Pentamaster Corp (PENT MK)

2Q26: Trudging Through 2026; Accelerating In 2027

Highlights

- Pentamaster's results were below expectations due to higher tax rates following the expiry of Pioneer tax incentives.
- That said, orderbook has improved to RM550m (+15% qoq) anchored mainly by the AI compute and medical segments.
- Trim 2026 earnings by 10% to reflect higher tax rates. Maintain HOLD. Target price: RM5.20.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq% chg	yoy % chg	1H26	yoy % chg
Revenue	180.9	0.3	24.8	361.2	30.6
Gross Profit	43.7	(4.8)	11.9	89.5	21.0
EBITDA	34.1	1.5	36.7	67.7	27.5
Operating profit	34.1	30.6	90.4	60.2	53.5
Pre-tax profit	34.7	27.7	96.4	61.8	61.8
Net Profit	19.0	6.1	63.9	37.0	49.8
Core Net Profit	11.0	(28.4)	(42.3)	26.3	(7.4)
Margins (%)		qoq ppt chg	yoy ppt chg		yoy ppt chg
Gross Profit	24.1	-1.3	-2.8	24.8	(2.0)
EBITDA	18.9	0.2	1.6	18.7	(0.5)
PBT	19.2	4.1	7.0	17.1	3.3
Net Profit	10.5	0.6	2.5	10.2	1.3
Core Net Profit	6.1	-2.4	-7.0	7.3	(3.0)

Source: Pentamaster, UOB Kay Hian

Analysis

- **Below expectations.** Pentamaster Corporation (Pentamaster) reported a 2Q26 core net profit of RM11.0m (-28% qoq, -42% yoy), bringing 1H26 to RM26.3m, accounting for 38%/32% of our/consensus full-year estimates respectively. The shortfall was mainly due to a higher-than-expected tax rate of 19.3% in 2Q26 (vs 4.7% in 1Q26) due to the expiry of pioneer tax incentives.
- Note that the core net profit has been adjusted for: a) an unrealised forex gain of RM14.7m, b) one-off loss from changes in FV of foreign currency forward contracts, and c) inventory net reversal.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	623	584	660	760	876
EBITDA	128	124	153	185	209
Operating profit	106	96	102	128	146
Net profit (rep./act.)	65	62	61	87	99
Net profit (adj.)	80	59	61	87	99
EPS (sen)	11.2	8.2	8.6	12.2	13.9
PE (x)	50.8	69.3	66.1	46.9	41.2
P/B (x)	5.4	5.1	4.4	3.8	3.3
EV/EBITDA (x)	31.0	33.0	26.5	21.6	18.7
Dividend yield (%)	-	-	-	-	-
Net margin (%)	10.5	10.6	9.3	11.4	11.3
Net debt/(cash) to equity (%)	(0.4)	(0.2)	(0.2)	(0.2)	(0.3)
Interest cover (x)	na	na	na	na	na
ROE (%)	9.0	8.3	7.5	9.8	10.1
Consensus net profit			81.3	104.2	125.5
UOBKH/Consensus (x)			0.76	0.83	0.79

Source: Pentamaster Corporation, Bloomberg, UOB Kay Hian

HOLD (Maintained)	
Share Price	RM5.71
Target Price	RM5.20
Upside	-8.9%
Previous TP	RM4.20

Analyst(s)
Desmond Chong
desmondchong@uobkh.com
+603 2147 1980

Stock Data

GICS sector	Industrials
Bloomberg ticker:	PENT MK
Shares issued (m):	711.3
Market cap (RMm):	4,061.5
Market cap (US$m):	993.0
3-mth avg daily t'over (US$m):	2.0

Price Performance (%)

52-week high/low RM5.79/RM2.80

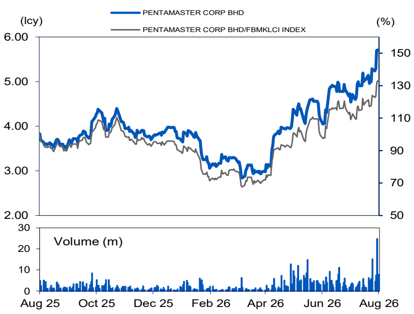
1mth	3mth	6mth	1yr	YTD
22.0	26.6	86.6	53.5	52.71

Major Shareholders	%
Chuah Choon Bin	19.7
Bank Julius Baer & Co AG	19.7
Employees Provident Fund	11.4

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.69
FY26 Net Cash/Share (RM)	0.38

Price Chart



Source: Bloomberg

Company Description

Pentamaster designs, manufactures and installs automated equipment in the semiconductor, pharmaceutical, medical devices, automotive, food and beverages, and consumer goods industries globally.

- **1H26 revenue grew 31% yoy,** as robust growth in the factory automation solutions (FAS) (+119% yoy) was more than offset by a 24% yoy decline in automated test equipment segment revenue. By end-market, sales to the electro optical, medical and semicon segments rebounded strongly (+95%, +66% and +66% yoy, respectively), driven by recovering demand for FAS and test handling solutions. However, the automotive segment – previously the largest contributor in 2025 – saw its revenue plunge 58% yoy, mainly due to the timing of project deliveries. While PBT grew by a wider 62% yoy on better operational efficiency, core net profit dropped 7% on higher tax rates on unfavourable forex translations.
- **Qoq,** revenue came in flat, as strong sales contribution from consumer & industrial was negated by softer sales in the automotive and electro-optical segments. While PBT improved by 27%, core net profit dropped by 28% qoq on higher tax rates (following the expiry of tax incentives granted by MIDA to Pentamaster Technology (PTSB) and Pentamaster Equipment Manufacturing), after stripping out unrealised forex gains. Note that the group has obtained approval for a new tax incentive (70% of PTSB's statutory income for five years) relating to its advanced packaging and advanced photonics equipment initiatives under the ATE segment.
- **Orderbook grew to RM550m; pivoting towards high growth sectors.** Pentamaster's 2Q26 orderbook grew 15% qoq to RM550m (rolling basis) anchored mainly by the AI compute and medical segments which would remain key growth drivers for the group in 2026. The group continues to strengthen its capabilities in advanced packaging technologies, underpinned by accelerating demand in AI, HPC, and other data-intensive, high-speed applications. These structural trends provide a favourable backdrop for long-term growth, positioning Pentamaster to capitalise on next-generation technology opportunities over the medium to long term.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of RM5.20 (from RM4.20),** based on a rolled-over 42.0x 2027F PE (+0.5SD above average SPE's seven-year forward PE).
- The stock has staged a notable rebound from its March trough of RM2.84, underpinned by improving industry sentiment and sustained optimism surrounding AI-driven demand. Following this sharp recovery, we are of the view that the current valuation is fair as it presents a balanced risk-reward profile.

Earnings Revision/Risk

- We cut our 2026 earnings estimate by 10% to account for a higher tax rate assumption but make no change to our 2027 earnings forecast.

Environmental, Social, Governance (ESG) Updates

Environmental

- To minimise waste, Pentamaster only starts material procurement, assembly and programming once a suggested solution is approved by its customers.

Social

- In 2020, besides various donations to support NGOs, Pentamaster provided used computers to schools and charity homes to support e-learning, low-cost ventilators to support local hospitals, and financial assistance to the needy.

Governance

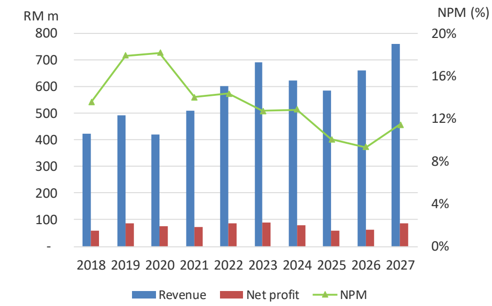
- The company has in place an Anti-Bribery and Anti-Corruption Policy.
- There were zero whistle-blowing and bribery instances in 2020.

Revenue By Segment

Year to 31 Dec (RMm)	1H26	1H25	Yoy chg %
Total Revenue	361.02	276.48	30.6%
Electro Optical (Telco)	116.08	59.57	94.9%
Auto	39.80	95.08	-58.1%
AI Compute	32.96	NA	NA
CE & Industrial	37.93	37.26	1.8%
Semicon	63.46	38.33	65.6%
Medical	70.57	42.46	66.2%
Others	0.23	3.77	-93.9%

Source: Pentamaster, UOB Kay Hian

Revenue And Margin Outlook



Source: Pentamaster, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	584	660	760	876
EBITDA	124	153	185	209
Deprec. & amort.	(28)	(51)	(57)	(63)
EBIT	96	102	128	146
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	0	0	0	0
Pre-tax profit	96	102	128	146
Tax	(5)	(12)	(1)	(1)
Minorities	(29)	(29)	(40)	(46)
Net profit	62	61	87	99
Net profit (adj.)	59	61	87	99

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	496	578	618	651
Other LT assets	88	88	88	88
Cash/ST investment	248	272	335	423
Other current assets	425	475	532	601
Total assets	1,256	1,413	1,573	1,762
ST debt	0	0	0	0
Other current liabilities	188	203	217	234
LT debt	0	0	0	0
Other LT liabilities	8	8	8	8
Shareholders' equity	790	931	1,077	1,249
Minority interest	271	271	271	271
Total liabilities & equity	1,256	1,413	1,573	1,762

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	(26)	74	113	133
Pre-tax profit	96	102	128	146
Tax	(2)	(12)	(1)	(1)
Deprec. & amort.	(28)	(51)	(57)	(63)
Associates	(0)	(0)	(0)	(0)
Working capital changes	(145)	35	43	51
Non-cash items	0	0	0	0
Other operating cashflows	53	0	0	1
Investing	(136)	(50)	(50)	(49)
Capex (growth)	(60)	(50)	(50)	(49)
Investments	(14)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(63)	0	0	0
Financing	(35)	0	0	2
Dividend payments	0	0	0	0
Issue of shares	0	0	0	1
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(35)	0	0	1
Net cash inflow (outflow)	(197)	24	63	86
Beginning cash & cash equivalent	449	248	272	335
Changes due to forex impact	(4)	0	0	1
Ending cash & cash equivalent	248	272	335	423

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.3	23.2	24.4	23.9
Pre-tax margin	16.4	15.5	16.9	16.7
Net margin	10.6	9.3	11.4	11.3
ROA	4.8	4.5	6.0	6.4
ROE	8.3	7.5	9.8	10.1
Growth				
Turnover	(20.3)	(5.9)	12.8	34.6
EBITDA	(28.6)	(4.7)	21.3	40.9
Pre-tax profit	(41.9)	(36.0)	(12.2)	4.3
Net profit	(39.6)	(40.3)	(3.7)	14.1
Net profit (adj.)	(39.6)	(40.3)	(3.7)	14.1
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(23.4)	(22.7)	(24.9)	(27.8)
Interest cover (x)	na	na	na	na