



PGF Capital Bhd

Solid FY26 Start; Results within Expectation

PGF kicked off FY26 on a solid note, recording a 12.1% YoY increase in core earnings to RM7.5m. This accounted for 22.3% and 21.9% of our and consensus full-year estimates, respectively. We view the results as broadly in line with expectations, as we anticipate earnings momentum to strengthen in the coming quarters, supported by sustained demand for glass mineral wool products in both the Oceania and Malaysian markets. Revenue rebounded 20.5% QoQ from a seasonally soft 4QFY25. On margins, 1QFY26 PBT margin normalised to 24.7% (from 59.4%) due to a high base effect from a one-off reversal of impairment in the previous quarter. Excluding this, adjusted margins improved by 12bps QoQ, underpinned by better cost efficiency and reduced operating expenses. We expect margin resilience to continue, supported by operating leverage and ongoing optimisation efforts. The property development segment continued to deliver minimal earning contribution, as delays in securing regulatory approvals especially for the Tanjong Malim project, pushing back the timeline for project launch and revenue recognition. We maintain our earnings forecasts and SOP-derived TP of RM2.43, based on a target P/E of 10x FY27E EPS for the manufacturing division and a 50% discount to RNAV for the property segment.

Core earnings in line with expectations. PGF began FY26 on a firm footing, reporting core net profit of RM7.5m (+12.1% YoY). The core earnings accounted for 22.3% and 21.9% of our and consensus full-year forecasts, respectively. We view the results as in line, as we expect earnings momentum to accelerate in the coming quarters, underpinned by stronger demand for glass mineral wool products across the Oceania and Malaysian markets. Revenue rose 20.5% QoQ, rebounding from the seasonally soft 4QFY25, which was impacted by holiday-related production and shipment slowdowns in Australia, New Zealand and Malaysia.

Improved margins on adjusted basis. PGF's 1QFY26 PBT margin declined to 24.7% from 59.4% in 4QFY25, primarily due to a high base effect from a one-off reversal of impairment amounting to RM19.6m in the preceding quarter. Stripping out this non-recurring item, the adjusted PBT margin actually improved by 12 basis points QoQ, reflecting underlying operational strength. The margin uplift was driven by improved cost efficiencies, with operating expenses declining to RM29.4m from RM31.1m in 4QFY25. Looking ahead, we expect margin resilience to be supported by ongoing cost optimisation initiatives and operating leverage from rising sales volumes.

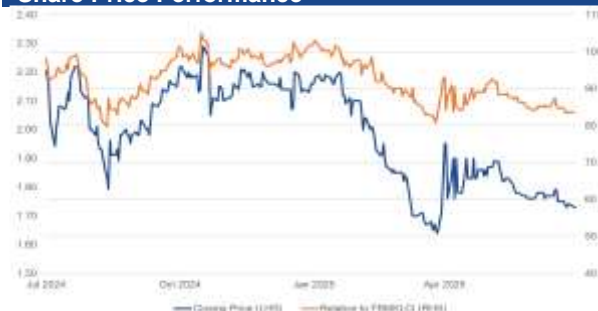
Property development still lag. PGF's property development segment remained a negligible contributor in 1QFY26, with no meaningful earnings recognised during the quarter. This was primarily due to ongoing delays in securing regulatory approvals, particularly for Project 1 located in Tanjong Malim, Perak. Management noted that the approval process has taken longer than anticipated, pushing back the timeline for project launch and revenue recognition.

Earnings forecast and valuation. No changes to our earnings forecasts. Our SOP derived TP remains unchanged at RM2.43, with the manufacturing division valuation pegged to an unchanged target P/E of 10x to FY27E EPS, while the property development division is valued at 50% discount to RNAV. We continue to like PGF for its (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

Main Market
Industrial Products & Services Sector
BUY (↔)

TP: RM 2.43
Last Closing Price: RM 1.73

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)	1,529.4
YTD KLCI chg.	(6.9)
YTD Stock Price chg.	(19.9)

Price Performance	1M	3M	12M
Absolute (%)	(1.7)	1.2	(23.1)
Relative to KLCI (%)	(1.5)	0.7	(17.3)

Stock Information

Market Cap (RM m)	335.5
Issued Shares (m)	194.0
52-week High (RM)	2.29
52-week Low (RM)	1.64
Est. Free Float (%)	24.4
Beta vs FBM KLCI	0.97
3-month Avg 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 DEC (RM m)	FY25A	FY26E	FY27E
Revenue	155.0	185.7	303.9
EBIT	48.8	46.1	67.1
PBT	47.0	44.3	65.3
Net Profit	33.9	33.7	50.8
Core Net Profit	33.9	33.7	50.8
Core EPS (sen)	203.2	(0.7)	26.2
Core EPS Growth (%)	(9.9)	43.8	50.9
Net DPS (sen)	3.0	2.8	5.3
BV Per Share (sen)	135.4	149.3	169.0
Net Div. Yield (%)	1.7	2.0	3.8
P/E (x)	10.0	6.6	4.2
ROE (%)	12.9	11.6	15.5



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.

Results Highlights

Y/E: Dec (RM m)	1Q26	4Q25	QoQ Chg. %	1Q25	YoY Chg. %	3M26	3M25	YoY Chg. %	Comments
Key financial highlights									
Revenue	40.6	33.7	20.5	40.5	0.2	40.6	40.5	0.2	Stronger glass mineral wool demand from Oceania market
Operating expenses	(29.4)	(31.1)	(5.6)	(31.1)	(5.6)	(29.4)	(31.1)	(5.6)	
Other operating expenses	(0.5)	17.8	(102.8)	0.2	>(100.0)	(0.5)	0.2	>(100.0)	
Operating profit	10.5	20.4		9.7	9.9	10.5	9.7	9.9	
Pretax profit	10.0	20.0	(48.6)	9.1	38.0	10.0	9.1	38.0	
Net profit	7.5	13.9	(46.0)	6.7	39.0	7.5	6.7	39.0	Lower due to higher base effect of 4QFY25 including one-off reversal
Core net profit	7.5	(1.9)	503.0	6.7	39.0	7.5	6.7	39.0	
Per share data									
EPS (sen)	3.9	7.5	(48.3)	4.1	(42.3)	3.9	4.1	(42.3)	
Core EPS (sen)	3.9	(0.8)	>100.0	4.1	(42.3)	3.9	4.1	(42.3)	
Net DPS (sen)	0.0	1.0	(100.0)	0.0	0.0	0.0	0.0	0.0	
BV/share (sen)	139.3	141.4	(1.5)	140.9	>100.0	139.3	140.9	>100.0	
Margins									
Operating profit (%)	25.9	60.7	(34.8 pts)	23.8	2.1 pts	25.9	23.8	2.1 pts	
Pretax (%)	24.7	59.4	(34.7 pts)	22.4	2.3 pts	24.7	22.4	2.3 pts	
Net profit (%)	18.5	41.3	(22.8 pts)	16.5	2.0 pts	18.5	16.5	2.0 pts	
Adjusted pretax (%)	24.7	12.5	12.1 pts	22.4	2.3 pts	24.7	22.4	2.3 pts	
Adjusted net profit (%)	18.5	(5.5)	24.0 pts	16.5	2.0 pts	18.5	16.5	2.0 pts	
Other highlights									
Revenue breakdown									
Manufacturing	40.5	33.6	20.6	40.3	0.3	40.5	40.3	0.3	
Property		0.0				0.0	0.0	0.0	
Others	0.0		0.0	0.0	0.0				
	0.1	0.1	(6.1)	0.2	(30.3)	0.1	0.2	(30.3)	No contribution due to delay in project launches
PBT breakdown									
Manufacturing	11.9	2.6	>100.0	10.6	12.0	11.9	10.6	12.0	
Property	(0.2)	19.4	>(100.0)	(0.3)	(35.5)	(0.2)	(0.3)	(35.5)	
Others	(1.7)	(2.0)	(15.1)	(1.2)	35.7	(1.7)	(1.2)	35.7	
PBT margin									
Manufacturing (%)	29.3	7.7	21.6	26.3	3.0	29.3	26.3	3.0	
Property (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Source: Company, Mercury Securities

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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)

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