

Pekat Group Berhad

(0233 | PEKAT MK) ACE | Industrial Products & Services

30Mw CGPP Quota in the Bag

KEY INVESTMENT HIGHLIGHTS

- **Secured 29.99MWac of CGPP quota through Pekat Teknologi Sdn Bhd**
- **Plans for capacity to be doubled up to 60Mw for EPCC but still under discussion**
- **May potentially lift outstanding order book by RM180m-RM240m, breaking Pekat's own record within the RM200m range**
- **Maintain BUY with a TP of RM0.57**


CGPP quota secured. Pekat Group Berhad was among the few firms that went it alone and secured the CGPP quota. Through its wholly-owned subsidiary Pekat Teknologi Sdn Bhd, it has secured 29.99MWac of export capacity from the Energy Commission.

Potentially double the capacity for EPCC. We gathered from management that the group could be involved in about 60MW for the EPCC, though this is still being discussed by the management.

Lifting order book to new high. Assuming Pekat finalises its decision on 60Mw, taking into account the value of RM3m-RM4m per 1Mw, this would add another RM180m-RM240m of new order book for Pekat, providing it with earnings visibility up to FY25. This would also break the group's order book record, which is consistently in the RM200m range. The group's current outstanding order book is about RM209m.

Earnings estimates. We are making no changes to our earnings estimates pending further clarity on management's plans.

Target price. We maintain our **target price** for **Pekat** of **RM0.57** by pegging a forward PER of 25x to its FY24F EPS of 2.3 sen.

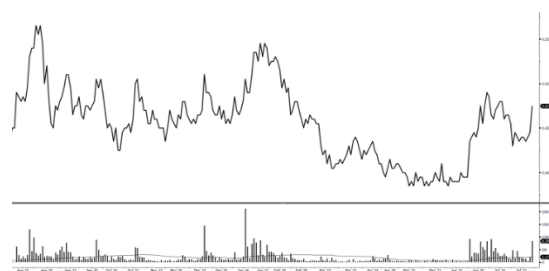
Maintain BUY. We reiterate our **BUY** recommendation on **Pekat**, which is set to benefit from the CGPP quota and also the potential growth trajectory of the group, in line with the strong focus on solar under the National Energy Transition Roadmap (NETR). We like management's cautious strategy of not over expanding and in ensuring the sustainability of the group's order book. We find that the group's strong recurring revenue, coming mainly from its earthing and lightning protection business, also makes the stock attractive. 

Maintain BUY
Unchanged Target Price: RM0.57

RETURN STATISTICS

Price @ 7 th Aug 2023 (RM)	0.475
Expected share price return (%)	+20.00
Expected dividend yield (%)	0.00
Expected total return (%)	+20.00

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.1	-6.7
3 months	5.6	14.9
12 months	5.6	9.2

INVESTMENT STATISTICS

FYE Dec (RM'm)	2023E	2024F	2025F
Revenue	184.6	190.1	199.6
Operating Profit	20.4	21.0	22.0
Profit Before Tax	20.0	20.6	21.6
Core Net Profit	12.0	14.9	15.9
Core EPS (sen)	1.9	2.3	2.5
PER (x)	30.6	25.0	23.1
DPS	-	-	-
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,445.81
Issue shares (m)	644.97
Estimated free float (%)	29.43
Market Capitalisation (RM'm)	306.36
52-wk price range	RM0.37-RM0.58
3-mth average daily volume (m)	2.09
3-mth average daily value (RM'm)	0.94
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	10.35
Wee Chek Aik	8.63

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FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	178.5	179.2	184.6	190.1	199.6
Cost of sales	(133.0)	(134.1)	(134.8)	(138.8)	(145.7)
Gross profit	45.5	45.1	49.8	51.3	53.9
Administrative expenses	(28.3)	(30.2)	(30.3)	(31.2)	(33.0)
Share of profit in associates	0.5	(0.0)	0.5	0.7	0.8
Profit before tax	17.4	14.4	20.0	20.6	21.6
Tax	(4.8)	(4.4)	(5.5)	(5.7)	(5.6)
Reported net profit	12.6	10.0	12.0	14.9	15.9
Core net profit	12.6	10.0	12.0	14.9	15.9

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	20.8	23.3	23.9	24.6	25.8
Intangible assets	0.4	0.3	0.3	0.3	0.3
Non-current assets	30.0	35.1	35.7	36.4	37.6
Cash	28.2	14.1	21.8	22.4	23.5
Trade debtors	33.1	40.9	34.5	35.6	37.5
Current assets	170.5	154.5	155.8	157.5	160.5
Trade creditors	34.8	9.2	13.5	10.8	9.7
Short-term debt	25.3	19.5	15.6	12.5	10.0
Current liabilities	77.4	55.8	46.6	34.3	22.6
Long-term debt	2.5	1.6	0.7	0.5	0.5
Non-current liabilities	3.6	4.3	3.4	3.2	3.2
Share capital	93.5	93.5	93.5	93.5	93.5
Retained earnings	75.9	86.0	98.0	112.9	128.8
Equity	119.4	129.5	141.5	156.4	172.3

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	17.4	14.4	20.0	20.6	21.6
Depreciation & amortisation	0.8	1.5	1.6	1.6	1.7
Changes in working capital	-10.1	-29.0	-39.7	-36.0	-32.9
Operating cash flow	3.2	-19.3	-2.9	1.4	5.6
Capital expenditure	-6.8	-3.2	-3.0	-2.0	-2.0
Investing cash flow	-26.9	14.3	14.5	15.5	15.5
Debt raised/(repaid)	-9.3	-2.1	-1.6	-1.1	-0.8
Equity raised/(repaid)	42.9	-	-	-	-
Dividends paid	-	-	-	-	-
Financing cash flow	36.9	-9.1	-9.6	-10.1	-10.4
Net cash flow	13.1	-14.1	2.0	6.8	10.7
Beginning cash flow	15.1	28.2	14.1	16.1	22.9
Ending cash flow	28.2	14.1	16.1	22.9	33.5

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Gross profit margin	25.5%	25.2%	27.0%	27.0%	27.0%
Operating profit margin	9.8%	8.8%	11.0%	11.0%	11.0%
PBT margin	9.8%	8.1%	10.8%	10.8%	10.8%
PAT margin	7.1%	5.6%	6.5%	7.8%	8.0%
Core PAT margin	7.1%	5.6%	6.5%	7.8%	8.0%
PER (x)	34.9	29.6	30.6	25.0	23.1

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology