Pekat Group (PEKAT MK)

3Q26: In Line; Robust Contributions From ELP and Trading Divisions

Highlights

- Pekat reported a 3Q26 net profit of RM13m, driven by: a) robust ELP project execution (primarily from data centre jobs), b) strong revenue contribution from EPE Switchgear, and c) healthy sales order from the trading division.
- The solar PV segment remained weak during the quarter with the trading division growing as the second-largest top-line contributor. The PDE segment remains Pekat's largest orderbook constituent, making up 40% of its RM780m orderbook.
- Maintain BUY with an SOTP-based fair value of RM3.60/share.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	qoq%	yoy%	9M26	yoy%
Revenue	**177.4**	**1.1**	**25.2**	**520.8**	**24.3**
Gross Profit	39.7	(2.1)	24.7	117.9	11.4
EBIT	23.5	3.4	47.9	65.8	20.1
Profit Before Tax	21.0	(3.0)	38.6	61.3	18.4
Core Net Profit	**13.0**	**(8.2)**	**26.9**	**39.7**	**18.9**
Segmental Revenue	**3Q26**	**qoq%**	**yoy%**	**9M26**	**yoy%**
Solar Photovoltaics	51.5	(38.7)	(29.3)	238.9	4.7
ELP	35.5	42.6	112.7	75.7	58.6
Trading	49.5	151.7	191.5	85.5	89.6
Power Distribution Equipment	41.0	(12.5)	16.4	120.7	23.2
Total	**177.4**	**1.1**	**25.2**	**520.8**	**24.3**

Source: Pekat, UOB Kay Hian

Analysis

- **9M26: Earnings in line.** Pekat Group (Pekat) recorded a 3Q26 net profit of RM13m (+27% yoy; -9% qoq). Earnings were driven by: a) robust ELP project execution (primarily from data centre jobs), b) strong revenue contribution from EPE Switchgear (+16% yoy), and c) healthy sales order from the trading division (+191% yoy). The quarter saw net margin moderating to 7.3% (-0.7ppt qoq), on the back of higher interest cost (+91% qoq) and elevated tax expense (+33% qoq). 9M26's net profit of RM39.7m accounts for 73% of our full-year estimate, which we deem to be within expectations.

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)	62.4	33.6	27.5	20.7	15.6
P/B (x)	7.0	4.4	3.0	2.2	1.7
EV/EBITDA (x)	40.6	19.8	10.4	8.1	6.1
Dividend yield (%)	0.0	0.5	0.5	0.5	0.5
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	n.a	n.a	57.7	76.7	88.4
UOBKH/Consensus (x)	n.a	n.a	0.9	0.9	1.1

Source: Pekat, Bloomberg, UOB Kay Hian

Analyst(s)

Chong Lee Len
leelen@uobkh.com
+603 2147 1992

Hifzhan Raziq
hifzhanraziq@uobkh.com
+603 2147 1949

BUY (Maintained)

Share Price	RM2.13
Target Price	RM3.60
Upside	69.0%

Stock Data

Sector	Industrials
Bloomberg ticker	PEKAT MK
Shares issued (m)	710.2
Market cap (RMm)	1,512.9
Market cap (US$m)	367.4
3-mth avg daily t'over (US$m)	1.7

Price Performance (%)

52-week high/low				RM3.12/RM1.11
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(22.5)	13.3	36.5	34.0	34.8

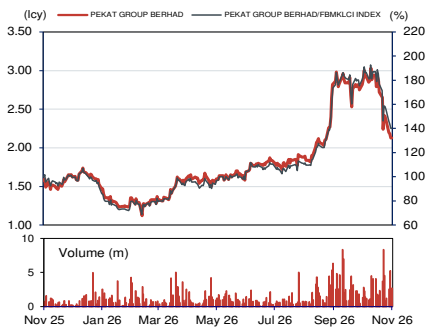
Major Shareholders (%)

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.

- **The solar PV segment continues its downtrend.** The solar photovoltaics (PV) division continued to record another weaker quarter, contributing a revenue of RM51m (-29% yoy; -39% qoq). The decline was primarily attributed to higher revenue contribution from large-scale solar engineering, procurement, construction and commissioning (EPCC) project in the preceding quarter and strong progress on the Corporate Green Power Programme (CGPP) project delivery back in 3Q25.
- **The earthing, lighting and protection (ELP) division reported another record-high revenue of RM36m** (+113% yoy; +43% qoq), driven by strong project delivery, primarily from data centre jobs. The ELP orderbook currently stands at a record RM239m.
- **The trading division surged nearly threefold** to RM50m (+192% yoy; +152% qoq), accounting for 28% of total group revenue during the quarter. The division became the second-largest top-line contributor, on the back of robust sales volume for its ELP and power distribution equipment (PDE) products.
- **EPE Switchgear.** The PDE division reported a strong 3Q26 revenue of RM47m (+35% yoy; +43% qoq), accounting for 27% of total group revenue. The segment remains Pekat's largest orderbook constituent, making up 40% of its RM780m orderbook.
- **RM780m orderbook to grow to a record RM2.2b.** The combined orderbook of the solar, power distribution equipment (EPE Switchgear), and ELP divisions currently stands at a robust RM780m. We have penciled 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 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 projects.

Valuation/Recommendation

- **Maintain BUY with an 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 PE of 18x). Its Mainboard listing has been approved by Bursa Malaysia and the transfer is expected to materialise by end-Nov 26.

Earnings Revision/Risk

- No changes to earnings.

Share Price Catalyst

- **EPE Switchgear: Potential contract win in 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.

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

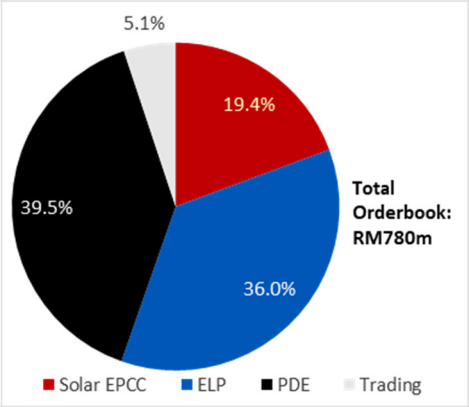
- The board comprises six members consisting of four Independent Directors and two Non-Independent Directors including GCEO. Meanwhile, women comprise 33% (two directors) of the board.

Value Of RM3.60/share

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

Source: UOB Kay Hian

Current Orderbook



Source: Pekat, UOB Kay Hian

PE Band



Source: Pekat, 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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