

25 May 2026

Pekat Group

Structural Growth

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We met with PEKAT post its 1QFY26 results and came away more confident in its near-term earnings visibility, supported by sequential recovery in EPE, accelerating ELP execution and steady solar contribution. Residential solar sentiment is also expected to rebound, following the rollout of new government incentives, which could drive stronger demand in 2HFY26. Meanwhile, demand visibility remains supported by RP4-driven grid capex and data centre-related works, particularly as Tier 3-4 data centre FDI drives higher ELP specifications and contract values. Following stronger inflows, order book replenishment assumptions are raised. Maintain OUTPERFORM with a new SoP-based TP of RM1.91.

Sequential strength expected in 2QFY26. We expect PEKAT's earnings momentum to strengthen sequentially in 2QFY26, driven by: (i) stronger order fulfilment under the EPE segment as operations resume after Chinese New Year and Hari Raya, (ii) accelerated ELP project execution from data centre-related contracts, and (iii) steady solar contribution, mainly from SELCO and C&I orders. We view this as achievable, as manufacturing activities have resumed normal operations in April, supporting the continued burn rate of its RM760.2m order book, equivalent to c.1.2x FY25 revenue.

Solar demand expected to recovery in 2H. Solar earnings should remain supported by RM207.4m outstanding solar orders, mainly from SELCO and one LSS project. Following RP4 tariff restructuring, higher capacity charges have increased the need for maximum-demand management, especially among heavy industrial users. This should drive stronger demand for SELCO and solar-plus-BESS solutions and support further order replenishment in 2HFY26. Residential solar demand could also recover gradually following [SuRIA Home](#) rebates of RM600/kWac, capped at RM3,000 per household, under Solar ATAP from 1 June 2026, providing an additional growth avenue for the Group. PEKAT is also tendering for several CRESS projects, which could create another solar replenishment avenue for the Group. In our view, CRESS demand could pick up if there is a push toward renewable energy requirements for data centres, similar to requirements observed elsewhere, including in [Singapore](#).

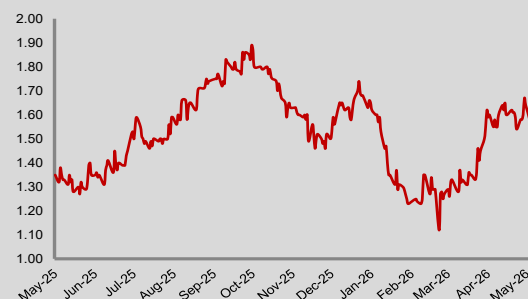
ELP remains in the spotlight for DC play. ELP remains PEKAT's key data centre proxy, supported by rising demand for higher-specification facilities. Based on our recent [Johor study trip](#) with MIDA, incoming data centre FDI is increasingly shifting towards Tier 3-4 facilities, where uptime and system reliability requirements are more stringent. This should translate into higher demand for earthing and lightning protection systems, potentially lifting contract values and strengthening ELP's earnings profile. With PEKAT commanding c.60% market share in Peninsular Malaysia, the Group is well positioned to capture rising data centre demand. The recent RM40m order book replenishment provides early evidence of this trend.

EPE to resume stronger delivery post festivities. EPE is positioned for stronger revenue recognition from 2QFY26 onwards, supported by normalising order fulfilment post festivities and a sizeable RM350m order book, which is expected to last over the next two years. Based on 3GW of ESAs signed and assuming 150MW load requirement per data centre, this could imply around 20 data centre power substation requirements over the next 12 months. This should translate into higher near-term demand for switchgear and switchboards, given their critical role in power distribution systems. As one of TNB's established

OUTPERFORM ↔

Price : **RM1.58**
Target Price : **RM1.91** ↑

Share Price Performance



KLCI	1,712.67
YTD KLCI chg	1.9%
YTD stock price chg	0.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PEKAT MK EQUITY
Market Cap (RM m)	1,119.1
Shares Outstanding	708.3
52-week range (H)	1.90
52-week range (L)	1.11
3-mth avg. daily vol.	1,275,293
Free Float	49%
Beta	0.7

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	685.6	717.5
EBIT	72.4	99.0	110.7
PBT	68.3	88.3	105.7
Net Profit	49.1	67.0	80.3
Core PATAMI	45.1	56.1	64.2
Consensus (NP)	-	56.2	64.7
Earnings Revision	-	+0.1%	+6.4%
Core EPS (sen)	7.0	8.7	10.0
Core EPS Growth (%)	115.9	24.5	14.5
NDPS (sen)	1.0	-	-
NTA per Share (RM)	0.5	0.6	0.8
PER (x)	19.0	15.3	13.4
PBV (x)	2.5	2.3	1.8
Net Gearing (x)	0.6	0.2	-
Net Div. Yield (%)	0.8	-	-

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vendors, EPE should benefit from stronger order flow from both data centre requirements and grid enhancement works.

Solar panel price risk appears manageable. Management viewed that current solar module prices may not be sustainable, as many manufacturers are still selling below cost and remain loss-making, raising the possibility of price normalisation in the near term. To hedge against this uncertainty, the Group has stored sufficient inventory to last until 3QFY26, providing a cost buffer against immediate price movements, while cash and cash equivalents of c.RM86m should support working capital needs. Given PEKAT's solar exposure is largely C&I-focused, where new projects are typically quoted based on prevailing module prices or cost-plus structures, we see lower margin compression risk even if module prices rebound.

Forecasts. FY26F/FY27F earnings are raised by 0.1%/6.4%, respectively, mainly to reflect higher ELP and EPE order book replenishment assumptions. The upward revision is supported by stronger ELP inflows from data centre-related contracts, while EPE remains well placed to benefit from RP4-driven grid capex, backed by strong ESAs signed. Revenue recognition is expected to be mainly back-ended into FY27. Our forecasts have yet to incorporate any potential CRESS wins.

Valuations. The TP is revised to **RM1.91** (from RM1.71), based on a SoP valuation and incorporating a 3% ESG premium to reflect PEKAT's ESG rating. Maintain **OUTPERFORM**.

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.

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

Business/Asset	Value (RM m)
EPCC	742.4
EPE Switchgear	359.8
ELP	114.4
CGPP	24.6
Other Solar Assets	35.0
Asset Valuation	1276.1
Proceed from private placement for future project	55.0
Proceed from exercise of ESOS	19.4
	1350.5
Fully-diluted TP before ESG (RM/share)	727.7
ESG premium (RM/share)	1.86
TP after ESG (RM/share)	0.06
Fully-diluted TP before ESG (RM/share)	1.91

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.				
Stocks Under Coverage																	
CHEEDING HOLDINGS BHD	OP	0.670	0.700	4.5%	534.2	Y	03/2026	4.3	5.3	30.8%	23.5%	15.7	12.7	5.9	48.6%	1.1	1.6%
KAWAN RENERGY BHD	OP	0.505	0.730	44.6%	277.8	Y	10/2026	4.8	6.1	11.9%	27.8%	10.6	8.3	2.0	20.7%	1.4	2.8%
KJTS GROUP BHD	OP	0.765	1.34	75.2%	528.3	Y	12/2026	3.0	3.7	17.0%	21.6%	25.2	20.7	2.3	11.8%	0.6	0.8%
MALAKOFF CORP BHD	OP	0.930	1.00	7.5%	4,544.9	Y	12/2026	3.6	4.8	58.2%	32.9%	26.0	19.5	1.0	3.9%	2.9	3.1%
PEKAT GROUP BHD	OP	1.58	1.91	20.9%	1,119.1	Y	12/2026	8.7	10.0	24.4%	14.4%	18.2	15.9	2.7	18.6%	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	2.83	3.36	18.7%	2,699.1	Y	03/2027	13.8	15.4	29.1%	11.6%	20.5	18.4	2.8	14.8%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.170	0.470	176.5%	170.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	13.1	8.5	2.2	19.1%	0.0	0.0%
SECTOR AGGREGATE					10,525.8					32.6%	24.0%	22.6	18.2	2.7	19.4%		1.1%

Source: Kenanga Research

*Note that Sunview numbers based on Bloomberg consensus

Stock ESG Ratings:

Sustainability-Related Opportunities

- **Renewable energy growth:** Pekati 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:** Pekati 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 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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