Press Metal Aluminium

No Quick Fix for PMBT

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PMETAL has proposed to acquire an additional 36% stake in PMB Technology (PMBT) for RM465m cash, increasing its stake from 23% to 59%, with completion targeted by 3QCY26. The acquisition is aimed at securing PMBT's existing smelting infrastructure and 129MW hydropower allocation, which management intends to repurpose into an 80,000tpa primary aluminium smelter before progressively expanding into silicon-aluminium alloy production. We have factored the consolidation of PMBT into our forecasts, resulting in marginal FY26F-FY27F earnings dilution due to PMBT's current loss-making operations and the continued weakness in silicon metal prices. Our TP remains unchanged at RM8.80 based on an unchanged WACC. Maintain MARKET PERFORM.

Strategic acquisition. Press Metal Aluminium Holdings (PMETAL) has proposed to acquire an additional 36% stake in PMB Technology (PMBT) for RM465m cash, increasing its stake from 23% to 59%. The acquisition price of RM0.70/share represents a slight discount to PMBT's latest NAV of RM0.72/share. Upon completion, PMBT will become a subsidiary of PMETAL.

Funding. The acquisition will be funded via internally generated funds. Pro forma gearing is expected to increase modestly from 0.37x to 0.43x, which we believe remains manageable given PMETAL's strong balance sheet.

Rationale. PMBT owns an existing smelting facility supported by a secured 129MW hydropower allocation, which management intends to repurpose into an 80,000tpa primary aluminium smelter before progressively expanding into silicon-aluminium alloy production. Management estimates the repurposing will require around USD150m in capex, vs more than USD200m for a new greenfield project. Initial commissioning is targeted for 1HCY27, with full production expected by 2HCY27.

Our view. We remain neutral on the proposed acquisition, mainly due to the severe downcycle in the global silicon metal industry. Silicon metal prices have fallen by around 63% from their peak of USD3.47/lb to c.USD1.27/lb as of end-Jul 2026, amid persistent structural oversupply. Pricing pressure could intensify further, with close to 1m tonnes of new Chinese-backed capacity in Indonesia expected to come online by end-2026, comprising Jiuwan at 250,000 tonnes, Taiqing at 180,000 tonnes and Shandong Nanshan at 500,000 tonnes, against current global demand of only c.3.6m tonnes. In addition, meaningful earnings contribution from the repurposed plant is only expected after production ramps up in 2HCY27, suggesting limited immediate impact on our forecast earnings. Taken together, we expect earnings accretion from the acquisition to remain limited over the foreseeable future.

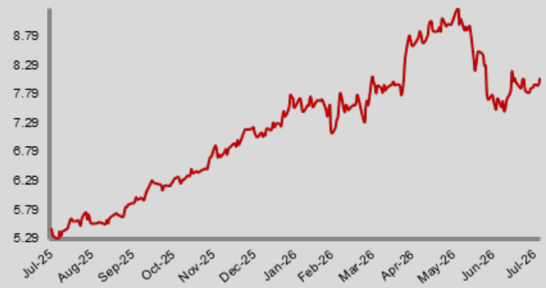
Forecasts. We have factored the consolidation of PMBT into our forecasts, resulting in FY26F-FY27F earnings dilution of 0.2%-0.3%, mainly due to the continued weakness in silicon metal prices and PMBT's loss-making operations. We have yet to assume any meaningful earnings contribution from the repurposed aluminium operations, as we assume a longer gestation period for the plant conversion and for the business to turn profitable.

Valuations. We maintain our TP of RM8.80 based on unchanged WACC of 7.3% and unchanged TG of 2% with long-term aluminium price assumption of USD2,700/MT and reflects a 5% premium by virtue of its 4-star ESG rating (see Page 4).

MARKET PERFORM ↔

Price :	**RM8.00**
Target Price :	**RM8.80 ↔**

Share Price Performance



KLCI	1,732.66
YTD KLCI chg	3.1%
YTD stock price chg	13.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PMAH MK Equity
Market Cap (RM bn)	66,411.3
Shares Outstanding	8,239.6
52-week range (H)	9.28
52-week range (L)	5.29
3-mth avg. daily vol.	11,969,497
Free Float	42%
Beta	1.18

Major Shareholders

ALPHA MILESTONE SDN	33.7%
Employees Provident	10.2%
Kumpulan Wang Persar	5.9%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	16200	17628	18239
EBIT	2602	3821	4460
Pretax profit	2864	4144	4886
Net Profit	**2101**	**3071**	**3450**
Core Net Profit	**2136**	**3071**	**3450**
Consensus (NP)	-	-	-
Earning Revision	-	-	-1%
EPS (sen)	25.9	37.3	41.9
EPS growth (%)	15.2	43.8	12.3
Net DPS (sen)	8.0	14.9	16.7
BV (RM)	1.14	1.36	1.61
NTA/share (RM)	1.13	1.35	1.60
PER (x)	27.5	21.5	19.1
PBV (x)	6.26	5.88	4.96
P/NTA (x)	6.31	5.91	4.99
Gearing (%)	0.16	-0.03	-0.19
Div. Yield (%)	1.1	1.9	2.1

Investment thesis. We continue to like PMETAL for its: (i) structural cost advantage over international peers given its access to low-cost hydropower secured under four long-term PPA contracts ending between 2034 and 2040, (ii) strong secured alumina supply with stakes in two alumina smelters, i.e., Japan Alumina Associate (40%), Nanshan Aluminium (21.75%), and the newly acquired PT Kalimantan Alumina Nusantara (KAN, 80% stake) supplying 40% of its requirements currently, which will increase to 75% when KAN is ready in 2027, and (iii) green investment appeal as a clean energy source producer. However, we believe all positives are already priced in. Maintain **MARKET PERFORM**.

Risks to our call include: (i) a global recession resulting in a sharp fall in the demand for aluminium, hurting prices, (ii) escalation in the cost of key inputs such as alumina and carbon anode, and (iii) major plant disruptions or plant closures.

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																	
ENGTEX GROUP BHD	OP	0.435	0.510	17.2%	376.3	Y	12/2026	4.4	5.5	79.2%	23.3%	9.8	7.9	0.4	4.7%	8.0	18.4%
PRESS METAL ALUMINUM HOLDINGS BHD	MP	8.06	8.80	9.2%	66,411.3	Y	12/2026	37.4	42.1	44.1%	12.7%	21.6	19.2	5.9	29.9%	14.9	1.0%
UNITED U-LI CORPORATION BHD	OP	1.36	1.83	34.6%	296.2	Y	12/2026	18.7	22.9	13.3%	22.3%	7.3	5.9	0.7	10.3%	8.0	5.9%
SECTOR AGGREGATE					**67,083.8**					**44.0%**	**12.9%**	**21.2**	**18.8**	**5.3**	**25.2%**		**8.4%**

Source: Kenanga Research
**Note that Sunview numbers based on Bloomberg consensus*

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Energy Efficiency	★	★	★	★	
	Cybersecurity & Data Privacy	★	★	★	★	
	Effluent/Waste Management	★	★	★	★	★
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★	★	
	Corporate Disclosure	★	★	★		
	OVERALL	★	★	★	★	

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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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