	36.3	128.2	150.5	172.1	193.1
Short-term debt	1.0	36.9	34.0	30.6	27.3
Payables	27.0	96.1	137.9	155.8	176.1
Other current liabilities	14.1	45.1	38.6	34.4	36.3
Total Current Liabilities	42.1	178.1	210.5	220.8	239.6
Long-term debt	0.6	37.8	34.0	30.6	27.3
Other non-current liabilities	2.9	22.0	22.8	23.6	24.5
Total Non-Current Liabilities	3.5	59.8	56.8	54.3	51.8
Shareholder's equity	136.7	158.7	315.2	355.2	400.4
Minority interest	0.1	36.7	50.7	66.2	85.2
Total Equity	136.8	195.3	365.9	421.4	485.6

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	18.1	34.7	79.9	100.4	114.7
Depreciation & amortisation	1.7	2.2	2.8	3.5	4.1
Changes in working capital	-11.2	12.2	-16.9	15.6	17.9
Others	18.0	-33.1	22.2	-54.8	-63.4
Operating cash flow	26.6	15.9	88.1	64.7	73.4
Capex	-0.7	-6.9	-25.0	-25.0	-25.0
Others	0.0	-69.4	0.4	0.4	0.4
Investing cash flow	-0.7	-76.3	-24.6	-24.6	-24.6
Dividends paid	-6.4	0.0	-13.3	-17.1	-19.4
Others	-9.7	70.8	109.0	-10.6	-10.0
Financing cash flow	-16.2	70.8	95.7	-27.8	-29.4
Net cash flow	9.7	10.4	159.3	12.4	19.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	14.2	23.9	34.3	193.6	206.0
Ending cash	23.9	34.3	193.6	206.0	225.4

Results Note

Monday, 05 Jan, 2026

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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(a) nil.