Pentamaster Corporation

AI Leads, Earnings Follow

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PENTA's 9MFY26 PATAMI of RM57.4m (+37% YoY) fell below our expectation but was within consensus, mainly due to higher operating costs, taxation and minority interests. Nevertheless, AI-driven FAS demand remains robust, while advanced packaging equipment commercialization from CY27 offers further growth potential. We maintain our FY26/FY27 forecasts pending management's briefing, and MARKET PERFORM call with an unchanged TP of RM5.60, based on 35.7x FY27 PER.

PENTA's 9MFY26 PATAMI of RM57.4m (+37% YoY) fell short of our expectations but was within consensus estimates, representing 69% and 78% of respective full-year forecasts. Despite revenue meeting expectations, the earnings shortfall was primarily attributable to higher-than-expected operating costs, a higher effective tax rate in 3QFY26 and increased profit attributable to non-controlling interests.

YoY, 9MFY26 revenue rose 38% to RM585m, while PBT and PATAMI grew 76% and 37% to RM106m and RM57m, respectively. The stronger performance was driven primarily by its Factory Automation Solutions (FAS) segment, with revenue rising 57% to RM309m (53% of group revenue), underpinned by robust demand for AI server assembly automation solutions and stronger medical-related contributions. Meanwhile, Automated Test Equipment (ATE) revenue increased 15% to RM249m (43% of group revenue), supported by higher deliveries of electro-optical automation solutions for smartphone applications and stronger demand for advanced IC and sensor test-handling equipment. Despite the robust 76% YoY growth in PBT, PATAMI rose at a slower pace of 37%, largely due to higher taxation in 3QFY26 and increased profit attributable to non-controlling interests.

QoQ, PENTA's 3QFY26 revenue rose 24% to RM224m, driven by stronger contributions from its FAS segment, which surged 68% to RM172m, supported by higher project deliveries for AI server assembly automation and medical applications. In contrast, ATE revenue declined 25% to RM51m, mainly due to lower electro-optical project deliveries, partially cushioned by stronger automotive contributions. Gross profit margin expanded by 7.2ppts to 31.3% (2QFY26: 24.1%), while PBT margin improved marginally to 19.9% (2QFY26: 19.2%), as higher operating costs partly offset improved gross profitability, despite PBT rising 28% to RM45m. Nevertheless, PATAMI grew at a slower pace of 8% to RM20.5m, weighed down by a higher effective tax rate of 28.7% (2QFY26: 19.3%) and increased profit attributable to non-controlling interests.

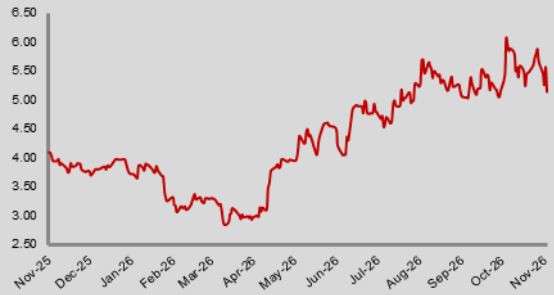
Outlook. Management remains optimistic about the Group's outlook, supported by sustained demand for AI Compute and medical automation solutions, with FAS expected to remain the key growth driver in FY26. To accommodate rising demand, PENTA is expanding its Campus 3 production capacity by utilising an additional 120,000 sq ft of existing space. Meanwhile, the Group is developing its AI-embedded i-FLEX platform to tap into emerging opportunities in Physical AI and humanoid robotics. On the ATE front, management expects its advanced packaging equipment portfolio to enter broader commercialisation and production ramp-up from CY27 onwards, potentially providing a new growth catalyst.

MARKET PERFORM ↔

Price: **RM5.15**

Target Price: **RM5.60** ↔

Share Price Performance



KLCI	1,635.86
YTD KLCI chg	-2.6%
YTD stock price chg	32.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PENT MK Equity
Market Cap (RM m)	3,663.3
Shares Outstanding	711.3
52-week range (H)	6.08
52-week range (L)	2.84
3-mth avg. daily vol.	4,099,525
Free Float	61%
Beta	1.50

Major Shareholders

Chuah Choon Bin	19.7%
Bank Julius Baer & C	19.7%
EPF	9.5%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	584	705	864
EBIT	96	134	171
PBT	96	135	169
PATAMI	62	85	112
Consensus	-	75	112
Earnings Revision	-	-	-
EPS (sen)	8.7	11.9	15.7
EPS Growth (%)	-5	37	32
NDPS (sen)	0.0	2.0	2.0
BVPS (RM)	1.1	1.2	1.3
Core PER (x)	59.1	43.2	32.8
Price/BV (x)	4.6	4.3	3.8
Net Gearing (x)	Net Cash	Net Cash	Net Cash
Net Div. Yield (%)	0.0%	0.4%	0.4%

Forecasts. We made no changes to our FY26/FY27 earnings forecasts for now, pending today's briefing.

Valuations. We are keeping our TP at RM5.60, based on unchanged FY27 PER of 35.7x, aligned with the average ATE PER during the current upcycle trend. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).. Maintain **MARKET PERFORM**.

Investment case. We like PENTA for: (i) its strong positioning to benefit from the ongoing ATE upcycle, (ii) incremental capacity from Campus 3, alongside its full-stack customisation capabilities (ATE + FAS), which should strengthen customer stickiness, and (iii) its visible advanced packaging pipeline, with revenue mix gradually shifting towards higher-value tools.

Risks to our call include: (i) weaker-than-expected demand in medical/automotive/electro-optical end-markets, (ii) adverse product-mix shifts that compress margins, and (iii) execution or R&D shortfalls such as failure to develop, acquire or scale technologies aligned with market needs.

Results Highlights

FYE Dec (RM m)	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	9M26	9M25	YoY Chg
Turnover	224.0	180.9	23.9%	148.1	51.3%	585.3	424.6	37.9%
Gross Profit	70.1	43.7	60.7%	39.0	79.9%	159.7	113.0	41.3%
EBIT	43.3	34.1	26.9%	21.5	100.9%	103.5	60.8	70.3%
Interest exp.	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
PBT/(LPT)	44.5	34.7	28.5%	22.2	100.5%	106.3	60.4	76.0%
Taxation	(12.8)	(6.7)	91.2%	1.8	-825.9%	(20.8)	1.1	-1985.2%
PATAMI	20.5	19.0	7.5%	17.1	19.6%	57.4	41.8	37.4%
EPS (sen)	2.9	2.7	7.5%	2.4	19.6%	8.1	5.9	37.4%
DPS (sen)	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
Gross Margin	31.3%	24.1%		26.3%		27.3%	26.6%	
EBIT Margin	19.3%	18.9%		14.5%		17.7%	14.3%	
PBT Margin	19.9%	19.2%		15.0%		18.2%	14.2%	
PATAMI Margin	9.1%	10.5%		11.6%		9.8%	9.8%	
Tax Rate	-28.7%	-19.3%		7.9%		-19.5%	1.8%	

Source: Kenanga Research

Customer/Application Breakdown

FYE Dec (RM m)	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	9M26	9M25	YoY Chg
Automotive (ATE)	32.1	14.0	129%	23.5	37%	71.9	118.5	-39%
Medical (FAS)	62.3	48.8	28%	79.7	-22%	132.9	122.2	9%
Electro-Optical (ATE)	13.9	50.5	-72%	7.5	86%	130.0	67.1	94%
Consumer and industrial products (FAS)	2.8	23.3	-88%	21.1	-87%	40.8	58.4	-30%
Semiconductor (ATE)	4.3	11.1	-61%	11.5	-62%	67.8	49.8	36%
RE (FAS)	0.4	0.2	111%	4.9	-92%	0.8	8.6	-90%
AI (FAS)	108.1	33.0	228%	0.0	NA	141.1	0.0	NA
Others	0.0	0.0	NA	0.0	NA	0.0	0.0	-100%
TOTAL	**224.0**	**180.9**	**24%**	**148.1**	**51%**	**585.3**	**424.6**	**38%**

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 5 Nov (RM)	Target Price (RM)	Upside	Mkt 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.
AMBEST GROUP BHD	OP	1.17	1.80	53.8%	596.7	Y	06/2027	3.0	6.9	151.6%	128.0%	38.7	17.0	8.0	22.1%	0.0	0.0%
D&O GREEN TECHNOLOGIES BHD	MP	0.425	0.440	3.5%	526.8	Y	12/2026	(1.7)	2.0	-287.6%	51.9%	N.A.	21.3	1.0	-22.7%	1.0	2.4%
FRONTKEN BHD	OP	4.86	5.72	17.7%	8,810.9	Y	12/2026	12.3	15.2	27.3%	22.9%	39.4	32.1	6.9	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.28	2.77	21.5%	8,836.3	Y	06/2027	8.1	8.7	61.3%	8.2%	28.3	26.1	3.1	11.0%	7.3	3.2%
KELINGTON GROUP BHD	OP	7.94	10.10	27.2%	6,990.3	Y	12/2026	21.7	27.3	30.6%	26.0%	36.6	29.1	9.0	27.8%	15.0	1.9%
LGMS BHD	OP	0.525	0.600	14.3%	239.4	Y	12/2026	2.2	3.0	-2.0%	38.0%	23.9	17.3	1.9	8.0%	2.0	3.8%
MALAYSIAN PACIFIC INDUSTRIES	MP	38.88	43.70	12.4%	7,752.6	Y	06/2027	134.1	149.1	41.9%	11.2%	29.0	26.1	3.2	11.6%	40.0	1.0%
NATIONGATE HOLDINGS BHD	OP	1.87	2.14	14.4%	4,208.8	Y	12/2026	1.8	10.3	-58.0%	462.4%	101.9	18.1	4.2	4.1%	2.0	1.1%
OPPSTAR BHD	UP	0.550	0.750	36.4%	355.8	Y	03/2027	2.1	2.3	-14.9%	8.8%	25.7	23.6	2.6	10.8%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.53	1.51	-1.3%	587.6	Y	12/2026	5.9	8.4	0.4%	42.3%	25.9	18.2	0.9	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.340	0.270	-20.6%	506.8	Y	03/2027	2.5	3.5	-19.4%	42.0%	13.8	9.7	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.60	3.64	40.0%	4,669.7	Y	03/2027	3.6	4.6	34.8%	25.4%	71.4	56.9	8.7	18.4%	70.0	26.9%
UNISEM (M) BHD	UP	3.92	3.81	-2.8%	6,721.7	Y	12/2026	5.6	11.7	44.4%	107.5%	69.6	33.6	2.9	3.5%	0.0	0.0%
UWC BHD	OP	6.59	7.83	18.8%	7,274.2	Y	07/2027	15.9	19.6	87.2%	22.8%	41.4	33.7	9.7	26.6%	0.0	0.0%
PENTAMASTER CORP BHD	MP	5.15	5.60	8.7%	3,663.3	Y	12/2026	11.9	15.7	36.8%	31.6%	43.2	32.8	4.3	10.3%	2.0	0.4%
INFOMINA BHD	OP	1.84	2.40	30.4%	1,098.6	Y	05/2027	7.6	9.6	30.5%	26.5%	24.1	19.1	5.8	26.1%	3.0	1.6%
Simple Average					**62,242.8**					**32.2%**	**40.4%**	**40.3**	**28.7**	**4.3**	**10.7%**		**2.9%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Technology & Innovation	★	★	☆		
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Ethical Practices	★	★	★		
	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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