Pekat Group (PEKAT MK)

Riding The CRESS Wave Into The Next Growth Chapter

Highlights

- A 150MW CRESS win is highly probably by Dec 26, as we believe Pekat can capture blue-sky 2GW of CRESS projects over the next three years.
- Against this backdrop, we lift 2028 net profit by 25%, as we expect orderbook to rise from RM780m currently to RM2b by 2028.
- We continue to like Pekat. Maintain BUY with a higher SOTP-based fair value of RM3.60/share, assuming 500MW CRESS wins. Blue-sky fair value of RM6.30/share pencils in 2GW of CRESS assets.

Analysis

- **CRESS beneficiary; lift 2028 net profit by 25%.** We believe Pekat Group (Pekat) is well positioned to benefit from a blue-sky 2GW of Corporate Renewable Energy Supply Scheme (CRESS) wins in the next three years. We expect Pekat to capture majority earnings of the engineering, procurement, construction, and commissioning (EPCC) while taking a minority or associate stake in the CRESS asset. **A 150MW CRESS win is highly probable by Dec 26.** This is supported by strategic landbank. To recap, Pekat recently announced that it has secured a 24-year lease over a 470-acre site in Sungai Petani, Kedah. Based on this size, there is potential to host a 150MWac/200MWp solar-plus-BESS project on the site.
- **Earnings to double in 2028.** We are pencilling in 500MW of CRESS and LSS6 contract win by 2029, lifting orderbook from the current RM780m to RM2.2b. Against the backdrop of heightened solar EPCC opportunities (CRESS/ LSS6), we raise 2027 and 2028 net profit forecasts by 14% and 25% respectively. We now project a three-year earnings CAGR of 29% (2026-28). We believe Pekat may be able to secure strategic landbank and stay ahead of the curve, potentially accommodating up to 2GW of CRESS/LSS6 potential.
- **Fair value of RM3.60; blue-sky RM6.30.** In tandem with the increase in earnings, we raised our fair value to RM3.60/share. We transition from PER to SOTP valuation to capture the intrinsic value of CRESS power assets. Our SOTP captures: a) a RM2.70/share for RE EPCC orderbook; and b) a RM0.90/share for long-term CRESS power assets. We assume Pekat can win 500MW CRESS contracts in the near term. Our blue-sky fair value for Pekat is RM6.30/share, assuming 2GW of power generation assets. See our fair value analysis overleaf.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	287.0	609.9	686.3	890.1	1,203.5
EBITDA	38.9	82.0	145.7	173.7	219.2
Operating profit	36.5	74.1	90.4	117.8	151.7
Net profit (rep./act.)	22.0	45.0	54.7	72.8	96.6
Net profit (adj.)	22.0	44.9	54.7	72.8	96.6
EPS	3.4	6.3	7.7	10.3	13.7
PE (x)	85.9	46.2	37.9	28.4	21.4
P/B (x)	9.7	6.0	4.1	3.1	2.4
EV/EBITDA (x)	55.2	26.7	14.3	11.4	8.7
Dividend yield (%)	0.0	0.3	0.3	0.3	0.3
Net margin (%)	7.7	7.4	8.0	8.2	8.0
Net debt/(cash) to equity (%)	19.2	20.5	(7.2)	(23.2)	(27.0)
Interest cover (x)	40.6	15.3	12.5	17.7	27.0
ROE (%)	11.3	13.0	10.9	10.8	11.0
Consensus net profit			57.1	73.2	82.6
UOBKH/Consensus (x)			1.0	1.0	1.2

Source: Pekat, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM2.93
Target Price	RM3.60
Upside	23.0%
Previously TP	RM2.30

Stock Data

Sector	Industrials
Bloomberg ticker	PEKAT MK
Shares issued (m)	710.2
Market cap (RMm)	2,081.0
Market cap (US$m)	512.9
3-mth avg daily t'over (US$m)	1.3

Price Performance (%)

52-week high/low				RM3.01RM1.11
1mth	3mth	6mth	1yr	YTD
(1.7)	65.5	77.6	63.7	85.4

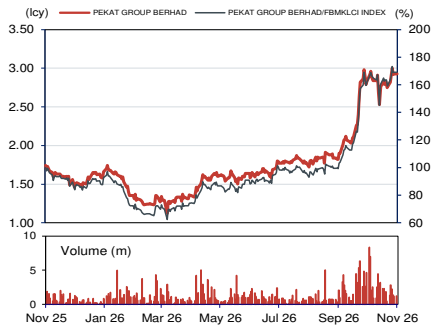
Major Shareholders (%)

Chin Soo Mau	31.7
Tai Yee Chee	8.0
AIA Bhd	4.4

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.7
FY26 Net Debt/Share (RM)	0.1

Price Chart



Source: Bloomberg

Company Description

Pekat Group is an established solar PV and earthing & lightning protection solutions provider based in Malaysia.

Pekat Fair Value Of RM3.60/share; based on 500MW CRESS Win

	Potential CRESS Win	Fair Value (RM/share)	Key Assumptions
Base Case	500MW	RM3.60	• We value Pekat's EPCC business at 20x PER; • We value brownfield CRESS power purchase agreement (PPA) at 28x PER • Equity stake in CRESS assets is 30% • 500MW brownfield CRESS contract yields an estimated net profit of RM45m annually.
Scenario 1	1GW	RM4.50	• 1GW brownfield CRESS contract yields an estimated net profit of RM90m annually. • Assume Pekat takes an associate stake of 30%.
Blue Sky	2GW	RM6.30	• 2GW brownfield CRESS contract yields an estimated net profit of RM180m annually. • Assume Pekat takes an associate stake of 30%.

Source: UOB Kay Hian

- **Existing workforce can deliver around 500MW of EPCC jobs.** Management reiterated its confidence in the group's ability to deliver up to three utility-scale solar projects across multiple sites, implying an in-house EPCC execution capacity exceeding 500MW.
- **EPE switchgear: Potential contract win by 1Q27.** We understand that Pekat's 60%-owned subsidiary, EPE Switchgear, has submitted its bid for Tenaga Nasional Berhad's (TNB) tender involving the supply and commissioning of medium-voltage (MV) switchgears. We expect the tender outcome to be announced by end-Dec 26/ early-Jan 27. The group is well positioned to secure 20-25% of the estimated RM500m-600m tender value, underpinned by its established track record and longstanding relationship with TNB. A successful tender win would reinforce the group's earnings visibility over 2027-28, supported by its favourable net margin of approximately 10% (vs the group's average net margin of 7-9%).

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based target price of RM3.60.** At our target price, the stock would trade at an implied 26x 2028 EPS (+2SD above its mean PER of 18x). Main board listing is expected by end-Nov 26.

Earnings Revision/Risk

- Raised 2027-28 net profit forecasts by 14% and 25% respectively. This assumes a total orderbook of RM2b, based on 500MW CRESS win and LSS6.

Share Price Catalyst

- **Key re-rating catalysts for the stock include:** a) maiden CRESS EPCC contract win, b) growing dividend payout from its annual 1 sen/share net DPS, c) planned mainboard listing, and d) earnings-accretive M&A(s).

Environment, Social, Governance (ESG) Updates

Environmental

- Pekat installed solar PV systems with a cumulative capacity of 230.7MWp for its customers in 2025, resulting in an impressive estimated reduction of 260,727 tonnes of carbon dioxide emissions.

Social

- Pekat provided a total contribution of RM43,000 in financial aid and non-financial resources to NGOs, educational institutions, and children's welfare homes in 2025.

Governance

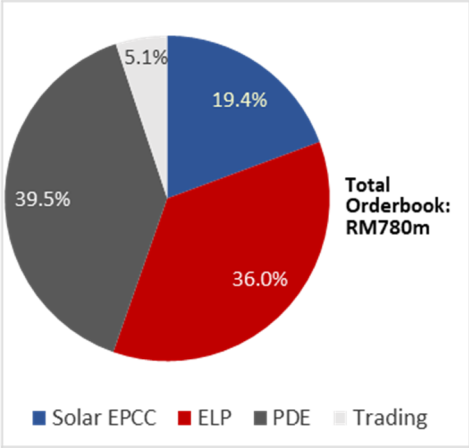
- The board comprises six members consisting of four Independent Directors and two Non-Independent Directors including GCEO. Meanwhile, women comprise 33% (two directors) of the board.

Fair Value Of RM3.60/share

	Equity Value (RMm)	% SOTP
Current Business Segments		
-Based on orderbook of RM2b over 2027-28	1,932	75%
-8% net profit margin		
- 20x PER		
CRESS Assets		
- Based on 500MW CRESS win; 30% equity stake	630	25%
- 28x PER		
Total Equity Value	2,562	
Target price (RM)	**3.60**	

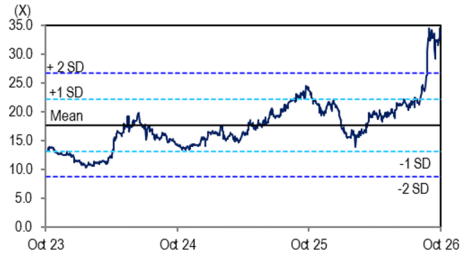
Source: UOB Kay Hian

Current Orderbook



Source: Pekat, UOB Kay Hian

PE Band



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**610**	**686**	**890**	**1,204**
EBITDA	82	146	174	219
Deprec. & amort.	(8)	(55)	(56)	(68)
EBIT	74	90	118	152
Associate contributions	1	2	2	2
Net interest income/(expense)	(5)	(7)	(7)	(6)
Pre-tax profit	**70**	**85**	**113**	**148**
Tax	(19)	(23)	(31)	(41)
Minorities	(6)	(7)	(9)	(11)
Net profit	**45**	**55**	**73**	**97**
Net profit (adj.)	45	55	73	97

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	167	199	217	272
Other LT assets	58	58	60	61
Cash/ST investment	90	169	269	334
Other current assets	399	423	522	674
Total assets	**715**	**850**	**1,068**	**1,341**
ST debt	40	33	28	24
Other current liabilities	192	199	264	352
LT debt	120	100	84	72
Other LT liabilities	17	17	16	16
Shareholders' equity	344	500	676	878
Minority interest	49	58	0	0
Total liabilities & equity	**715**	**849**	**1,068**	**1,341**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**43**	**105**	**108**	**115**
Pre-tax profit	70	85	113	148
Tax	(20)	(23)	(31)	(41)
Deprec. & amort.	8	55	56	68
Associates	(1)	(2)	(2)	(2)
Working capital changes	(23)	(17)	(35)	(63)
Other operating cashflows	8	7	7	6
Investing	**(160)**	**(44)**	**(73)**	**(122)**
Capex (growth)	(97)	(44)	(73)	(122)
Others	(62)	0	0	0
Financing	**170**	**58**	**65**	**72**
Dividend payments	(8)	(7)	(7)	(7)
Issue of shares	102	0	0	0
Proceeds from borrowings	82	72	79	84
Others/interest paid	(7)	(7)	(7)	(6)
Net cash inflow (outflow)	**53**	**120**	**100**	**65**
Beginning cash & cash equivalent	**34**	**88**	**166**	**266**
Changes due to forex impact	0	41	0	0
Ending cash & cash equivalent	**88**	**166**	**266**	**331**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.4	21.2	19.5	18.2
Pre-tax margin	11.5	12.3	12.7	12.3
Net margin	7.4	8.0	8.2	8.0
ROA	13.0	10.9	10.8	11.0
ROE	6.3	6.4	6.8	7.2
Growth				
Turnover	112.5	12.5	29.7	35.2
EBITDA	103.1	22.0	30.3	28.8
Pre-tax profit	102.2	20.5	33.2	31.1
Net profit	104.7	21.4	33.2	32.6
Net profit (adj.)	103.9	21.8	33.2	32.6
EPS	103.9	21.8	33.2	32.6
Leverage				
Debt to total capital	0.3	0.2	0.1	0.1
Debt to equity	46.7	26.6	16.6	11.0
Net debt/(cash) to equity	20.5	(7.2)	(23.2)	(27.0)
Interest cover	15.3	12.5	17.7	27.0

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