

22 May 2026

Pekat Group

Soft Start

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PEKAT's 1QFY26 CNP of RM12.3m came in within expectations, accounting for 22% each of both our and consensus full-year estimates. QoQ earnings softened slightly, mainly due to weaker C&I rooftop solar demand, lower Power Distribution contribution and project timing in ELP. Looking ahead, 2QFY26 earnings should improve QoQ, driven by a post-festive recovery in EPE deliveries and stronger ELP contribution from data centre-related demand. Solar demand may remain soft under Solar ATAP, though SELCO interest should improve following RP4 implementation as businesses seek to manage peak-demand charges. Forecasts maintained. Maintain **OUTPERFORM** with TP of RM1.72.

Within expectations. Stripping out total exceptional items of RM0.1m, 1QFY26 core net profit (CNP) came in at RM12.3m (-2% QoQ, +9% YoY). This accounted for 22% each of both our and consensus full-year estimates. No dividend was declared.

QoQ, CNP eased 1.6% QoQ to RM12.3m, primarily due to softer contributions across key segments; (i) EPCC revenue, the dominant driver at 62% of total revenue, fell 11.1% on weaker demand for C&I rooftop solar projects, (ii) Power Distribution declined 15.7%, which we attribute to lower order fulfilment amid festive-season execution lags, and (iii) ELP declined 21.7% due to project timing. In contrast, Trading improved modestly by 1.2%. CNP margin expanded 0.8 ppt to 7.3%, reflecting a more favourable project mix.

YoY, CNP rose 9.1% to RM12.3m, supported by 11.7% revenue growth to RM167.9m. The earnings improvement was primarily driven by: (i) higher EPCC revenue from progress recognition of utility-scale projects (+11.4%), (ii) stronger demand for power distribution equipment (+17.7%) on higher order fulfilment, and (iii) increased trading volume (+21.8%). The effective tax rate edged up to 31.0% from 29.1% in 1QFY25, mainly due to non-deductible expenses and losses in certain subsidiaries.

Outlook. We anticipate sequential improvement in 2QFY26, driven by the EPE and ELP segments. The EPE segment should contribute incremental earnings following a post-festive season recovery in deliveries for utility and private sector contracts. Meanwhile, the ELP division remains positioned for strong growth, benefiting from rising hyperscale investments in data centres that continue to drive robust demand for reliable ELP solutions. Given that ELP commands an estimated 60% market share in Peninsular Malaysia, the division is a direct beneficiary of the DC construction cycle. Conversely, the solar segment is expected to see softer momentum, mainly due to less attractive returns under the Solar ATAP programme and a lack of fresh incentives. Near-term drive should centre on the SELCO framework following RP4 implementation, as businesses hedge against peak demand tariffs.

On the cost front, we note that module prices are currently hovering around USD 0.11/W and have remained stable over recent weeks, a trend that is likely to drive a recovery in solar project sentiment.

Order book. As of 31 Mar 2026, the order book stood at RM760.1m (Solar 27%, EPE 46%, ELP 25% & Trading 2%), 1.2x of FY25 revenue.

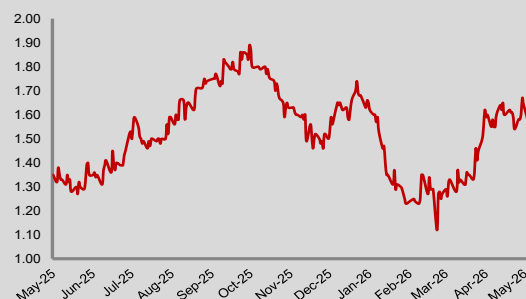
Forecasts. Maintained.

Valuations. Maintain TP of **RM1.72**, based on a sum-of-parts (SoP) valuation. Maintain **OUTPERFORM**.

OUTPERFORM ↔

Price : **RM1.50**
Target Price : **RM1.72** ↔

Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	-5.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PEKAT MK EQUITY
Market Cap (RM m)	1,062.4
Shares Outstanding	708.3
52-week range (H)	1.90
52-week range (L)	1.11
3-mth avg. daily vol.	1,279,326
Free Float	49%
Beta	0.6

Major Shareholders

Chin Soo Mau	31.8%
Tai Yee Chee	8.0%
Wee Chek Aik	6.8%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	609.5	685.1	701.0
EBIT	72.4	98.9	107.1
PBT	68.3	88.3	100.0
Net Profit	49.1	67.0	75.9
Core PATAMI	45.1	56.1	60.4
Consensus (NP)		56.2	64.7
Earnings Revision		0%	0%
Core EPS (sen)	7.0	8.7	9.4
Core EPS Growth (%)	115.9	24.5	7.8
NDPS (sen)	1.0	0.0	0.0
NTA per Share (RM)	0.5	0.6	0.7
PER (x)	19.0	15.3	14.2
PBV (x)	2.5	2.3	1.8
Net Gearing (x)	0.6	0.2	(0.0)
Net Div. Yield (%)	0.8	0.0	0.0

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Investment thesis. We like PEKAT for: (i) capitalising on Malaysia's RE boom with a profitability-focused strategy, (ii) its newly acquired switchgear business which is a key under-appreciated earnings driver, and (iii) its leading market share in ELP segment with bright prospects.

Risks to our call include: (i) dependency on government's RE policy, (ii) influx of new players in the EPCC space, intensifying competition, and (iii) escalation in solar panel prices and other project costs.

Results Highlights

FYE Dec (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
Revenue	167.9	190.9	-12%	150.3	12%	167.9	150.3	12%
COGS	-130.4	-152.4	-14%	-111.7	17%	-130.4	-111.7	17%
GP	37.5	38.5	-2%	38.6	-3%	37.5	38.6	-3%
Other Income	1.1	4.1	-72%	1.1	3%	1.1	1.1	3%
Admin expenses	-18.2	-21.0	-13%	-19.0	-4%	-18.2	-19.0	-4%
Other expenses	-0.8	-2.2	-65%	-0.3	147%	-0.8	-0.3	147%
EBIT	19.6	19.3	2%	20.3	-4%	19.6	20.3	-4%
Finance income	0.2	0.3	-29%	0.2	38%	0.2	0.2	38%
Finance costs	-1.6	-1.9	-12%	-1.1	44%	-1.6	-1.1	44%
Share of profit of an associate	0.4	0.7	-47%	0.0	N.A.	0.4	0.0	N.A.
PBT	18.6	18.5	1%	19.4	-4%	18.6	19.4	-4%
Tax	-5.8	-5.4	7%	-5.6	2%	-5.8	-5.6	2%
Non-controlling Interests	-0.4	-1.4	-70%	-1.7	-75%	-0.4	-1.7	-75%
Net Profit	12.8	13.1	-2%	13.7	-6%	12.8	13.7	-6%
Core Net Profit	12.3	12.5	-2%	11.3	9%	12.3	11.3	9%
GP Margin	22%	20%		26%		22%	26%	
Operating Margin	12%	10%		14%		12%	14%	
PBT Margin	11%	10%		13%		11%	13%	
Net Margin	8%	7%		9%		8%	9%	
Core Net Margin	7%	7%		8%		7%	8%	
Effective Tax Rate	31%	29%		29%		31%	29%	

Source: Company, Kenanga Research

Segmental Breakdown

External Revenue (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
EPCC	103.4	116.2	-11.1%	92.8	11.4%	103.4	92.8	11.4%
ELP	15.4	19.6	-21.7%	16.2	-5.1%	15.4	16.2	-5.1%
Trading	16.3	16.1	1.2%	13.4	21.8%	16.3	13.4	21.8%
Power distribution equipment	32.8	38.9	-15.7%	27.9	17.7%	32.8	27.9	17.7%
Total Revenue	167.9	190.9	-12.1%	150.3	11.7%	167.9	150.3	11.7%

Source: Company, Kenanga Research

Exhibit 2: Sum-of-Parts (SoP) Valuation

Business/Asset	Value (RM m)
EPCC	662.3
EPE Switchgear	345.9
ELP	110.9
CGPP	24.6
Other Solar Assets	35.0
Asset Valuation	1178.7
Proceed from private placement for future project	55.0
Proceed from exercise of ESOS	19.4
	1253.2
Enlarged share base (m shares)	727.7
TP after ESG (RM/share)	1.72

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
CHEEDING HOLDINGS BHD	OP	0.665	0.700	5.3%	530.2	Y	03/2026	4.3	5.3	30.8%	23.5%	15.6	12.6	5.9	48.6%	1.1	1.6%
KAWAN RENERGY BHD	OP	0.510	0.730	43.1%	280.5	Y	10/2026	4.8	6.1	11.9%	27.8%	10.7	8.3	2.0	20.7%	1.4	2.7%
KJTS GROUP BHD	OP	0.775	1.34	72.9%	535.2	Y	12/2026	3.0	3.7	17.0%	21.6%	25.5	21.0	2.3	11.8%	0.6	0.8%
PEKAT GROUP BHD	OP	1.50	1.72	14.7%	1,062.4	Y	12/2026	8.5	9.2	22.4%	7.3%	17.6	16.4	2.6	18.2%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.24	1.94	56.5%	652.3	Y	06/2026	6.3	7.5	21.3%	18.8%	19.6	16.5	3.1	17.4%	1.1	0.9%
SOLARVEST HOLDINGS BHD	OP	2.75	3.36	22.2%	2,622.8	Y	03/2027	13.8	15.4	29.1%	11.6%	19.9	17.8	2.7	14.8%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.165	0.470	184.8%	165.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	12.7	8.3	2.1	19.1%	0.0	0.0%
SECTOR AGGREGATE					5,848.6					20.1%	17.1%	20.4	17.4	2.9	21.5%		0.9%

Source: Kenanga Research

*Note that Sunview numbers based on Bloomberg consensus

Stock ESG Ratings:

Sustainability-Related Opportunities

- **Renewable energy growth:** Pekat is directly leveraged to Malaysia’s solar PV and energy transition rollout through solar EPCC, solar asset ownership, BESS and O&M.
- **Quantified climate contribution:** Completed solar PV systems are linked to estimated annual generation and avoided emissions, giving investors measurable climate-positive revenue exposure.
- **Improving disclosure maturity:** Pekat has started Scope 1 and Scope 2 GHG tracking under NSRF and IFRS S2 transition readiness.

Sustainability-Related Risks and Disclosure Gaps

- **Scope 3 gap:** Scope 1 and 2 are disclosed, but Scope 3 remains a gap.
- **Safety metric gap:** LTIFR is disclosed, but SASB-style TRIR, fatality rate and near-miss frequency are not fully provided.
- **Solar supply chain risk:** Limited disclosure on module supply chain due diligence, forced labour screening, polysilicon sourcing or supplier ESG audits.
- **Project performance gap:** No detailed long-term solar asset performance ratio, degradation rate or system uptime trend disclosed.

ESG Rating

Criterion	Rating			
Environmental Impacts of Project Development	★	★	★	★
Workforce Health & Safety	★	★	★	
Lifecycle Impacts of Buildings & Infrastructure	★	★	★	★
Climate Impacts of Business Mix	★	★	★	★
Business Ethics	★	★	★	★
Project Design & Management	★	★	★	

☆ denotes half-star
 ★ -5% discount to TP
 ★★ -3% discount to TP
 ★★★ TP unchanged
 ★★★★ +3% premium to TP
 ★★★★★ +5% premium to TP

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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