

Pekat Group Berhad

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

Making Inroads Abroad

KEY INVESTMENT HIGHLIGHTS


- **Enters into 10-year PPA with Sun Investments in Maldives**
- **To build, operate and maintain a solar PV system with a DC capacity of 1,727kWp and a 1,398kWh BESS**
- **Contract value estimated to be USD6.9m (RM29.8m)**
- **Maintain BUY with an unchanged TP of RM1.32**

PPA in Maldives. Pekat Group Berhad (Pekat), through its wholly-owned subsidiary Solaroo RE (Maldives) Pvt Ltd, has entered into a 10-year power purchase agreement (PPA) to supply solar PV energy to Sun Investments Pvt Ltd in Maldives.

Details of the PPA. Solaroo will design, construct, install, own, operate and maintain a solar PV energy generating system with a DC capacity of 1,727kWp and a battery energy storage system (BESS) capacity of 1,398 kWh on a site at Sun Siyam Vilu Reef Maldives. The contract value is estimated to be USD6.9m or about RM29.8m, based on the generation of approximately 25.45 million kWh of electricity over the 10-year period. The PPA is expected to commence within 12 months from the date of possession from the site. We expect this to generate a healthy recurring income for Pekat throughout the 10-year period.

Earnings estimates. We keep our earnings estimates unchanged until there is further clarity on the timeline of the commencement of the PPA.

Target price. We also maintain our **TP at RM1.32**, pegging its FY25F EPS of 4.7 sen to a forward PER of 28x, based on its three-year historical mean.

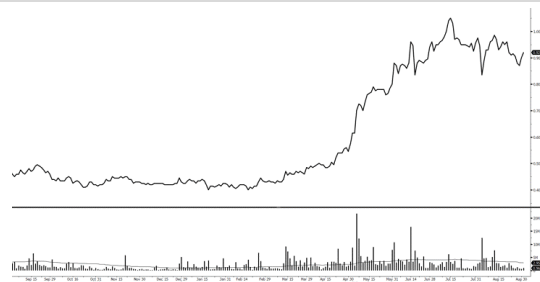
Maintain BUY. We reiterate our **BUY** recommendation on Pekat, given its consistent quarterly performance, and bright prospects with favourable policies such as the CGPP, National Energy Transition Roadmap (NETR) and the LSS5. Its outstanding order book remains healthy at RM206.8m, which we expect to grow to about RM320m by the year end with CGPP EPCC projects. We are also optimistic about the group's proposed acquisition of 60% of Apex Power, which will give it control over EPE Switchgear, allowing it to expand its business into power distribution equipment and to tap into new foreign markets, which is expected to strengthen its bottom line significantly starting FY25. 

Maintain BUY
Unchanged Target Price: RM1.32

RETURN STATISTICS

Price @ 2 nd Sep 2024 (RM)	0.92
Expected share price return (%)	+43.5
Expected dividend yield (%)	0.00
Expected total return (%)	+43.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.6	-6.5
3 months	-2.1	9.4
12 months	89.7	65.4

INVESTMENT STATISTICS

FYE Dec (RM'm)	2024E	2025F	2026F
Revenue	234.4	295.4	310.2
Operating Profit	23.7	30.7	32.3
Profit Before Tax	23.2	29.3	31.0
Core Net Profit	17.4	22.5	23.9
Core EPS (sen)	2.7	3.5	3.7
PER (x)	34.1	26.3	24.9
DPS (sen)	0	0	0
Dividend Yield (%)	0	0	0

KEY STATISTICS

FBM KLCI	1,678.19
Issue shares (m)	664.97
Estimated free float (%)	31.80
Market Capitalisation (RM'm)	593.37
52-wk price range	RM0.39-RM1.06
3-mth average daily volume (m)	3.20
3-mth average daily value (RM'm)	2.94
Top Shareholders (%)	
Chin Soo Mau	34.90
Tai Yee Chee	10.35
Wee Chek Aik	8.30

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FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	179.2	227.6	234.4	295.4	310.2
Cost of sales	(134.1)	(173.8)	(73.5)	(215.6)	(226.4)
Gross profit	45.1	53.8	61.0	79.8	83.7
Administrative expenses	(30.2)	(34.7)	(38.5)	(48.4)	(50.9)
Share of profit in associates	(0.0)	0.5	0.7	0.8	0.8
Profit before tax	14.4	18.4	23.2	29.3	31.0
Tax	(4.4)	(4.7)	(5.9)	(6.9)	(7.1)
Reported net profit	10.0	13.7	17.4	22.5	23.9
Core net profit	10.0	13.2	17.4	22.5	23.9

Balance Sheet (RM'm)	2022A	2023A	2024E	2024E	2025F
Fixed assets	23.3	23.4	32.8	26.1	27.4
Intangible assets	0.3	183.0	0.2	0.2	0.2
Non-current assets	35.1	36.3	45.7	39.0	40.3
Cash	14.1	18.9	26.6	27.4	28.0
Trade debtors	40.9	47.9	35.6	37.5	55.8
Current assets	154.5	142.0	159.8	193.7	224.7
Trade creditors	9.2	12.3	10.8	16.0	24.9
Short-term debt	19.5	1.0	2.0	2.0	2.0
Current liabilities	55.8	38.0	37.6	42.8	51.7
Long-term debt	1.6	0.6	11.0	10.5	10.0
Non-current liabilities	4.3	3.4	13.8	13.3	12.8
Share capital	93.5	93.5	93.5	93.5	93.5
Retained earnings	86.0	93.1	110.5	133.0	156.9
Equity	129.5	136.7	154.1	176.6	200.5

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	14.4	18.4	23.2	29.3	31.0
Depreciation & amortisation	1.5	1.8	1.6	1.7	1.7
Changes in working capital	-29.0	5.7	-5.1	-8.4	1.0
Operating cash flow	-19.3	26.2	20.0	22.9	34.0
Capital expenditure	-3.2	-0.7	-2.0	-2.0	-1.0
Investing cash flow	14.3	-0.6	-1.9	-1.9	-0.9
Debt raised/(repaid)	-2.1	-1.6	-1.1	-0.8	0.2
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-6.4	-	-	-
Financing cash flow	-9.1	-16.3	-16.8	-17.1	-18.1
Net cash flow	-14.1	4.7	1.3	3.9	15.1
Beginning cash flow	28.2	14.2	18.9	20.2	24.1
Ending cash flow	14.1	18.9	20.2	24.1	39.2

Profitability Margins	2022A	2023A	2024E	2024E	2025F
Gross profit margin	25.2%	23.6%	26.0%	27.0%	27.0%
Operating profit margin	8.8%	8.3%	10.1%	10.4%	10.4%
PBT margin	8.1%	8.1%	9.9%	9.9%	10.0%
PAT margin	5.6%	6.0%	7.4%	7.6%	7.7%
Core PAT margin	5.6%	6.0%	7.4%	7.6%	7.7%
PER (x)	29.6	20.2	32.6	25.3	23.8

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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