MERCURY SECURITIES SDN. BHD.

BURSA RISE+
Brought to you by Bursa Malaysia
Supported by Capital Market Development Fund

PGF Capital Bhd

Initiate Coverage

By Ng Hong Tong/ hongtong@mersec.com.my

Monday, July 28, 2025

Target Price:	**RM2.43**
Current Price:	**RM1.74**

Wool at Core, Bricks Beyond

Valuation / Recommendation

We initiate coverage on PGF with a **BUY call** and a SOP-derived **TP of RM2.43**, implying a 40% potential upside. Our valuation translates to an undemanding FY27E forward P/E of 4.2x, a steep discount to the construction materials sector average of 10.1x. We believe PGF warrants for a re-rating, underpinned by (i) strong earning visibility backed by robust glass mineral wool demand, supported by positive regulatory tailwinds in Malaysia & Australia, alongside future contributions from its upcoming property development project; (ii) timely capacity expansion to capture incremental demand; and (iii) attractive asset play from its strategically located 1,311-acre landbank in Tanjong Malim, Perak.

Investment Highlights

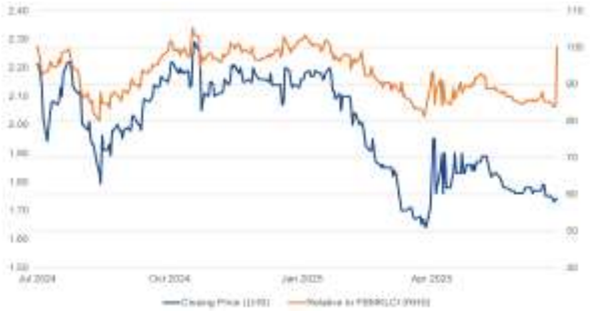
Strong earnings visibility. PGF is set to capitalize on robust recovery in construction sector in Malaysia and Australia, given glass mineral wool's widespread application including infrastructure. PGF's core insulation business stands to gain from stricter energy efficiency regulations in key markets namely, Australia (NCC 2022, NatHERS uplift to 7 stars for Class 1 buildings), New Zealand, and Malaysia (EECB 2023), which are driving demand for cost-effective insulation solutions like glass wool. With 80% of revenue derived from exports (mainly in AUD and NZD) and 97% of its cost base in MYR, PGF is a net beneficiary of stronger AUD or NZD currency. Despite some translational headwinds from a firmer MYR trend, resilient overseas demand and strong pricing power help to cushion earnings. To meet rising demand, PGF has set up 4 warehouses across Australia, 2 distributors in New Zealand and 5 trucks for last-mile delivery in Australia. Additionally, PGF is enhancing its revenue stream with a RM600m GDV mixed-use JV property project in KHTP (launch by early 2026) and an exclusive agreement with Centria to distribute sandwich panels for data centres, positioning it to tap into the high-growth data centre segment. That said, we forecast 24% - 63% revenue growth over FY26-27E.

Timely capacity expansion to meet demand. With existing plant utilization already at full and to capture robust demand of glass wool, PGF is undertaking a timely two-phase expansion of its glass wool manufacturing capacity in Kulim, Kedah, which will more than triple its annual capacity from 25,000 mt/year to 85,000 mt/year by 1H2028. Besides, PGF also aims to re-enter the other countries within ASEAN market to diversify its customer base, revenue and lower inventory level from its upcoming capacity ramp-up, despite lower margins. With 1st phase new plant's full commissioning by early FY27E, we expect a temporary dip in overall utilisation rates during the initial ramp-up phase. However, PGF's glass wool average selling price is expected to moderate in FY26–27E due to initial capacity ramp-up.

Unlocking its undervalued land. PGF is unlocking value from its 1,311-acre landbank in Tg. Malim, Perak adjacent to Proton City and the RM40bn AHTV, via a RM4bn GDV master plan spanning property development and agrotourism. With the land carried at a book value of RM2.94 psf versus an estimated market value of ~RM40 psf, there is upside potential for >10x asset revaluation. The AHTV is set to draw RM32bn investments and 50,000 new residents (from relocation of Proton's entire production to Tg. Malim), fueling strong housing demand in Tg. Malim. With only 13,143 homes built versus a projected demand of 33,000 units by 2035, PGF stands to benefit from pick-up in housing demand as one of just two major landowners in the locality. PGF has earmarked 400 acres for RM3bn GDV property projects, starting with a RM600m JV with Malvest (monetise first) and a future in-house development with Nexel Group (taking project lead role). The remaining 911-acre land will be developed into agrotourism assets including durian plantations, aquaculture, and a boutique resort, aiming to add recurring income streams.

Risk factors for PGF include (1) Regulatory risk; (2) Foreign exchange rate fluctuation; and (3) Supply chain disruption.

Share Price Performance



Business Overview

PGF Capital Berhad (PGF) is a company involves in design, manufacturing and distribution of glass mineral wool and develop and invest in hospitality properties.

Return Information	
KLCI (pts)	1,533.8
YTD KLCI chg	(6.6)
YTD Stock Price chg	(19.0)

Price Performance	1M	3M	12M
Absolute (%)	(-1.1)	6.1	(22.7)
Relative to KLCI (%)	(-1.5)	4.5	(17.8)

Stock Information	
Market Cap (RM m)	337.5
Issued Shares (m)	194.0
52-week High (RM)	2.29
52-week Low (RM)	1.64
Estimated Free Float (%)	24.4
Beta vs FBM KLCI	0.97
3-month Average Vol. (m)	0.2
Shariah Compliant	Yes
Bloomberg Ticker	PGF MK

Top 3 Shareholders	%
Equaplus Sdn Bhd	43.2
Green Cluster Sdn Bhd	12.2
Fong Wern Sheng	5.7

FY MAR (RM m)	FY25A	FY26E	FY27E
Revenue	155.0	185.7	303.9
EBIT	48.8	46.1	67.1
Net Profit	33.9	33.7	50.8
Core Net Profit	33.9	33.7	50.8
Core EPS (sen)	17.5	17.4	26.2
Core EPS Growth (%)	203.2	(0.7)	50.9
Net DPS (sen)	3.0	2.8	5.3
Net Div. Yield (%)	1.7	2.0	3.7
BVPS (sen)	135.4	149.3	169.0
PER (x)	10.2	6.8	4.3
PBV (x)	1.3	1.2	1.0
Net Gearing (x)	0.2	0.2	0.2

Investment Merits

Glass mineral wool manufacturing remains the key earning driver

Established player in glass mineral wool manufacturing. PGF is a key player in the Malaysia's glass mineral wool manufacturing industry, with a proven operating track record since 1984. The Group's primary manufacturing facility is located in Seberang Perai, Penang, encompassing approximately 38,614 sqm of integrated manufacturing and warehousing space. As at FY25, this plant comprises two continuous production lines and a gas-fired furnace, operating on a 24/7 basis with an annual installed capacity of 25,000 mt/year. Historically, PGF used to be the sole and largest glass wool manufacturer in Malaysia, catering to both domestic and export markets. However, competitive dynamics shifted following the entry of Knauf Insulation (Knauf) in 2021, which commenced operations at a new Malaysian plant with a significantly larger capacity of 75,000 mt/year, serving primarily the broader Asia Pacific market. Despite of increased competitive pressure with the entry of Knauf, PGF retains its strategic edge through its early-mover advantages and the strategic shift to focus on Australian and New Zealand market.

Figure 1: PGF's headquarters

Sources: Company, Mercury Securities

Figure 2: PGF's production facility

Source: Company, Mercury Securities

Extensive usages making glass mineral wool a preferred material. Glass wool is a type of economic and environmental-friendly materials that are used for non-combustible thermal and acoustic insulation. Insulation is a fundamental component of energy-efficient building design and remains one of the most cost-effective methods for reducing long-term operational energy usage. Based on a general rule, a fully insulated building can lower heating and cooling costs by 40%–50% compared to non-insulated structures. Bulk insulation, such as glass mineral wool, enhances year-round thermal comfort, virtually eliminates condensation on interior surfaces, and typically offers a payback period of just 5 to 6 years, making it an attractive option for developers and homeowners. Beyond its use in residential and commercial building envelopes (i.e., walls, ceilings, and roofs), glass mineral wool is widely utilized across industrial and infrastructure sectors. Industrial applications include HVAC ducting systems for energy conservation and condensation control, while infrastructure use cases range from fire-rated doors, acoustic partitions, silencers in power generators, to sound barriers along highways and railway systems. With its extensive industrial and infrastructure applications, this has enabled PGF to secure diversified orderbook, covering a wide range of construction projects across Malaysia, Australia, New Zaland and other countries. Key notable projects involvement include:

- FOCUS Apartments and UNO Tower in Melbourne, Australia
- Western Sydney International Airport (Nancy-Bird Walton Airport)
- Sound barriers for the Setiawangsa–Pantai Expressway (SPE) in Malaysia
- Viaduct Noise Barriers in Singapore, part of the government's plan to install sound protection along MRT lines
- Acoustic solutions for Golden Screen Cinemas (GSC) outlets nationwide
- Other projects (refers figure 3 for more of PGF's past notable projects involvement)

With these extensive track record in both the residential and large-scale infrastructure project, we believe this should position PGF to capitalize on any of Malaysia's potential upcoming mega infrastructure project roll-out. Among the names, MRT3 Circle Line and KL-Singapore High Speed railway are some of the potential upcoming large-scale infrastructure projects which PGF could be the key beneficiary when these materializes.

Figure 3: PGF's notable past project involvement

- Western Sydney International (Nancy-Bird Walton) Airport, Sydney, Australia
- Exchange 106 @TRX
- Dexcom, Batu Kawan
- LAM Research, Batu Kawan
- Sarawak Methanol Project
- Honeywell Aerospace, Perai
- Swift Integrated Logistic, Klang
- Simmtech Holdings Inc, Batu Kawan
- Alibaba Hub, Sepang
- Daiwa House Malaysia Logistic
- Sunway Carnival Mall, Penang
- Jinjing Technology, Kulim
- Petronas Twin Towers, KLCC
- GS Paperboard & Packaging, Selangor
- UTM, Skudai
- Kem Ulu Kinta
- Changi Airport, Singapore
- Taipei 101, Taiwan
- Kajang MRT Depot

Source: Company

Robust demand anchored by stricter energy efficiency regulations. Australia, which contributes approximately 50% of PGF's revenue, is advancing firmly toward its net-zero emissions target by 2050. As part of this long-term commitment, the Australian government has adopted a regulatory framework that promotes energy-efficient building practices through regular revisions of the National Construction Code (NCC) and enhancements to the Nationwide House Energy Rating Scheme (NatHERS). The NCC, administered by the Australian Building Codes Board (ABCB), is a uniform set of technical design and construction provisions for buildings and plumbing systems across all Australian states. It is reviewed and updated on a 3-year cycle to reflect advances in building technologies, materials, and construction practices, with a growing emphasis on energy efficiency and climate resilience. The latest revision, NCC 2022, came into effect in stages beginning May 2023, and represents a significant regulatory shift toward sustainable construction. Key changes include:

- Enhanced energy efficiency requirements for both residential and commercial buildings.
- Mandatory insulation standards for walls, roofs, and ceilings in non-residential buildings to improve thermal performance.
- Revised verification methods and performance pathways to assess compliance with the energy efficiency provisions.
- Updates to building envelope standards, including new rules on weatherproofing, condensation management, and thermal bridging control, which further elevate the role of high-performance insulation in meeting compliance.

Besides, the minimum NatHERS energy efficiency rating for Class 1 buildings (detached houses and townhouses) has been raised from 6 stars to 7 stars. This shift places greater emphasis on passive design strategies such as improved thermal insulation in walls and ceilings, which directly translates into higher R-value requirements for insulation materials. As one of the region's major producers of glass mineral wool insulation, PGF stands to benefit meaningfully from the regulatory uplift in baseline insulation demand. As for New Zealand, the country is also implementing similar energy performance regulations, targeting wall, roof, and floor insulations in new buildings, further reinforcing PGF's demand outlook for its glass mineral wool from Oceania market.

In Malaysia, the Malaysian Parliament has recently passed the Energy Efficiency and Conservation Bill 2023 (EECB), marking a step toward achieving net zero emissions by 2050. This new legislation introduces a comprehensive framework to regulate the efficient use of energy, particularly within the industrial and commercial sectors, which collectively account for a substantial share of national electricity consumption. Under the EECB, the government targets to regulate up to 70%–80% of industrial energy consumption and approximately 21% of the commercial segment. A key provision within the bill mandates that office buildings with a floor area of 8,000 sqm or more must achieve a minimum 2 stars rating under the National Building Energy Labeling program (Building Energy Intensity (BEI) < 250 kWh/sqm/year). The bill will also gradually extend its scope to include hotels and hospitals, with an estimated 4,102 buildings expected to fall under the new compliance requirements. This broad regulatory coverage is likely to drive a meaningful uplift in demand for energy-efficient building solutions, including thermal insulation solutions, as building owners and developers seek cost-effective methods to reduce BEI and meet regulatory thresholds.

Given that insulation remains one of the most efficient and economically viable methods for improving building thermal performance, PGF is poised to capture incremental regulatory-induced demand growth across Australia, New Zealand, and Malaysia.

Government's initiatives to further uplift the demand. Victoria Energy Updates (VEU) programme, a state-level energy efficiency scheme established under the Victorian Energy Efficiency Target (VEET) Act 2007 and administered by the Essential Services Commission (ESC) of Victoria. The VEU programme incentivises households, commercial properties, and industrial users to undertake approved energy-saving measures through the issuance of Victorian Energy Efficiency Certificates (VEECs). These tradeable certificates are awarded for qualifying activities that reduce energy consumption and must be surrendered annually by obligated energy retailers to meet legislated emission reduction targets, thus creating a financial mechanism that rewards energy-efficient investments.

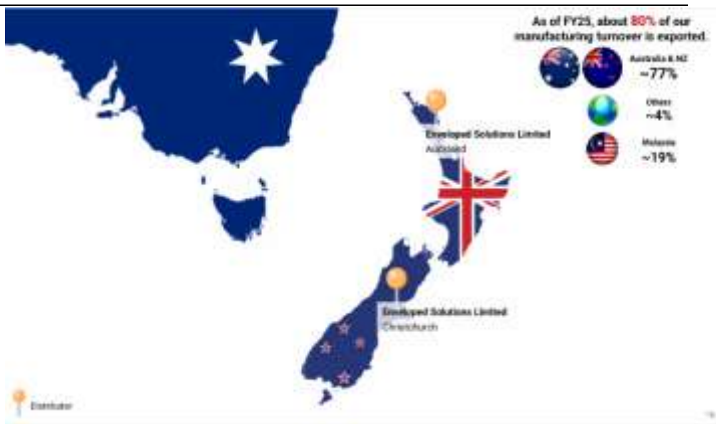
Importantly, the Victorian government has recently extended the lifespan of the VEU programme by 15 years, from its original end-date of 2030 to 2045. This extension is expected to catalyse a new wave of retrofitting activities across Australia, particularly within the residential and small commercial segments. As thermal insulation remains one of the most cost-effective ways to reduce energy usage, we believe the updated VEET Act with expanded timeline will directly support higher volumes of insulation upgrades. The availability of rebates and reduced out-of-pocket costs under the VEU scheme further accelerates adoption, particularly among cost-sensitive homeowners and SME property owners. That said, the Victorian government's continued policy commitment to energy efficiency through VEU would provide a long-term uplift to insulation demand, directly benefiting PGF as a key regional glass wool supplier

Strategic expansion and just-in-time inventory. To solidify its competitive positioning and capture a larger share of the Oceania insulation market, PGF has strategically established a network of warehouses across Australia, designed to enhance logistics efficiency and end-user responsiveness. This initiative aligns with industry-wide adoption of just-in-time (JIT) inventory practices, particularly in the construction sector, where on-site material storage is often limited and delivery precision is critical. Currently, PGF operates 4 warehouses across the key cities of Australia, including Perth (1,334 sqm), Brisbane (3,285 sqm), Melbourne (5,320 sqm) and Sydney (2,881 sqm). In New Zealand, PGF operates via two key distributors in Auckland and Christchurch, both positioned to serve the country's main construction corridors. These warehouse locations are deliberately aligned with core demand centres, enabling PGF to shorten delivery lead times and better meet the logistical expectations of contractors operating under narrow project timelines. To complement its warehousing footprint, PGF also manages a fleet of five delivery trucks in Australia, to achieve last-mile delivery capabilities. In addition, PGF is planning to relocate and upsize its Perth warehouse to a larger facility measuring approximately 2,000 sqm (up from the current 1,334 sqm), in response to rising order volumes and operational throughput in Western Australia.

Figure 4: PGF's warehouse in Australia

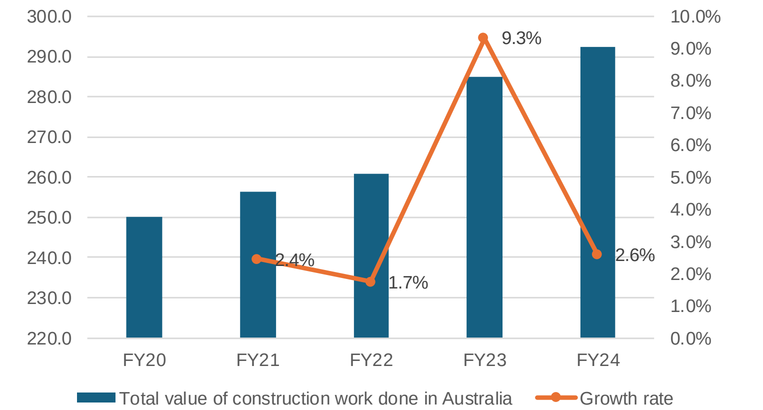
Source: Company

Figure 5: PGF's distributor in New Zealand



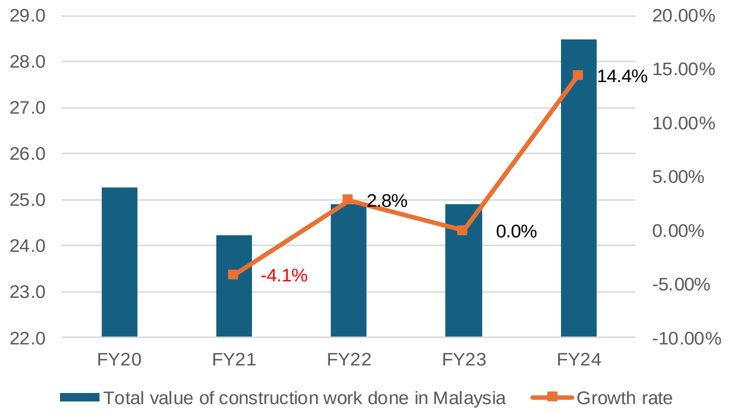
Source: Company

Figure 6: Construction activities trend in Australia (in AUD bn)



Source: Australian Bureau of Statistics, Mercury Securities

Figure 7: Construction activities trend in Malaysia (in RM bn)



Source: Australian Bureau of Statistics, Mercury Securities

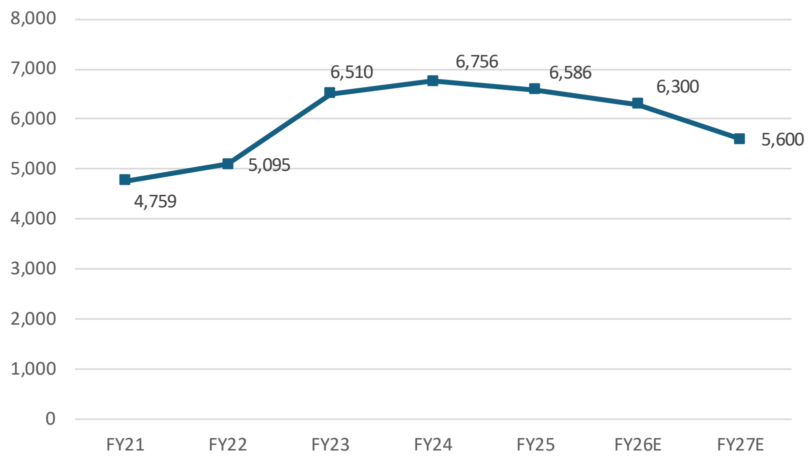
Prime beneficiary of robust Australia and Malaysia construction market outlook. PGF is set to be a prime beneficiary of the broad-based construction market outlook in both Malaysia and Australia, supported by post-pandemic recovery, stabilising construction input costs, and accommodative government budget that enhance infrastructure spending. In Malaysia, the revival of large-scale infrastructure projects such as the MRT3 Circle Line, Penang Airport Expansion, and the Mutiara LRT has reignited momentum across the construction value chain. At the same time, policy-driven shifts towards green building standards and energy efficiency regulations, including the recent passage of the EECB Bill, are expected to elevate demand for insulation products, particularly glass mineral wool. As one of the few domestic producers of insulation materials, PGF is poised to benefit from this trend.

In Australia, construction activity remains buoyant, driven by strong residential and commercial project pipelines. The NCC mandates higher thermal performance in buildings, fuelling retrofit demand for energy-efficient insulation. PGF's strategic warehouse network across key Australian cities with JIT would enhance its appeal of being the preferred insulation material supplier and capture this regulatory-driven rising demand trend.

With twin growth engines across both domestic and export markets, we view PGF as a clear beneficiary of the regional construction upcycle. The Group's proven track record in supplying insulation materials for high-profile infrastructure projects, combined with its integrated manufacturing and logistics capabilities, strengthens its visibility for upcoming large-scale project opportunities.

Manufacturing at full capacity. PGF's glass mineral wool manufacturing operation are currently running at full capacity, with the FY24 and FY25 production capacity fully sold out. According to management, PGF is sourcing for the mineral glass wool externally from third-parties to fulfil sales obligations and ensure timely delivery. Looking ahead, we expect the utilisation to remain at full capacity in FY26E, driven by continued growth in glass mineral wool demand from PGF's core markets in Oceania and Malaysia. With capacity at full levels and demand outpaces current production, PGF has embarked on production capacity expansion plan, which includes the construction of a new manufacturing plant that will add an additional 40,000 mt/year to its current 25,000mt/ year capacity. With the new plant expected to only fully commission in the early FY27E, we expect a temporary dip in overall utilisation rates during the initial ramp-up phase.

Figure 8: ASP of glass wool trend (in RM per metric tonne)



Source: Company, Mercury Securities

Limited pricing risk. PGF has exhibited strong pricing power in its insulation segment, supported by strong regulatory-driven demand and an effective cost-pass-through model. The Group's average selling price (ASP) for glass mineral wool was stable at around RM4,800 per metric tonne (mt) from FY19 to FY21, before rising sharply to RM6,510/mt in FY2023. This strong positive uptrend is largely driven by sharp rebound in demand from the retrofitting segment, particularly as existing residential and commercial buildings undertake insulation upgrades to comply with the revised regulatory standards in core export markets like Australia and New Zealand**.** Importantly, the cost pass-through mechanism remains intact. According to management, glass mineral wool typically accounts for less than 5% of the total building material cost in a typical housing project. As such, contractors are relatively price-insensitive, enabling PGF to effectively pass on rising input costs without jeopardizing sales volume or customer retention.

ASP strength extended into FY2024, with the Group recording a new high of RM6,756/mt, before seeing a marginal moderation to RM6,586/mt, still near all-time highs. Management attributes this pricing resilience to PGF's first-mover advantage, deep market knowledge, and well-established distribution network across the Oceania region, particularly Australia. These structural advantages would help to limit pricing risk in the near term. Looking ahead to FY26–27E, however, we anticipate a gradual normalisation in ASP as PGF ramps up production output following the fully commissioned new insulation plant in early-2027. The ASP moderation will also be influenced by PGF's strategic plans to expand into other countries within the ASEAN market, which commands lower ASP levels due to varying market maturity. Nevertheless, we believe the gradual ASP normalisation will be partially offset by volume-driven revenue growth from its existing Oceania and Malaysian market as well as new markets.

Production capacity expansion to cater for growth

Capacity expansion >3 time to meet demand. To cater for expanding demand of glass mineral wool driven by the stricter energy efficiency regulation in both Oceania and Malaysian market, PGF is expanding its glass mineral wool production capacity through a two-phase plant development on a newly acquired freehold industrial land in Kulim, Kedah. Under Phase 1, PGF is constructing a new plant housing two production lines with a combined additional capacity of 40,000 mt/year, which will increase the Group's total glass wool production capacity to 65,000 mt/year from the current 25,000 mt/year. According to management, the company has allocated an estimated RM170m in CAPEX for this phase, to be funded via a mix of internally generated funds and debt. The new facility is currently under construction and is on track to achieve full commissioning by February 2026. Looking ahead, Phase 2 will add a further 20,000 mt/year in capacity through the construction of a second plant, planned to commence post-Phase 1 and reach full commissioning by 1H2028. Upon completion of both phases, PGF's total installed capacity will reach 85,000 mt/year, representing a more than 3x expansion from current levels.

We view this strategic capacity expansion as a timely move for PGF to capture greater market share in existing and new markets, supported by strengthening policy tailwinds and rising demand for energy-efficient insulation in export markets. Beyond supporting top-line growth, the scale-up is expected to enhance cost efficiency and margin profile, as the Group will no longer need to source finished goods from third-party suppliers to meet excess demand.

Figure 9: 3D illustration for the PGF's new plant

Source: Company

New plant design to achieve better plant operational efficiencies. As part of its broader capacity expansion strategy, PGF also intends to optimize operational efficiencies through improved plant layout. The Group's existing manufacturing facility is currently extended across both ends of the site, necessitating the deployment of two independent teams for daily operations, resulting in a higher operation headcount and labour costs. In contrast, the upcoming new plant in Kulim will adopt a vertically integrated layout, enabling both production lines to be managed concurrently by a single streamlined operations team. According to management, this reconfiguration is expected to reduce manpower requirements by 20–30%, translating into meaningful operating cost savings and improved labour productivity. That said, we believe this should help to translate into margin enhancement especially after PGF completed scaling up its production capacity.

Retargeting other countries within ASEAN market. As part of its strategic planning ahead of its upcoming capacity ramp-up, PGF plans to re-enter the other ASEAN market countries to absorb a portion of the additional glass mineral wool output from its new Kulim facility. This region was previously a key export destination for the Group before the strategic pivot toward the higher-margin Oceania market. While sales to ASEAN-based customers are expected to command lower margins relative to Oceania, we view this move as a prudent initiative to diversify customer base and mitigate inventory build-up risks once the new plant is fully commissioned. By broadening its market reach across this region, PGF not only enhances top-line visibility but also gains greater operational flexibility to optimize product allocation based on evolving demand-supply dynamics across key markets.

Unlocking its land value in Tanjong Malim, Perak

Largest landowner in Tanjong Malim, Perak. PGF holds a sizeable landbank of approximately 1,311 acres in Tanjong Malim (a.k.a Diamond Creeks), strategically located adjacent to Proton City. Originally acquired in 1999 as part of a corporate rescue of a distressed property developer, the land's development potential was stalled following the aftermath of the 1997–98 Asian Financial Crisis. This had led to a substantial impairment charge of RM111m in FY06. However, a key re-rating opportunity has now emerged with the launch of the Automotive High-Tech Valley (AHTV), a major national initiative led by RM40bn joint venture between DRB-Hicom and China's Zhejiang Geely, which is expected to catalyse up to RM32bn in investments over the coming years. This has triggered a marked uplift in surrounding land valuations, with positive spill-over effects for Tanjong Malim, particularly in proximity to the AHTV development corridor. PGF's land parcel is debt-free and carried at a book value of RM168.1m or approximately RM2.94 psf as of February 2025, representing a steep discount to the current market valuation of around RM40 psf, based on our own channel check (refers figure 11). This implies a potential more than 10x uplifting in the net asset value, placing PGF in a rich valuation.

Figure 10: Current industrial land on sales price per sq ft in Tanjong Malim

No	Listing ID	Listing Date	Types	Tenure	Lost size (acres)	psf (RM)	Total (RM m)
1	42236316	21-Jul-25	Industrial Land	99-years	5.0	45.0	9.8
2	31729424	15-Jul-25	Industrial Land	Freehold	6.0	50.0	13.0
3	38472319	11-Jul-25	Industrial Land	Freehold	2.8	32.0	3.9
4	41984189	9-Jul-25	Industrial Land	99-years	5.0	45.0	9.8
5	40773932	8-Jul-25	Industrial Land	99-years	5.0	38.0	8.3
6	40444225	1-Jul-25	Industrial Land	Freehold	6.0	50.0	13.0
7	43387063	29-Jun-25	Industrial Land	99-years	14.0	22.0	13.5
8	42520823	9-Jun-25	Industrial Land	Freehold	5.0	38.0	8.3
					Average	40.0	

Source: PropertyGuru, Mercury Securities

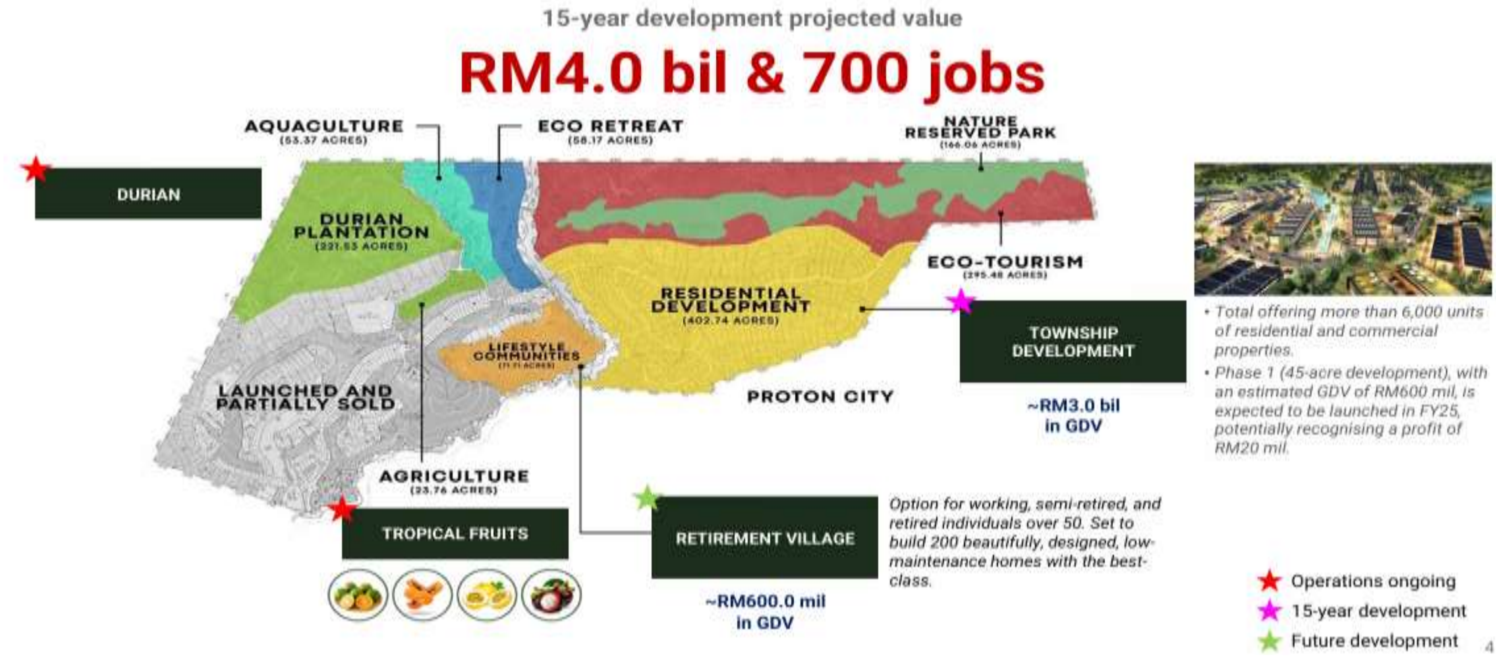
AHTV development is a key catalyst. The development of the AHTV in Tanjong Malim is poised to be a game-changer for the region, with the key intention of transforming it into Malaysia's next major automotive and EV manufacturing hub. The RM40bn initiative covers not just vehicle production but a full ecosystem of research & development, talent development, urbanization, and electric mobility infrastructure development. With Proton's full production relocation from Shah Alam to Tanjong Malim by 2027, we believe the area is expected to experience a surge in economic activity and population, supported by an estimated influx of 3,000 employees and a pool of approximately of 50,000 new residents relocating from Shah Alam to Tanjong Malim (based on estimation from Perak State government). The relocation of Proton will also attract existing and new key suppliers across the Proton's supply chain ecosystem to relocate to Tanjong Malim. We believe the strategic influx of new foreign direct investment and the relocation of people to Tanjong Malim would likely to catalyze the housing demand and lift the value of the land within the region. These positive developments would significantly enhance the appeal of PGF's 1,311-acre freehold landbank, located adjacent to Proton City and within immediate proximity to the AHTV development corridor.

Figure 11: Diamond Creeks's location in map

Source: Company

Strong property demand but lack of supply in Tanjong Malim. Tanjong Malim, is a sub-district within the Muallim district, an enclave to the automotive manufacturing sector, with the Proton being the largest employer within the region. The gradual relocation of Proton's Shah Alam factory workers to Tanjong Malim and the accommodative government policies such as the RTD Muallim 2035 aiming in supporting industrial development, these have led to the surge in the population growth, catalyzing the housing demand within the district. The housing demand is further enhanced by the growing number of students at Universiti Pendidikan Sultan Idris (UPSI), which currently has around 25,000 students. According to the forecast under the RTD Muallim 2035, the district population is expected to grow to 158,000 by 2035, with housing needs of 33,000 units. Based on the latest data published on September 2023, there are total of 13,143 housing units has been built in the Muallim, in addition to 2,634 units under construction and 4,169 units approved for construction. This shows that there is still significant lack of supply of new houses in the district. This issue was worsened off with the lack of major property developers' interest within the region. Based on our channel search, PGF is the only one of the 2 largest land owners in Tanjong Malim after the DRB-HICOM which owned about 4,000 acres of land (1,280 acres of land had been used for its production plant facility) in the region.

Figure 12: PGF's overall master development plan of Diamond Creeks



Source: Company

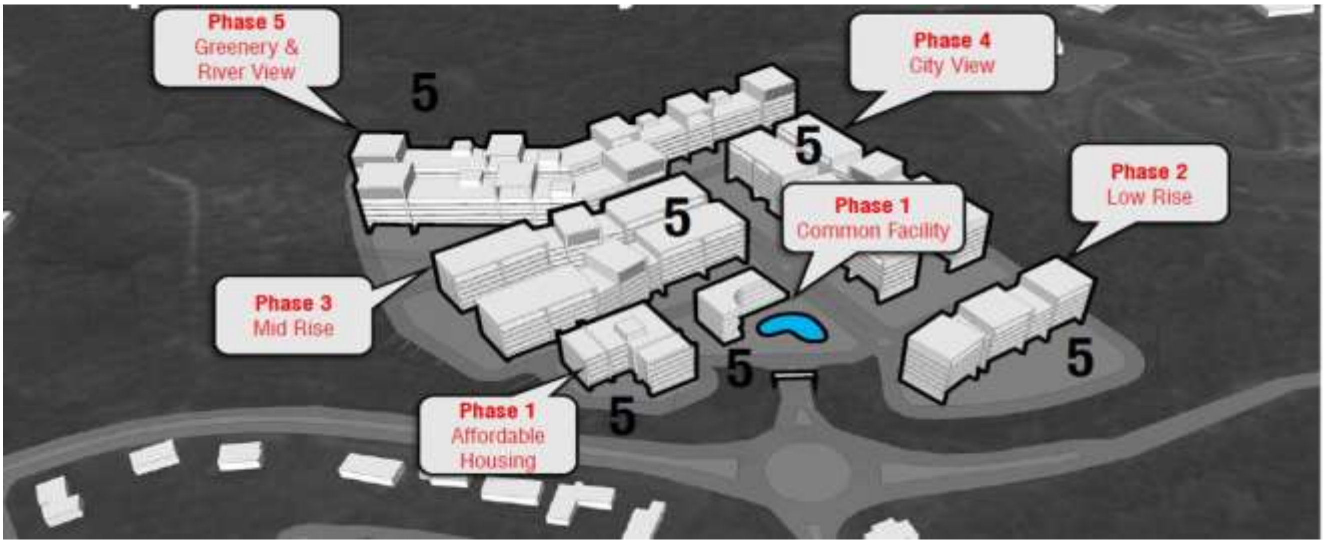
Launched its 4.0bn GDV master development plan for next 15 years. As part of the effort to unlock the value of its Tanjong Malim land and the effort to address increasing housing demand within the area, PGF is undertaking a rezoning of its masterplan in Tanjong Malim to strategically reposition its landbank in alignment with emerging business opportunities and long-term value creation prospects in the region. PGF has outlined a dual-pronged land utilization strategy aimed at delivering both cash flow generation and long-term earnings sustainability:

1. Property Development (400 acres)

PGF plans to unlock value from its Tanjong Malim landbank through residential and mixed-use development, targeting demand arising from the Proton-AHTV supply chain ecosystem and the expanding student population of UPSI. The Group has allocated 400 acres for this initiative, with an estimated total GDV of RM3.0bn, to be rolled out in multi-phased development over the next 10–15 years. As an initial foray, PGF has formed a joint venture (JV) with Malvest Properties to undertake a 45-acre project with a GDV of RM600m (Project 1). The JV structure allows PGF to first monetise the land via a conditional sale valued at RM28m, contingent on achieving an 80% booking rate. Management expects to recognize a one-off profit of RM20m, which will be progressively realized over 4 financial years, beginning FY26E, supported by the utilisation of approximately RM25m in carried-forward tax losses. We view this JV structure as a strategic entry point for PGF to gain operational exposure in property development without taking on excessive upfront risks. Looking ahead, PGF intends to transition into the lead developer role for subsequent projects to capture higher margins and improve earnings sustainability. However, near-term progress is contingent upon regulatory clearance from Lembaga Air Perak related to water sourcing, which management expects to resolve within FY26. As a result, we have conservatively factored in an RM4m net earnings contribution from this property segment, spread evenly across FY26–FY29E.

For the next project (Project 2), PGF via its 50.1% indirectly-owned subsidiary, Nexel Group Sdn Bhd will develop the 14.85 acres land into multi-phase housing estate, covering from the affordable housing, mid-rise and low-rise residentials with the various views, including the lush greenery and river view surrounding the area. Consistent with its cautious approach, management has guided that the Project 2 will only be launched once Project 1 achieves meaningful progress, reflecting PGF's prudent stance amid ongoing global and domestic macroeconomic uncertainties. However, PGF will take the lead role in this Project 2 development, enabling the company to recognize the revenue contribution progressively from this Project 2 development across the development period. Given the early-stage nature of the project, we do not expect any material earnings contribution from this Project 2 in the next 2 financial years.

Figure 13: Proposed floor plan for Project 2



Source: Company

2. **Agrotourism Development (890 acres)**

Figure 14: 10,000 durian tree plantations

Source: Company

Figure 15: Sales and hatchery of fish fingering

Source: Company

Beyond its property development plans, PGF intends to unlock value from the remaining 890 acres of its Tanjong Malim landbank through the development of agrotourism and recurring income-generating businesses, leveraging its early-stage investments in agriculture and aquaculture. These initiatives are aimed at diversifying earnings and creating long-term, annuity-like income streams.

Agriculture:
PGF has planted approximately 10,000 Musang King and Black Thorn durian trees across 208 acres, supplemented by high-value crops such as Golden Passion Fruit and Japanese Kumquat. Commercial yield is expected to begin in FY27, with maturity reaches by FY29. Based on a conservative yield assumption of 3 tonnes per acre per year and an average wholesale price of RM15/kg (industry averages range from RM15–RM75/kg depending on quality), the plantation could generate up to RM9.4m in annual revenue, translating into an estimated 1–3% contribution to Group revenue.

Aquaculture:
PGF is developing a 53-acre integrated aquaculture facility, focusing on producing 5 million commercially-viable fish fingerlings annually. However, due to its nascent stage, we do not anticipate any meaningful earnings contribution from this segment in the near term.

Tourism Infrastructure:

To enhance the agrotourism value proposition, PGF also housed a boutique resort known as Diamond Creeks Country Retreats, designed to accommodate agrotourism visitors. The concept is positioned as a corporate and family retreat, featuring complementary wellness and recreational amenities. However, given Tanjong Malim's nascent tourism appeal, no meaningful contribution from this segment at this juncture.

We believe the management is adopting flexible and phased approach in unlocking the value of their 1,311 acres of Tanjong Malim land, as it balances near-term cash flow generation (via property development and land monetization) with longer-term annuity-style income streams from its agriculture, aquaculture and tourism ventures.

Figure 16: Key points of interest from Diamond Creeks eco-tourism

Source: Company

Enhancing revenue stream with new strategic opportunities

Undertaking mixed-used property development in Kulim. To broaden revenue contribution from its property development, PGF is venturing into a high-value mixed-use development within the fast-growing Kulim Hi-Tech Park (KHTP), Kedah. The development will be undertaken via its indirect joint venture vehicle, Nexel Development KHTP Sdn Bhd, a wholly owned subsidiary of Nexel Group Sdn Bhd, in which PGF holds a controlling 50.1% stake. The remaining equity in Nexel Group is held by Malvest Group Sdn Bhd (10%) and three other parties related to Malvest. The JV vehicle is in the midst of acquiring a 9.608-acre freehold land for RM12.7m, with the purchase consideration to be settled via a mix of cash and in-kind contributions. The planned development carries an estimated GDV of RM600m and will be rolled out in two phases over six years, with project launch targeted for early 2026, pending regulatory approvals. The first phase will feature residential condominiums, while the second phase will encompass a hotel, serviced residences, and commercial components to support the integrated offering. According to management, the hotel component has attracted strong preliminary interest from several established international operators, including Hilton. Assuming a 20% PBT margin and a 24% corporate tax rate, the project could generate approximately RM91.2m in net profit to PGF over the full development life cycle. Since the contribution is yet to materialize (currently still pending for regulatory approval), we do not account the contribution into our forecast at this juncture.

We view the undertaking of this project as strategically sound move as it positions PGF to capitalize on the rising demand for residential and commercial properties within the KHTP vicinity, a zone increasingly seen as a key economic and industrial growth corridor in Northern Malaysia. Notably, the current undersupply of quality hotel accommodation in Kedah should provide room for PGF's hotel development to fill this gap. Together, the strong residential demand in Kedah boosted by strong influx of new workforce and strong interest from MNCs should augur well for PGF as its mixed-used property development project is set to experience strong take-up, enhancing its earnings visibility from property development segment.

Figure 17: Satellite picture of the PGF's land in KHTP

Source: Company

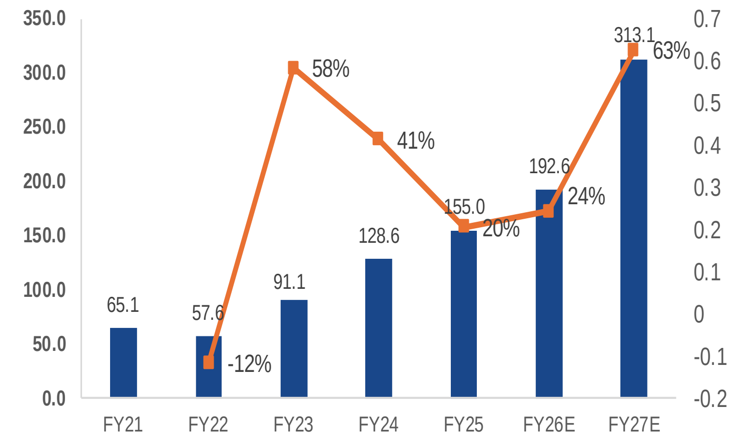
Figure 18: Mineral glass wool sandwich panel

Source: Company

Exploring more opportunities via collaboration. PGF is planning to capitalise on Malaysia's accelerating data centre build-out through a collaboration with global insulation leader, Centria Building Material Manufacturing (Shanghai) Co. Ltd. (Centria). Through its wholly owned subsidiary, PGF Global Distribution Sdn Bhd, the Group has entered into a five-year exclusive distribution agreement with Centria, securing rights to distribute mineral wool sandwich panels in the Malaysian market. Centria has over two decades of insulation materials supply experience to both industrial and data centre facilities. Under this agreement, PGF will be the sole distributor of Centria's mineral wool sandwich panels in Malaysia. These panels offer key attributes such as lightweight construction, fire resistance, thermal and acoustic insulation, all of which are critical in modern data centre builds to support energy efficiency, operational safety, and cost control. The materials are especially valued for their ability to maintain optimal interior conditions and reduce the risk of fire spread in data center. This partnership should position PGF's maiden entry into insulation material supply to data centre construction as Malaysia experiences a significant uptick in data centre investments, fueled by growing demand for digital infrastructure, cloud computing, and enterprise-level connectivity, Malaysia's favorable regulatory regime and its strategic location. We view this exclusive arrangement as a strategic lever for PGF to unlock new revenue streams from supplying insulation materials for data center construction segments, providing earnings uplift and support margin resilience within PGF's glass wool manufacturing division.

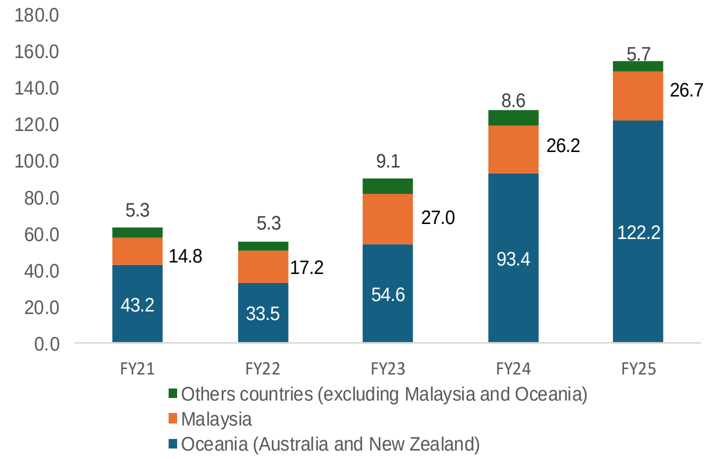
Financial Highlights

Figure 19: Revenue trend (in RM m)



Source: Company, Mercury Securities

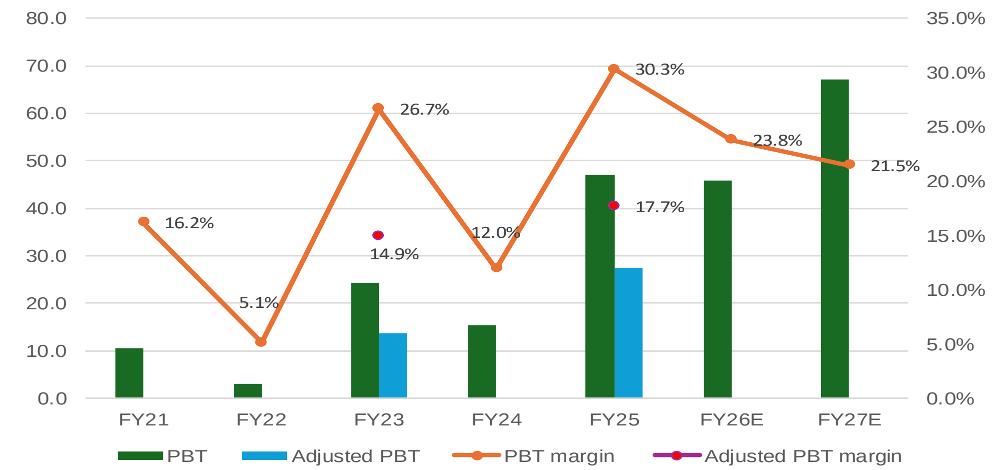
Figure 20: Revenue breakdown by geographical (in RM m)



Source: Company, Mercury Securities

Robust revenue growth. PGF delivered a robust 4-year revenue CAGR of 18.9%, with topline expanding from RM65.1m in FY21 to RM155.0m in FY25, reflecting strong operational execution and rising product demand in key markets. The primary growth driver has been the Oceania region, where insulation sales benefited significantly from increased adoption of glass wool insulation, following the implementation of Australia's NCC 2022, which mandates higher thermal efficiency standards (7-star rating). Glass wool remains a preferred low-cost solution for meeting these energy efficiency requirements, positioning PGF as a key beneficiary. Looking ahead, we expect revenue continue to rebound, underpinned by sustained regulatory-driven demand in the Oceania market, incremental revenue contribution from its property development segment (phase 1 of development in Tanjong Malim land and Kulim land) and commercial yield from its durian plantation starting FY27. In addition, PGF's strategic plan to deepen penetration into other ASEAN markets is set to complement its planned production capacity expansion in FY27, providing further uplift to revenue That said, we forecast revenue growth of 24.3% to 62.6% over FY26–27E, achieving new record high top-line performance in FY27E.

Figure 21: PBT (in RM m) and PBT margin trend

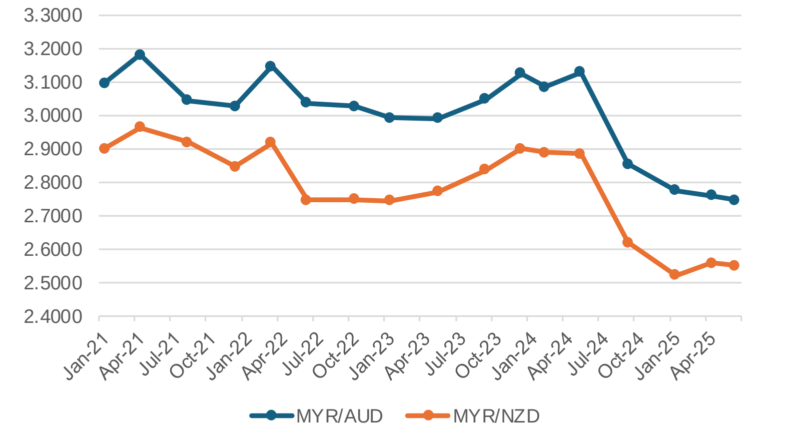


Source: Company, Mercury Securities

Volatile margin but to stay above 20% in FY26-27E. PGF's PBT margin experience significant volatility between 5.1% and 30.3% over FY21–FY25, primarily due to significant non-recurring items related to impairments and reversal gains on its Tanjong Malim landbank. After adjusting these one-off exceptional items, the adjusted PBT margin arrives at the range between 5.1% to 17.7%. On the adjusted basis, PGF's PBT margin registered uptrend except a significant decline in FY22 which was largely attributable to significant operating cost associated with the production plant shut down for about 6 weeks for the purposes of rebuild and plant upgrading and lower sales volume during the Covid-19 pandemic. While for the decline FY24, it was due to increased operating expenses associated with the opening of new warehouses in Australia. Going forward, we anticipate the PBT margin to improve further and stabilize between 21.5% to 23.8%, underpinned by (i) high-margin contributions from the first phase Tanjong Malim land development with monetization initiative, where sales are expected to carry minimal cost due to unabsorbed tax losses; and (2) enhanced operating leverage from its expanded production facility, which is expected to drive cost efficiencies and improve economies of scale.

Slightly geared balance sheet to support growth. As at 28 February 2024, the balance sheet of PGF remains at net debt position, translating into gearing ratio of 0.2x. We deem this gearing ratio to remain comfortable as PGF had executed its business expansion plan including to fund its Kulim land acquisition for property development, new production facilities construction and expansion of the number of delivery fleets in Australia's operation. Despite its modestly geared financial position, PGF remains committed to its dividend policy of a minimum 25% payout. The Group declared dividends of 2.0 sen, 1.5 sen, and 3.0 sen per share for FY23, FY24, and FY25, translating into payout ratios of 20%, 15%, and 17% respectively. Relying on the PGF's historical dividend payout trend, we expect PGF to deliver dividend payout ratio of 20% in FY26 before improving to 25% in FY27 as its financial position improve greatly with the strong jump in its financial performance.

Figure 22: AUD/MYR and NZD/MYR trend



Source: Bloomberg, Mercury Securities

Net foreign currency exposure. PGF has net foreign currency exposure with its export-led revenue composition and a cost base predominantly denominated in Malaysian Ringgit (MYR). In FY25, the Group derived approximately 80% of its revenue from foreign markets mainly in Australian Dollar (AUD, 61%) and New Zealand Dollar (NZD, 16%), while over 97% of its cost of goods sold (COGS) remained in MYR. This has positioned PGF as a net beneficiary of a stronger AUD and NZD.

Based on our sensitivity analysis (base case: AUD/MYR at 2.75, NZD/MYR at 2.55; with revenue weightings of 65% AUD, 20% NZD, and 15% MYR), every 2% change in AUD and NZD could result in an estimated ±1.7% change in PGF's reported revenue, ceteris paribus. This shows that PGF's topline sensitivity is cushioned by the offsetting effect on MYR-denominated input costs, particularly in a strengthening MYR environment. However, the recent strengthening trend in the MYR, driven by resurgence of foreign portfolio inflows into Malaysian equities and bonds, expectations of a more dovish Federal Reserve stance, and easing regional monetary conditions poses a translational headwind for PGF's near term earnings. A stronger MYR, particularly against the AUD and NZD, may dampen reported revenue and margins from the Oceania market, which remains PGF's largest export region. More importantly, PGF currently does not employ any active hedging policy, but management continues to monitor currency volatility and may consider adopting layered or partial hedging strategies should forex volatility escalate further. While this trend presents some translational risks to PGF's export segment, we believe these risks are manageable. PGF's strong Oceania demand backdrop, supported by energy-efficiency regulations, coupled with improved operational efficiency, provides it with pricing flexibility and helps to mitigate the impact of currency swings.

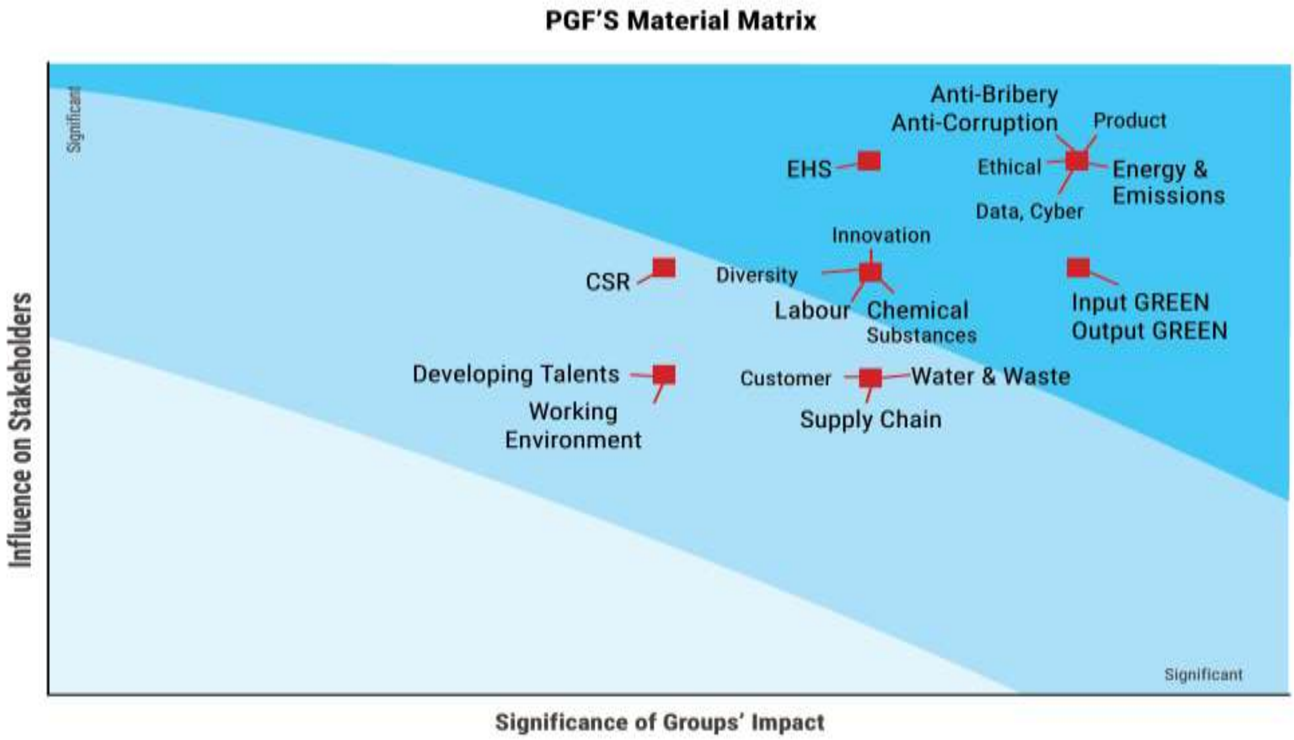
Figure 23: Sensitivity analysis of changes of foreign exchange rate on revenue

Assumptions												
AUD/MYR	2.75			AUD exposure	65%							
NZD/MYR	2.55			NZD exposure	20%							
FY27E Revenue total (in RM m)	313.1			MYR	15%							
Revenue in AUD	74.0	203.5										
Revenue in NZD	24.6	62.6										
Revenue in MYR	47.0											
	-10.0%	-8.0%	-6.0%	-4.0%	-2%	0%	2%	4%	6%	8%	10%	AUD
-10.0%	286.5	290.6	294.6	298.7	302.8	306.8	310.9	315.0	319.0	323.1	327.2	
-8.0%	287.7	291.8	295.9	299.9	304.0	308.1	312.2	316.2	320.3	324.4	328.4	
-6.0%	289.0	293.1	297.1	301.2	305.3	309.3	313.4	317.5	321.6	325.6	329.7	
-4.0%	290.2	294.3	298.4	302.5	306.5	310.6	314.7	318.7	322.8	326.9	330.9	
-2.0%	291.5	295.6	299.6	303.7	307.8	311.8	315.9	320.0	324.1	328.1	332.2	
0%	292.7	296.8	300.9	305.0	309.0	313.1	317.2	321.2	325.3	329.4	333.4	
2.0%	294.0	298.1	302.1	306.2	310.3	314.3	318.4	322.5	326.6	330.6	334.7	
4.0%	295.3	299.3	303.4	307.5	311.5	315.6	319.7	323.7	327.8	331.9	336.0	
6.0%	296.5	300.6	304.6	308.7	312.8	316.9	320.9	325.0	329.1	333.1	337.2	
8.0%	297.8	301.8	305.9	310.0	314.0	318.1	322.2	326.2	330.3	334.4	338.5	
10.0%	299.0	303.1	307.1	311.2	315.3	319.4	323.4	327.5	331.6	335.6	339.7	
NZD												

Source: Company, Mercury Securities

ESG Initiatives

Figure 24: Materiality Matrix



Key Performance achieved in FY25

Environmental Impact

1. Input GREEN & Output GREEN
    - PGF adopts a circular economy model by using over 80% recycled glass (glass cullet) in its manufacturing.
    - This initiative helps reduce reliance on virgin materials, lower energy consumption, and minimise landfill waste.
    - Output GREEN focuses on producing sustainable products (e.g., Ecowool) that improve thermal performance and reduce emissions in end-use applications.

2. Managing & Reducing Chemical Substances
    - PGF minimizes volatile organic compounds (VOC) in its products.
    - It also aims to use environmentally friendly packaging, limiting ink colors and using recyclable materials to reduce environmental impact.

3. Energy & Emissions Management
    - PGF has implemented solar energy systems, electric vehicles, and energy-efficient operations.
    - This aligns with efforts to reduce Scope 1, 2, and 3 GHG emissions in line with the UN SDGs.

4. Water & Waste Management
    - Scheduled waste is now properly identified and recorded; scrap materials are either reused, recycled, or sold to licensed vendors.
    - FY25 saw improved tracking and responsible landfill management.

5. Innovation
    - PGF emphasizes product innovation to align with regulatory needs, particularly in high-performance insulation solutions.
    - This includes ongoing R&D on fire-rated mineral wool panels and eco-packaging.

6. Product Quality & Certifications
    - Products are certified under ISO 9001, ISO 14001, GreenTag, and SIRIM, ensuring global standards in sustainability and safety.

Social Impact

1. Labour Practices & Standards
    - PGF ensures compliance with local labor laws and international standards.
    - It focuses on fair wages, anti-discrimination, and inclusive hiring.

2. Workplace Diversity
    - The company promotes diversity in gender, age, and skill sets to enhance innovation and collaboration.

3. Promoting Conducive Working Environment
    - PGF prioritizes health, safety, and a positive work culture, with zero reported cases of workplace fatalities or serious grievances.

4. Developing Talents
    - Investments in employee training and upskilling programs are made to drive productivity and employee satisfaction.

5. Health & Safety
    - Strong emphasis on employee safety protocols, particularly in manufacturing operations, to avoid disruptions and maintain compliance.

6. Customer Satisfaction
    - PGF engages with clients through surveys and feedback channels to improve service delivery and product offerings.

7. Supply Chain
    - Sustainable sourcing and fair procurement practices are applied across the vendor network.

8. Corporate Social Responsibility (CSR)
    - The Group supports local community initiatives, internship programs, and environmental education via recycling partnerships.

Governance

1. Ethical Business Practice
    - All operations are underpinned by strong ethical values, transparency, and corporate governance.

2. Anti-Bribery & Anti-Corruption
    - There were zero reported cases of bribery, corruption, or political contributions in FY25.
    - PGF maintains a formal Whistleblowing Policy and Code of Ethics.

3. Data Privacy & Cybersecurity
- There were zero data breaches reported.
- Cybersecurity protocols are implemented to protect customer and operational data.

Source: Company, Mercury Securities

Based on the Corporate Governance Report 2025 of PGF, PGF's corporate governance are in adherence to the Malaysian Code on Corporate Governance (MCCG) practices. Below is the summary:

Total MCCG Practices Disclosed	Practices Fully Applied	Practices Partially/ Not Applied
48 Practices	44	4

Source: PGF Corporate Governance Report 2025, Mercury Securities

PGF demonstrates a commendable commitment to corporate governance, with 44 out of 48 MCCG practices fully applied, reflecting strong adherence to the principles of accountability, transparency, and board effectiveness.

Overall ESG performance. PGF practices a well-rounded and progressively maturing ESG profile, underpinned by its commitment to sustainable manufacturing, regulatory compliance, and stakeholder responsibility. On the environmental front, the company has integrated circular economy principles into its operations, most notably through the use of recycled glass in its insulation production and continues to invest in renewable energy solutions such as solar power. PGF's core product, glass wool insulation, directly supports global decarbonization goals by enabling energy-efficient building practices in key markets like Australia and Malaysia. From a social perspective, PGF maintains a strong safety culture, promotes equal opportunity, and actively engages with local communities through employment, training, and environmental education initiatives. On the governance side, the company adheres to the Malaysian Code on Corporate Governance, with a well-structured board, active oversight of sustainability issues, and transparent disclosures. Overall, PGF's ESG strategy is credible, relevant, and increasingly aligned with international standards and national policy directions, such as Australia's National Construction Code (NCC) and Malaysia's Energy Efficiency and Conservation Bill (EECB).

SWOT Analysis

Strength	Weakness
1. **Leading regional insulation manufacturer with strong export footprint.** PGF is a leading regional manufacturer of glass wool insulation with a proven track record and strong presence in Malaysia, Australia and New Zealand. 2. **Strategic warehousing network enhances logistics efficiency.** PGF operates strategically located warehouses in Perth, Brisbane, Melbourne and Sydney, enabling just-in-time delivery and better servicing of the construction industry's short lead time requirements in the Australian market. 3. **Proven cost pass-through and pricing power.** Despite raw material price volatility, PGF has been able to preserve its margins by effectively passing on higher input costs to customers. Glass wool typically accounts for less than 5% of total project cost, making it a low-sensitivity item for developers.	1. **High revenue concentration in the insulation segments**. PGF remains highly concentrated in the insulation segment, with limited product diversification outside of glass mineral wool. 2. **Currency and export dependency risks.** Majority of PGF's revenue are from export sales. With close to 50% of revenue coming from Australia, PGF is exposed to foreign exchange volatility and regulatory changes that may affect export margins or operational costs.
Opportunity	**Threat**
1. **Structural insulation demand from NCC and EECB enforcement**. Regulatory shifts such as Australia's NCC 2022, Malaysia's Energy Efficiency and Conservation Bill (EECB), and the VEU programme offer long-term structural demand drivers. 2. **Capacity expansion to unlock volume-driven growth.** PGF initiated capacity expansion plan to expand its capacity from 25,000 to 85,000 mt/year**,** positioning the company to capture growing demand from the construction and retrofitting sectors. **3. ASEAN market expansion for geographic diversification.** PGF is actively re-entering into ASEAN market for its glass wool manufacturing business while diversifying away from its reliance on Oceania market.	1. **Overcapacity risks post-expansion.** If market demand softens or competition intensifies, PGF's expanded capacity could result in underutilization and margin compression. 2. **Geopolitical risks or trade disruptions.** Any disruptions could increase costs or delay deliveries, particularly for its export orders. 3. **Dependency on a limited number of key markets (Australia and Malaysia).** Increases exposure to region-specific economic or regulatory shocks.

Source: Company, Mercury Securities

Valuations

Initiate coverage on PGF with a BUY call and a SOP-derived TP of RM2.43. Our valuation reflects PGF's compelling positioning in the insulation manufacturing space, supported by positive regulatory tailwinds and strategically timed capacity expansion, complemented by future earnings contribution from its property development projects. We derive our target price using Sum of Part (SOP) valuation. We assign a 10x target P/E multiple to PGF's core glass wool insulation manufacturing division, based on our FY27E earnings. While there are no direct insulation peers listed on Bursa Malaysia, our valuation benchmark draws from a broader group of local construction material companies, where the average sector forward P/E stands at approximately 10x. We believe this valuation is justified, supported by (i) Its strong earnings visibility from the group's core insulation business, with long-term regulatory-driven demand particularly from the National Construction Code (NCC 2022) in Australia and the Energy Efficiency and Conservation Bill (EECB) in Malaysia; (ii) Capacity-led growth as PGF's expansion is set to lift insulation output by 2.6x, capturing more market share; (iii) Margin defensibility, backed by PGF's ability to pass on input cost increases due to the relatively low cost-sensitivity of insulation materials within the total construction materials cost. For PGF's property development segment, we adopt a Revalued Net Asset Value (RNAV) approach, arriving at a gross RNAV of RM208m, using a WACC of 8.9%. We apply a 50% discount to reflect execution risks and lack of near-term earnings contribution. The assigned 50% discount to the RNAV is reasonable as (i) PGF's property development project in Kulim is still pending for regulatory approval and (ii) its Tanjong Malim land will remain in underdeveloped condition in the near future. Together, we arrive at a SOP-derived TP of RM2.43, translating into a potential 40% upside.

Figure 25: SOP valuation

Manufacturing of glass wool	
	FY27E
PBT (RM m)	57.9
Tax rate	24%
PAT (RM m)	44.0
Targeted P/E	10
Total value (RM m)	440.1
Property development	
RNAV (Kulim land) @ 50% RNAV (RM m)	34.7
RNAV (Tanjung Malim land) @ 50% to RNAV (RM m)	173.4
Net cash/ (Net debt)	(64.2)
Total SOP	583.9
Enlarged Share base (after adjusted with ICPS)	240.0
Intrinsic Value/ Target Price	2.43
Current market price	1.74
Upside gain	40%

Source: Mercury Securities

Peer Comparison (as at 22 July 2025)

Company	Bloomberg Ticker	Share Px (RM)	Mkt Cap	EPS Growth (%)		P/E (x)		P/B		ROE (%)		Net Dividend Yield (%)	
Malaysia			**RM m**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**
Press Metal Aluminium	PMAH MK	5.20	42,846.0	11.8	8.4	21.8	20.1	4.4	3.8	21.0	19.9	1.6	1.8
Malayan Cement	LMC MK	5.19	7,025.3	10.8	2.4	12.8	12.6	1.0	1.0	9.0	8.5	2.4	2.6
Hume Cement	HUME MK	2.87	2,082.1	(14.5)	5.7	10.8	10.3	-	-	24.5	22.1	-	-
Cahya Mata Sarawak	CMS MK	1.29	1,386.6	21.5	10.3	8.9	8.1	-	-	4.3	4.7	2.6	2.7
Hiap Teck Venture	HTVB MK	0.28	487.8	(14.8)	20.5	6.4	5.3	0.3	0.3	-	-	3.6	3.6
Ann Joo Resources	AJR MK	0.67	466.7	59.3	144.2	-	9.1	-	-	(12.8)	5.5	0.0	5.7
Engtex Group	ENGT MK	0.50	397.2	(9.1)	369.2	38.5	8.2	0.4	0.4	3.4	7.4	3.0	2.8
CSC Steel	CSCS MK	1.06	391.5	356.0	-	7.6	7.6	-	-	5.6	5.5	7.1	7.2
Simple Average				**52.6**	**80.1**	**15.3**	**10.1**	**1.5**	**1.4**	**7.9**	**10.5**	**2.9**	**3.8**

Source: Bloomberg

Figure 26: Forward PE band

Source: Bloomberg, Mercury Securities

Figure 27: Forward PB band

Source: Bloomberg, Mercury Securities

Key Risks

Regulatory risk for insulation. As a manufacturer and exporter of glass mineral wool insulation products, PGF operates in a segment that is heavily influenced by building codes, energy efficiency regulations, and environmental standards in its key markets, particularly Australia, New Zealand, and Malaysia. PGF's insulation revenue growth has been significantly supported by regulatory tailwinds, particularly the NCC 2022 in Australia and EECB in Malaysia. Any delay, rollback, or loosening of these regulations due to changes in government priorities, political leadership, or economic conditions could soften demand growth for insulation materials, undermining PGF's growth trajectory, especially in the Oceania market, which contributes ~77% of the Group revenue.

Foreign exchange rate fluctuation. PGF is exposed to foreign exchange rate fluctuation as approximately 81% of its revenue is primarily denominated in the foreign currency (AUD, NZD, USD and SGD) versus its cost of goods that is mainly denominated in local currency (approximately 97%). Therefore, any adverse changes in the foreign exchange rate, particularly the significant appreciation in the Malaysian Ringgit against its major trading currencies could result in severe negative impact on its financial performance.

Supply chain disruptions. Supply chain disruption poses a key operational risk to PGF, given its reliance on efficient cross-border logistics to support export deliveries and production continuity. Delays in raw material supply or freight constraints could lead to higher costs, order backlogs, and potential margin compression. Although PGF may mitigate some risks through supplier diversification and inventory planning, global trade uncertainties and logistics volatility could poise key challenge for the company.

Company Background

Fibre glass mineral wool insulation manufacturer. PGF, through its wholly owned subsidiary PGF Insulation Sdn Bhd, is primarily engaged in the manufacturing and distribution of fibre glass mineral wool insulation. This remains the group's core business, accounting for over 99% of total revenue in FY25. Fibre glass mineral wool, a subcategory of mineral wool insulation, is widely used for both thermal and acoustic applications across residential, commercial, and industrial segments, offering strong demand fundamentals anchored by energy efficiency and green building requirements.

.

Property development. PGF has also diversified into property development, with a strategic focus on high-rise and affordable housing projects. The group holds a sizeable landbank of approximately 1,311 acres in Tanjong Malim, which it plans to unlock gradually to support long-term growth and enhance its development credentials. While revenue contribution from property development remains minimal at under 1% in FY25, the landbank offers latent value and optionality for future monetisation.

.

Figure 28: Corporate Milestone

Source: Company

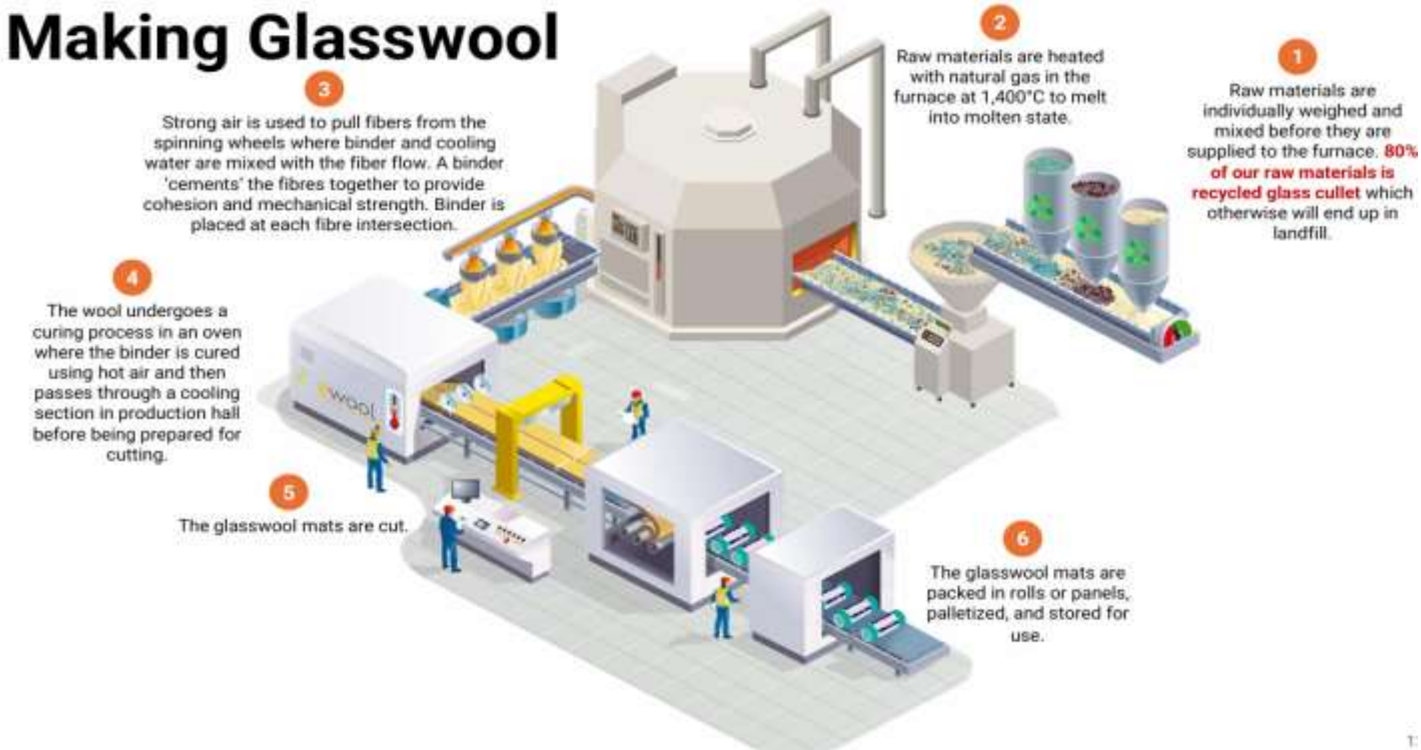
Figure 29: PGF's corporate structure

Source: Company

Figure 30: PGF's glass wool brands

Source: Company

Figure 31: Glass wool manufacturing process



Source: Company

Figure 32: PGF's glass wool certification

No	Certifications
1	ISO 9001:2015 Quality Management Systems
2	MS 1020:2010 Thermal Insulation Products or Buildings – Factory Made Mineral Wool (Mw) Products – Specification
3	AS/NZS 4859.1:2018 Thermal insulation materials for buildings, General and technical provisions
4	New Zealand Codemark Product Certificate ELIMENT® Insulation – Glass Mineral Wool Insulation
5	Singapore Green Building Product Certification
6	Construction Industry Development Board ("CIDB") Perakuan Pematuhan Standard (Bahan Binaan)
7	Belgian Construction Certification Association NPO EUCEB Certification of mineral wool products
8	FM Approvals Certificate of Compliance
9	TÜV SÜD Certificate of Conformity
10	ISO 14001:2015 Environmental Management System
11	Global Greentag Certified: Level A for PGF Glasswool Insulation products

Source: Company

Figure 33: Application of glass wool in a building

Source: Company

Figure 34: Key Management Team

Name and Designation	Age	Profile
Fong Wah Kai Executive Chairman	78	• Served as an Executive Director in family-run PGF business for the 30 years. • Was redesignated on 31 May 2023 as the Executive Chairman of the company.
Fong Wern Sheng Group Chief Executive Officer	44	• Appointed to the board as an Executive Director of PGF on 7 October 2003 and re-designated on 26 October 2017 as the Executive Chairman of the company. • Was re-designated on 31 May 2023 as the Chief Executive Officer of the company.
Tan Ming Chong Group Chief Operating Officer	45	• Appointed to the board as an Executive Director of PGF on 17 May 2010 and re-designated as the Chief Operating Officer on 18 January 2012.
Loo Chee Hin Group Chief Financial Controller	56	• Joined PGF as the Chief Financial Officer on 18 May 2020 • Has overall responsibility for overseeing PGF's overall financial matters, including financial planning, financial reporting and administration.

Source: Company, Mercury Securities

Key Financial Data

Balance Sheet

FYE Dec	FY23	FY24	FY25	FY26E	FY27E
PPE	56.4	58.4	100.6	114.7	143.8
Trade and other receivables	19.9	22.8	33.6	46.4	76.0
Inventory	175.6	175.9	200.8	204.7	222.8
Investment properties	5.3	5.2	5.0	5.0	5.0
Other assets	13.0	28.1	35.9	35.9	35.9
Deposit, bank and cash	19.2	26.1	37.9	36.0	20.0
Assets	**289.4**	**316.4**	**413.7**	**442.7**	**503.4**
LT borrowings	15.5	17.8	52.2	52.2	52.2
ST borrowings	17.6	11.7	16.0	16.0	16.0
Payables	16.6	15.8	20.0	22.1	44.7
Other liabilities	37.5	59.3	62.7	62.7	62.7
Liabilities	**87.2**	**104.6**	**151.0**	**153.1**	**175.6**
Share capital	213.4	214.1	237.9	237.9	237.9
Reserves and retained earning	(11.2)	(2.3)	24.8	51.7	89.9
Shareholder's equity	**202.2**	**211.8**	**262.7**	**289.7**	**327.8**
Total equity	**202.2**	**211.8**	**262.7**	**289.7**	**327.8**
Equity and Liabilities	**289.4**	**316.4**	**413.7**	**442.7**	**503.4**

Cash Flow Statement

FYE Dec	FY23	FY24	FY25	FY26E	FY27E
Profit before taxation	24.3	15.4	47.0	44.3	65.3
Depreciation & amortisation	8.8	11.9	11.6	13.7	16.5
Changes in working capital	(21.3)	(2.6)	(14.9)	(14.7)	(25.1)
Net interest received/ (paid)	(2.7)	(1.9)	(1.9)	(1.9)	(1.9)
Share of associate profits	-	-	-	-	-
Tax paid	(0.8)	(5.4)	(10.0)	(10.6)	(14.5)
Others	(9.8)	2.6	(16.7)	-	-
Operating Cash Flow	**(1.6)**	**20.0**	**15.1**	**30.8**	**40.4**
Capex	(5.8)	(13.7)	(57.2)	(27.9)	(45.6)
Others	0.5	7.4	0.2	0.8	0.8
Investing Cash Flow	**(5.4)**	**(6.4)**	**(57.0)**	**(27.1)**	**(44.8)**
Issuance of shares	-	-	-	-	-
Changes in borrowings	10.7	0.6	44.3	-	-
Dividends paid	(1.6)	(1.6)	(6.8)	(6.7)	(12.7)
Others	(9.3)	(11.7)	12.4	(2.6)	(2.6)
Financing Cash Flow	**(0.2)**	**(12.6)**	**49.9**	**(9.4)**	**(15.3)**
Net cash flow	(3.3)	5.9	11.7	(1.9)	(16.0)
Forex	(0.0)	0.1	0.4	-	-
Beginning cash	22.0	18.6	24.6	36.6	34.7
Ending cash	**18.6**	**24.6**	**36.6**	**34.7**	**18.7**

Income Statement

FYE Dec	FY23	FY24	FY25	FY26E	FY27E
Revenue	91.1	128.6	155.0	185.7	303.9
EBITDA	33.6	29.5	60.4	59.8	83.6
Depn & amort	8.8	11.9	11.6	13.7	16.5
Net interest expense	(1.1)	(2.7)	(1.9)	(1.9)	(1.9)
Associates & JV	-	-	-	-	-
EI	-	-	-	-	-
Pretax profit	**24.3**	**15.4**	**47.0**	**44.3**	**65.3**
Taxation	(8.0)	(4.9)	(13.1)	(10.6)	(14.5)
MI	-	-	-	-	-
Net profit	**16.3**	**10.5**	**33.9**	**33.7**	**50.8**
Core earnings	**16.3**	**10.5**	**33.9**	**33.7**	**50.8**

Key Statistics & Ratios

FYE Dec	FY23	FY24	FY25	FY26E	FY27E
Growth					
Revenue	58.3%	41.2%	20.5%	19.8%	63.6%
EBITDA	213.4%	-12.1%	104.7%	-0.9%	39.7%
Pretax profit	721.7%	-36.6%	205.4%	-5.7%	47.4%
Net profit	736.2%	-35.7%	224.6%	-0.7%	50.9%
Core EPS	717.7%	-42.0%	203.2%	-0.7%	50.9%
Profitability					
EBITDA margin	36.9%	22.9%	39.0%	32.2%	27.5%
Net profit margin	17.9%	8.1%	21.9%	18.1%	16.7%
Effective tax rate	33.0%	32.1%	27.8%	24.0%	24.0%
ROA	5.6%	3.3%	8.2%	7.6%	10.1%
ROE	8.0%	4.9%	12.9%	11.6%	15.5%
Leverage					
Debt/ Assets (x)	0.12	0.15	0.20	0.19	0.17
Debt/ Equity (x)	0.17	0.22	0.32	0.29	0.26
Net debt/ equity (x)	0.1	0.1	0.2	0.2	0.2

Key Drivers

FYE Dec	FY23	FY24	FY25	FY26E	FY27E
Plant utilisation rate	75.1%	73.0%	93.8%	100.0%	78.8%
PBT margin	26.7%	12.0%	30.3%	23.9%	21.5%

Valuation

FYE Dec	FY23	FY24	FY25	FY26E	FY27E
EPS (sen)	9.9	5.8	17.5	17.4	26.2
Core EPS (sen)	9.9	5.8	17.5	17.4	26.2
P/E (x)	17.5	30.2	9.9	10.0	6.6
EV/ EBITDA (x)	10.5	12.2	6.4	6.4	4.8
Net DPS (sen)	2.0	1.5	3.0	2.8	5.3
Yield	1.1%	0.9%	1.7%	1.6%	3.0%
BV per share (RM)	1.04	1.09	1.35	1.49	1.69
P/BV (x)	1.7	1.6	1.3	1.2	1.0

Disclaimer & Disclosure of Conflict of Interest

The information contained in this report is based on data obtained from data and sources believed to be reliable at the time of issue of this report. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the information or opinions in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as “believe”, “estimate”, “intend” and “expect” and statements that an event or result “may”, “will” or “might” occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to Mercury Securities Sdn Bhd. (“Mercury Securities”) and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. Mercury Securities expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Accordingly, neither Mercury Securities nor any of its holding company, related companies, directors, employees, agents and/or associates nor person connected to it accept any liability whatsoever for any direct, indirect, or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Mercury Securities has no obligation to update its opinion or the information in this report.

This report does not have regard to the specific investment objectives, financial situation and particular needs of any specific person. Accordingly, investors are advised to make their own independent evaluation of the information contained in this report and seek advice from, amongst others, tax, accounting, financial planner, legal or other business professionals regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you. This report is not intended, and should not under no circumstances be considered as an offer to sell or a solicitation of any offer or a solicitation or expression of views to influence any one to buy or sell the securities referred to herein or any related financial instruments.

Mercury Securities and its holding company, related companies, directors, employees, agents, associates and/or person connected with it may, from time to time, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment, share margin facility or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests and should exercise their own judgement before making any investment decisions.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Mercury Securities. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted, or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Mercury Securities takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Mercury Securities own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Mercury Securities’ website shall be at your own risk.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

This report has been prepared by research analyst(s) of Mercury Securities pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus (“Bursa RISE+”) administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report. This research report can also be found in the Bursa Marketplace or via the link: https://www.bursamarketplace.com/mkt/tools/research.

Recommendation Rating

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

BUY	Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield)
HOLD	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

Published & Printed By:

MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my