



Pecca Group Berhad

Perodua Hold Firm with Aviation Lifts Prospects

Post 6MFY26 briefing highlighted steady operational progress with encouraging near-term prospects. The OEM segment remained the key revenue driver, contributing ~84% of group revenue, supported by resilient demand from Perodua, which revised its production forecast slightly higher to ~363k units. Meanwhile, the REM export segment continued gaining traction, with cumulative US contracts estimated to contribute ~RM6–6.5m annually, while the Saudi PDI operations are expected to contribute ~RM6m annually to the topline. The aviation segment is also expected to see stronger revenue recognition in 3QFY26, supported by ongoing MRO projects and potential participation in the MAG Total Care program (~RM100m). All in, we maintain our HOLD recommendation with an unchanged TP of RM1.55.

We attended Pecca's 6MFY26 briefing and gathered several key insights on its operational developments and outlook. The key takeaways include:

OEM Segment. To recap, OEM segment remained Pecca's largest revenue contributor, accounting for ~84% of group revenue, with revenue rising 8.2% QoQ to RM54.7m (1QFY26: RM50.6m). While industry TIV is expected to moderate, management noted that its key customer Perodua has revised its sales forecast slightly higher to ~363k units (CY2025: 359.9k units), suggesting any slowdown would likely stem from non-national marques. Meanwhile, Pecca highlighted its ongoing efforts in moving up the value chain into Tier-1 seat assembly, supported by a new seat assembly line at the rented Subang facility with estimated capacity of ~1.5k–4k seats. The plant was site-audited by GWM in Feb 2026 (currently in the process of document audit), with a Chery audit scheduled for this month (Mar 2026), which could potentially lead to new programme awards. Looking ahead, the Serendah plant expansion is expected to support future OEM growth and capacity needs.

REM Segment. To recap, the REM segment contributed ~4% of group revenue, with revenue rising 61% QoQ to RM3m (1QFY26: RM2m). The REM (replacement equipment market) segment continues to support Pecca's export growth, particularly in the US market, where the group has secured several new customer contracts. Cumulatively, management indicated that shipments are expected to be delivered on a monthly basis, with the total contract value estimated to contribute ~RM6–6.5m annually to the topline. To date, Pecca has already developed ~100 product templates, with order timing largely dependent on the customer's purchasing schedule. Looking ahead, the group continues to develop additional product templates for export markets, which could further support the expansion of its REM business and provide incremental revenue contribution.

PDI Segment. To recap, the PDI segment contributed ~3% of group revenue, with revenue declining 17% QoQ to RM1.6m (1QFY26: RM1.9m). Pecca continues to expand its pre-delivery inspection (PDI) operations, particularly in Saudi Arabia, where management noted that demand remains encouraging. The current Saudi contract is estimated to contribute ~RM6m annually to the topline. Looking ahead, management expects the PDI segment to continue delivering stable incremental revenue, supported by sustained vehicle distribution activity in the Middle East, with the Toyota distributor in Saudi handling vehicle volumes roughly double that of Perodua's production.

Company Update

HOLD (↔)

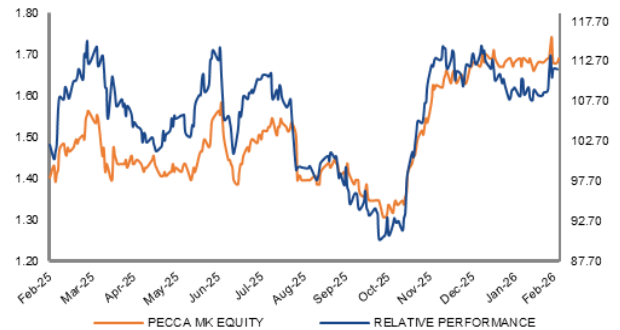
Research Team Coverage / research@mersec.com.my

Wednesday, March 4, 2026

Price: RM 1.69

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)	1,711.95		
YTD KLCI chg.	1.9%		
YTD Stock Price chg.	0.6%		

Price Performance	1M	3M	12M
Absolute (%)	0.0%	4.6%	18.0%
Relative to KLCI (%)	-2.1%	5.5%	8.9%

Stock Information

Market Cap (RM m)	1,224.3		
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)	2,413,518		
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	-	63.7	76.5
Earnings Revision (%)	-	-	-
Core EPS (sen)	7.60	8.16	9.59
Core EPS Growth (%)	3.9%	7.4%	17.5%
Net Div. Yield (%)	4.03	1.93	2.27
BVPS (sen)	27.72	32.62	38.37
PER (x)	22.2	20.7	17.6
PBV (x)	6.1	5.2	4.4
Net Gearing (x)	N.Cash	N.Cash	N.Cash



Aviation Segment. To recap, aviation segment currently contributes about ~1.1% of group revenue, with revenue declining 26% QoQ to RM0.6m in 2QFY26 (1QFY26: RM0.8m) mainly due to timing of revenue recognition, as one major ongoing project is expected to recognise ~70% of revenue in Q3 and the remaining 30% upon final completion, largely dependent on the client's operational schedule rather than Pecca's production timeline. Separately, the group has secured another long-term MRO project from a local airline, expected to commence mid-month (Mar 2026) or early next month, potentially contributing ~RM1.5m and providing better revenue visibility in the coming quarters. Looking ahead, management highlighted potential catalysts in 2HFY26, including the MAG Total Care Program (~RM100m) expected to be awarded around Jun-Jul 2026, where Pecca aims to secure a portion of the work, as well as AirBorneo's fleet renewal program, which could provide additional project opportunities.

Updates on Serendah Manufacturing Plant. To recap, Pecca has obtained a new plant in 1HFY26 in order to increase the existing annual capacity of 300k sets, located in UMW High Value Manufacturing Park Serendah, Selangor. The plant is to be executed in phases, in which the first phase (~150k capacity in the first phase) targeted by end of Dec 2026 based on the management estimation.

Outlook, we expect FY26E-FY27E earnings to remain resilient despite TIV normalisation, supported by a strong model pipeline, (i) expansion of the Aviation segment, (ii) growing contribution from Indonesia and (iii) the expected increase contribution from Perodua. 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, the Group is well entrenched for a sustainable growth.

Earnings forecast. Unchanged, as our FY26E-FY27E earnings we have already incorporated the expected increase in contributions from the OEM, REM, PDI and Aviation segments previously.

Valuation. We maintained our target price to RM1.55, 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 Maintained.**

Investment Merits. Despite the expected normalisation in Malaysia's TIV (CY2025: ~821k; CY2026E: ~790k), we remain cautiously optimistic on Pecca, underpinned by its (i) strong national OEM partnerships, (ii) ongoing capacity expansion and incremental diversification into segments such as REM exports, PDI and aviation, and (iii) industry-leading margin structure. That said, potential headwinds include the upcoming Open Market Value (OMV) tax revision from July 2026 onwards, competition from lower-cost ASEAN suppliers, and ongoing geopolitical uncertainties. In addition, the FY27E dividend yield remains relatively modest at ~2.3%. All in, we view the risk-reward profile 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.

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