Pekat Group (PEKAT MK)

2Q26: In Line; Growing Revenue Mix Leads To Margin Expansion

Analyst(s)

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Highlights

- Pekat reported robust 2Q26 net profit of RM14.2m, driven by: a) healthy progress of its utility-scale EPCC project, b) robust ELP project execution and elevated trading orders;,and c) record revenue from EPE Switchgear.
- Pekat declared a 1 sen net DPS in the current quarter, well within our expectations. Pekat's orderbook currently stands at a record RM908m.
- BUY on weakness with a target price of RM2.00, based on 25x PER and 2026 EPS of 8.0 sen.

BUY (Maintained)

Share Price	RM1.77
Target Price	RM2.00
Upside	13.0%

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Revenue	175.4	4.5	38.1	343.3	23.8
Gross Profit	40.6	8.2	14.8	78.1	5.6
EBIT	22.7	15.7	22.2	42.3	8.8
Profit Before Tax	21.7	16.4	25.6	40.3	10.0
Core Net Profit	14.2	14.2	28.8	26.6	15.3
Segmental Revenue	2Q26	qoq%	yoy%	1H26	yoy%
Solar Photovoltaics	84.0	(18.7)	34.2	187.4	20.6
ELP	24.9	61.9	67.2	40.2	29.5
Trading	19.7	20.4	33.8	36.0	28.1
Power Distribution Equipment	46.9	42.9	34.7	79.7	27.1
Total	175.4	4.5	38.1	343.3	23.8

Source: Pekat, UOB Kay Hian

Stock Data

Sector	Industrials
Bloomberg ticker	PEKAT MK
Shares issued (m)	706.3
Market cap (RMm)	1,255.0
Market cap (US$m)	309.1
3-mth avg daily t'over (US$m)	0.4

Price Performance (%)

52-week high/low: RM1.90/RM1.11

1mth	3mth	6mth	1yr	YTD
(2.2)	15.7	42.7	13.5	12.0

Major Shareholders (%)

Chin Soo Mau	31.7
Tai Yee Chee	8.0
AIA Bhd	4.4

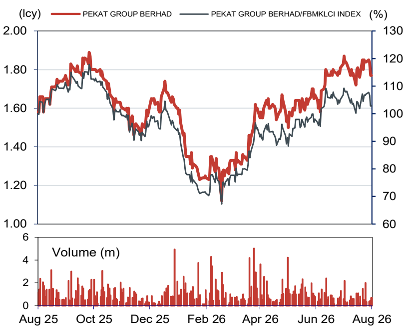
Balance Sheet Metrics

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

Analysis

- **1H26: In line.** Pekat Group (Pekat) reported strong 2Q26 net profit of RM14m (+29% yoy; +14% qoq). Earnings were driven by: a) healthy progress of its utility-scale EPCC project, b) robust ELP project execution (primarily from data centre jobs), and c) strong revenue contribution from EPE Switchgear (+35% yoy; +43% qoq). The higher revenue mix from EPE Switchgear contributed to the group's qoq net margin expansion to 8.1%. 1H26 net profit of RM27m makes up 49% and 48% of house and street estimates respectively.

Price Chart



Source: Bloomberg

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	287.0	609.9	684.3	802.0	879.8
EBITDA	38.9	82.0	145.0	160.2	185.6
Operating profit	36.5	74.1	89.6	104.4	122.1
Net profit (rep./act.)	22.0	45.0	54.2	64.2	77.3
Net profit (adj.)	22.0	44.9	54.2	64.2	77.3
EPS	3.4	6.3	7.7	9.1	10.9
PE (x)	51.9	27.9	23.1	19.5	16.2
P/B (x)	5.8	3.6	2.5	1.9	1.5
EV/EBITDA (x)	34.1	16.7	8.7	7.1	5.5
Dividend yield (%)	0.0	0.6	0.6	0.6	0.6
Net margin (%)	7.7	7.4	7.9	8.0	8.8
Net debt/(cash) to equity (%)	19.2	20.5	(7.2)	(25.9)	(36.3)
Interest cover (x)	40.6	15.3	12.4	15.7	21.8
ROE (%)	11.3	13.0	10.8	9.6	9.1
Consensus net profit	n.a	n.a	684.3	802.0	879.8
UOBKH/Consensus (x)	n.a	n.a	0.8	0.8	0.9

Source: Pekat, Bloomberg, UOB Kay Hian

Company Description

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

- **Dividend.** Pekat declared an interim 1 sen net DPS in the current quarter, well within our expectations. This reflects its commitment towards active capital management. Management aims for a sustainable annual dividend payout over 2026-28, subject to any extraordinary expenditures relating to M&A activities within the wider power equipment industry (transformer business), district cooling solutions as well as solar asset ownership.
- **A sequentially weaker quarter for solar PV segment.** The solar photovoltaics (PV) division recorded a sequentially weaker 2Q26 top-line of RM84m (+34% yoy; -19% qoq wrong). YOY, revenue was driven by progress on its Corporate Green Power Programme (CGPP) project and EPCC contract in Johor.
- **The earthing, lighting and protection (ELP) division reported a record-high revenue of RM25m** (+67% yoy; +62% qoq). underpinned by strong project delivery, primarily from data centre jobs. Pekat was recently awarded two data centre-related ELP system contract worth RM47m, expanding its ELP orderbook to a record high of RM239m.
- **Record-high contribution from 60%-owned EPE Switchgear.** The power distribution equipment (PDE) division saw its 2Q26 revenue surge to RM47m (+35% yoy; +43% qoq), accounting for 27% of total group revenue. The quarter reflected its increased sales order fulfilment, primarily consisting of Tenaga Nasional Berhad (TNB) tenders for the supply of low- and medium-voltage switchgears. The segment's orders have emerged as Pekat's largest orderbook constituent, making up 39% of its RM908m record orderbook.

Valuation/Recommendation

- **BUY on weakness with a target price of RM2.00.** We peg our fair value to 25x 2026F PE (+1SD from mean PE) and 2026 EPS of 8.0 sen, considering bright prospects for Pekat with a commendable three-year (2025-28) earnings CAGR of 20%. Importantly, we expect Pekat to demonstrate the capability to pull away from competition with its strong execution track record, well-diversified revenue drivers and stellar cost management.

Earnings Revision/Risk

- No changes to earnings.

Share Price Catalyst

- **Record orderbook of RM908m.** The combined orderbook of the solar, power distribution equipment (EPE Switchgear), and ELP divisions currently stands at a record RM908m. The group reiterated bright prospects for 2026, highlighting: a) strong earnings visibility and a burgeoning orderbook in the solar division, b) a healthy data centre pipeline for the ELP segment, c) elevated revenue contribution from switchgear project delivery, and d) elevated EPCC jobs from LSS6 and C&I projects under Solar ATAP as well as off-grid projects in Sabah and Sarawak under Budget 2026.

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.

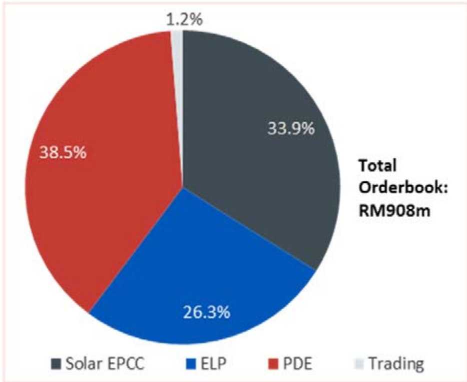
Social

- 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

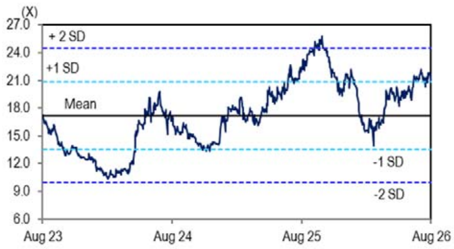
- The board comprises six members consisting of four Independent Directors and two Non-Independent Directors including GCEO. Meanwhile, women comprise 33% (two directors) of the board.

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	684	802	880
EBITDA	82	145	160	186
Deprec. & amort.	(8)	(55)	(56)	(64)
EBIT	74	90	104	122
Associate contributions	1	2	2	2
Net interest income/(expense)	(5)	(7)	(7)	(6)
Pre-tax profit	70	84	99	118
Tax	(19)	(23)	(27)	(32)
Minorities	(6)	(7)	(8)	(9)
Net profit	45	54	64	77
Net profit (adj.)	45	54	64	77

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	167	199	210	236
Other LT assets	58	58	60	61
Cash/ST investment	90	169	285	403
Other current assets	399	422	477	508
Total assets	715	848	1,031	1,210
ST debt	40	33	28	24
Other current liabilities	192	199	237	251
LT debt	120	100	84	72
Other LT liabilities	17	17	16	16
Shareholders' equity	344	499	666	846
Minority interest	49	57	0	0
Total liabilities & equity	715	848	1,031	1,210

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	43	105	116	137
Pre-tax profit	70	84	99	118
Tax	(20)	(23)	(27)	(32)
Deprec. & amort.	8	55	56	64
Associates	(1)	(2)	(2)	(2)
Working capital changes	(23)	(17)	(17)	(17)
Other operating cashflows	8	7	7	6
Investing	(160)	(44)	(66)	(89)
Capex (growth)	(97)	(44)	(66)	(89)
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	116	119
Beginning cash & cash equivalent	34	88	166	282
Changes due to forex impact	0	41	0	0
Ending cash & cash equivalent	88	166	282	401

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	13.4	21.2	20.0	21.1
Pre-tax margin	11.5	12.3	12.4	13.4
Net margin	7.4	7.9	8.0	8.8
ROA	13.0	10.8	9.6	9.1
ROE	6.3	6.4	6.2	6.4
Growth				
Turnover	112.5	12.2	17.2	9.7
EBITDA	103.1	20.9	16.5	17.0
Pre-tax profit	102.2	19.4	18.5	19.0
Net profit	104.7	20.3	18.5	20.4
Net profit (adj.)	103.9	20.7	18.5	20.4
EPS	103.9	20.7	18.5	20.4
Leverage				
Debt to total capital	0.3	0.2	0.1	0.1
Debt to equity	46.7	26.6	16.8	11.4
Net debt/(cash) to equity	20.5	(7.2)	(25.9)	(36.3)
Interest cover	15.3	12.4	15.7	21.8