



# Pecca Group Berhad

## Cost Discipline Offsets TIV Normalisation

Pecca's 6MFY26 results came in within expectations. Topline grew 6% YoY with PATAMI at 4% growth reflecting (i) stronger-than-expected cost discipline, (ii) improving revenue contribution from the Aviation segment, which is expected to be reflected in the upcoming quarters, and (iii) a recovery in Indonesia's TIV (FY25: 804k; FY26E: 850k, per the Association of Indonesian Automotive Industries), which should help cushion the anticipated moderation in Malaysia's revenue amid TIV normalisation. Accordingly, we expect further improvement in Indonesia in CY26 thus raised our FY26E/FY27E by 3%/7%, subsequently raise our target price to RM1.55 (from RM1.45), based on an unchanged 16x target P/E multiple applied to our FY27E EPS of 9.6 sen, and maintain our HOLD recommendation.

**6MFY26 results came within expectations**, with core net profit accounting for 52%/49% of our/consensus full-year estimates. The outperformance was mainly driven by higher sales volume from the Automotive segment in Malaysia (July–Dec 2025), supported by peak TIV during the period, alongside slightly stronger-than-expected cost discipline, with 6MFY26 OPEX margin at 8% versus our estimate of 9%. A second interim DPS of 1.5 sen was declared, bringing cumulative FY26 DPS to 3.0 sen (FY24: 3.0 sen), below our expectation of 3.3 sen.

**YoY, 6MFY26** topline rose 6% to RM126m (6MFY25: RM119m), driven by growth in the Car Seat Cover (OEM) segment (+6%). This was supported by gains in Car Seat Cover (REM) (+11%), Sewing of Fabric Car Seat Covers (+8%) and Manufacturing of Leather/PVC car accessories covers (+15%), which helped cushion declines in Car Seat Cover (PDI) (-23%) and Leather cut pieces supply (-12%). Bottom line increased 4% YoY to RM31m (6MFY25: RM30m), supported by improved operating cost control (OPEX margin: 6MFY26 8% vs. 6MFY25 10%). In terms of margins, Pecca managed to maintained a steady margins comparable to prior year. GP margin declined 1ppt to 42% as COGS growth (+8% YoY) outpaced revenue growth (+6% YoY), while EBITDA margin rose 2bps and EBIT margin fell 1bp. PBT margin slipped 1ppt to 33% due to slightly higher interest expense, and PATAMI margin declined 1ppt to 24%, dragged by a higher ETR.

**QoQ**, revenue rose 7%, driven by growth in Car Seat Cover (OEM) and (REM) of 8% and 61%, respectively, which helped cushion declines in other business segments, including Car Seat Cover (PDI) (-17%), Leather cut pieces supply (-23%), Sewing of Fabric Car Seat Covers (-5%), Aviation (-26%) and Others (-90%). However, the absolute monetary impact of these declines was relatively insignificant compared to the stronger-performing segments. Profitability remained broadly stable, with GP margin improving slightly by 2bps. Nonetheless, EBITDA margin fell 2ppts to 33% due to higher OPEX margin QoQ (2QFY26: 9% vs. 1QFY26: 7%). Consequently, EBIT, PBT and PAT margins declined by 2ppts to 30%, 32% and 24%, respectively.

**Outlook**, we expect FY26E–FY27E earnings to remain resilient despite TIV normalisation, supported by a strong model pipeline, (i) expansion of the Aviation segment, and (ii) growing contribution from Indonesia. Pecca's move into full seat assembly and integrated interior solutions, alongside expansion into higher-margin segments such as REM exports and aviation MRO, should help offset softer Malaysia TIV. With ongoing capacity expansion and disciplined cost management, we believe the Group is well

Result Note

HOLD (↔)

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Friday, February 27, 2026

Price: RM 1.74

Target Price: RM 1.55 (↑)

### Share Price Performance



### Business Overview

Pecca Group Berhad engages in styling, manufacturing, distribution and installation of leather upholstery for seat covers for automotive and aviation industries through its subsidiaries. The Company is listed on the Main Market under Industrial Products.

### Return Information

KLCI (pts)	1,740.94
YTD KLCI chg.	3.6%
YTD Stock Price chg.	3.6%

### Price Performance

	1M	3M	12M
Absolute (%)	3.0%	14.0%	24.0%
Relative to KLCI (%)	-0.2%	7.2%	9.6%

### Stock Information

Market Cap (RM m)	1,260.6
Issued Shares (m)	724.5
52-week High (RM)	1.79
52-week Low (RM)	1.26
Est. Free Float (%)	26%
Beta vs FBM KLCI	0.5
3-month Avg Vol. (m)	2,436,596
Shariah Compliant	Yes
Bloomberg Ticker	PECCA MK EQUITY

### Top 3 Shareholders

	%
Mrz Leather Holdings	51.5%
Sam Yin Thing	7.6%
Huaren Holdings	4.8%

### FY Dec (RM m)

	FY25A	FY26E	FY27E
Revenue	224.5	246.0	283.1
EBITDA	76.1	84.0	96.6
EBIT	71.8	78.0	90.6
PBT	75.6	81.4	94.9
Core Net Profit	57.1	61.4	72.1
Consensus Net Profit	-	23.6	-
Earnings Revision (%)	-	3.2%	6.7%
<b>Core EPS (sen)</b>	<b>7.60</b>	<b>8.16</b>	<b>9.59</b>
Core EPS Growth (%)	3.9%	7.4%	17.5%
Net Div. Yield (%)	3.92	1.88	2.20
BVPS (sen)	27.72	32.62	38.37
PER (x)	22.9	21.3	18.1
PBV (x)	6.3	5.3	4.5
Net Gearing (x)	N.Cash	N.Cash	N.Cash

positioned to sustain growth.

**Post-results**, we raise our FY26E/FY27E earnings by 3%/7%, reflecting (i) improving cost discipline across operations, (ii) accelerating traction in the Aviation segment, with stronger contributions expected to be reflected in the upcoming quarters, and (iii) a recovery in Indonesia's TIV (FY25: 804k; FY26E: 850k, per the *Association of Indonesian Automotive Industries*), which should help cushion the anticipated moderation in Malaysia's revenue segment amid TIV normalisation.

**Valuation**. We raised our target price to RM1.55 (from RM1.45), based on an unchanged target P/E multiple of 16x applied to FY27E EPS of 9.6 sen. The target multiple is benchmarked against the industry's 2-year historical average. **HOLD** recommendation maintained.

**Investment Merits**. Despite the expected normalisation in Malaysia's TIV, we remained cautiously optimistic on Pecca, underpinned by its (i) Strong National OEM Partnerships, (ii) Pecca's strategy on Riding on Normalising but Structurally Elevated TIV, (iii) Capacity Expansion and Incremental Diversification, and (iv) its Industry Leading Margin Structure. Consequently, we view the risk-reward as mildly favourable.

**Key risks include:** i) High Local Client Concentration, ii) Exposure to Domestic TIV Cycles, and iii) Competition Risk from Low-Cost Asean Suppliers.

### Results Highlights

Y/E : June (RM m)	2QFY26	1QFY26	QoQ Chg	2QFY25	YoY Chg	6M26	6M25	YoY Chg
<b>Turnover</b>	<b>65.0</b>	<b>60.6</b>	<b>7.3%</b>	<b>62.6</b>	<b>3.8%</b>	<b>125.6</b>	<b>118.6</b>	<b>5.9%</b>
<b>Gross Profit</b>	<b>27.3</b>	<b>25.5</b>	<b>6.8%</b>	<b>27.3</b>	<b>0.0%</b>	<b>52.8</b>	<b>51.3</b>	<b>2.9%</b>
<b>OPEX</b>	<b>(5.8)</b>	<b>(4.5)</b>	<b>27.1%</b>	<b>(6.4)</b>	<b>-9.1%</b>	<b>(10.3)</b>	<b>(11.4)</b>	<b>-9.1%</b>
EBITDA	21.7	21.2	2.3%	20.9	3.8%	43.0	40.3	6.6%
EBIT	20.0	19.6	2.1%	19.5	2.4%	39.5	37.5	5.6%
<b>PBT/(LBT)</b>	<b>20.7</b>	<b>20.3</b>	<b>1.6%</b>	<b>20.5</b>	<b>0.9%</b>	<b>41.0</b>	<b>39.5</b>	<b>3.8%</b>
Taxation	<b>(5.1)</b>	<b>(5.0)</b>	<b>3.3%</b>	<b>(5.1)</b>	<b>-0.5%</b>	<b>(10.1)</b>	<b>(9.6)</b>	<b>4.8%</b>
Net Profit	15.6	15.4	1.1%	15.3	1.4%	30.9	29.9	3.4%
<b>PATAMI</b>	<b>15.6</b>	<b>15.4</b>	<b>1.2%</b>	<b>15.3</b>	<b>1.6%</b>	<b>31.0</b>	<b>29.9</b>	<b>3.5%</b>
Core EPS (sen)	2.1	2.1	1.2%	2.1	2.3%	4.3	4.1	4.2%
DPS (sen)	2.2	2.1	1.4%	2.1	2.4%	4.3	4.1	4.2%

### Margins

GP Margin	41.9%	42.1%		43.5%		42.0%	43.3%	
Opex	-8.9%	-7.5%		-10.2%		-8.2%	-9.6%	
EBITDA	33.4%	35.0%		33.4%		34.2%	34.0%	
EBIT	30.7%	32.3%		31.2%		31.5%	31.6%	
PBT	31.8%	33.6%		32.7%		32.7%	33.3%	
PATAMI	23.9%	25.4%		24.5%		24.6%	25.2%	
ETR	-24.8%	-24.4%		-25.1%		-24.6%	-24.3%	

### Revenue Breakdown (RM'm)

#### Car Seat Cover

-OEM	54.7	50.6	8.2%	53.3	2.7%	105.29	99.6	5.7%
-REM	2.7	1.7	61.2%	1.6	66.9%	4.45	4.0	10.9%
-PDI	1.6	1.9	-16.6%	2.4	-33.7%	3.50	4.6	-23.2%
Leather Cut Pieces Supply	0.1	0.1	-23.0%	0.1	-18.5%	0.22	0.3	-11.5%
Sewing of Fabric Car Seat Covers	3.1	3.3	-5.1%	3.0	5.2%	6.45	5.9	8.3%
Manufacturing of Leather/PVC	2.1	2.1	1.5%	1.9	9.5%	4.20	3.6	15.1%
Aviation	0.6	0.8	-25.5%	-	100.0%	1.38	-	100
Others	0.0	0.1	-87.2%	0.3	-95.0%	0.12	0.5	-76.0%
<b>Total</b>	<b>65.0</b>	<b>60.6</b>	<b>7.3%</b>	<b>62.6</b>	<b>3.8%</b>	<b>125.6</b>	<b>118.6</b>	<b>5.9%</b>

Source: Company, Bursa Malaysia, Mercury Securities



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