



Pecca Group Berhad

TIV Headwinds Weighed on Topline

Pecca's 9MFY26 results came in below expectations. Topline weighed down by softer Malaysia TIV amid moderating consumer demand. PATAMI declined YoY as near-flat revenue was insufficient to absorb higher cost of sales (+3.8% YoY). Accordingly, we trim our FY26E/FY27E earnings by 9%/8%, reflecting a downward revision to our Malaysia TIV assumptions, and consequently lower our target price to RM1.42 (from RM1.55), based on an unchanged 16x target P/E multiple applied to our FY27E EPS of 8.9 sen and maintain our HOLD recommendation.

9MFY26 results came below our expectations, accounting for 67% of both ours and market estimates. The negative variance in our estimation was due to unprecedented drag in sales 3QFY26. The Company has declared the third interim DPS of 1.5 sen, bringing cumulative FY26 DPS to 4.5 sen (FY25: 6.8 sen), above our expectation of 3.3 sen.

YoY, 9MFY26 topline fell 7bps to RM170.4m (9MFY25: RM171.7m) as softer demand in the Car Seat Cover (OEM) segment (-1.9%) and a notable pullback in the PDI sub-segment (-31.1%, albeit off a small base of RM400k) weighed on the topline. The weakness was broadly in line with the softer Malaysian automotive landscape, where industry TIV for the first three months of CY2026 moderated 3.2% to 182,113 units (3MCY2025: 188,143 units), as both TIV and TIP eased during the period.

GP down by 6.6% despite the minimal fell in revenue, in which we believe could be attributable to higher input costs. This subsequently causes the drop in GP margin to 41% vs. our assumptions of 42% (9MFY25: 43.6%). PBT margin drop by 2.2ppts to 31.8% (Our assumptions: 33.1%), particularly due to higher depreciation charges that grew 20.2% YoY to RM5.2m, mitigated by disciplined cost management as Opex Margin improve by 1.1ppts to 8.0%, providing some cushion against the margin headwinds. Due to the above reasons, bottomline fell by 7% with PATAMI margin narrowing to 24.1% vs. our assumptions of 24.9% (9MFY25: 25.7%), even as the ETR held steady at 24.4%.

QoQ. Topline fell 31.1% to RM44.8m (2QFY26: RM65.0m) as most core revenue segments retreated in tandem, with Car Seat Cover OEM and REM falling 37.2% and 31.0% QoQ respectively, though PDI managed to buck the trend with a 9.9% uptick. Historically, the 3Q is lower than 2Q at range of 8-15% QoQ due to customers' factory closures for maintenance in conjunction with the festive celebrations.

GP margin fell to 38.2% (2QFY26: 41.9%). PBT margin fell to 29.4% (2QFY26: 31.8%), dragged by higher depreciation costs as we believe due to expansionary process, mitigated with improving Opex Margin to 7.2% (2QFY26: 8.9%). Correspondingly, PATAMI margin declined slightly to 22.5% (2QFY26: 23.9%), mitigated with the lower ETR of 23.6% (2QFY26: 24.8%).

Post-results. We trim our FY26E/FY27E PATAMI by 9%/8% to RM56.1m/RM66.6m, primarily reflecting a slightly downward revision to our Malaysia TIV assumptions. The cut to FY27E relative to FY26E reflects our higher base TIV assumption for FY27E.

Result Note

HOLD (↔)

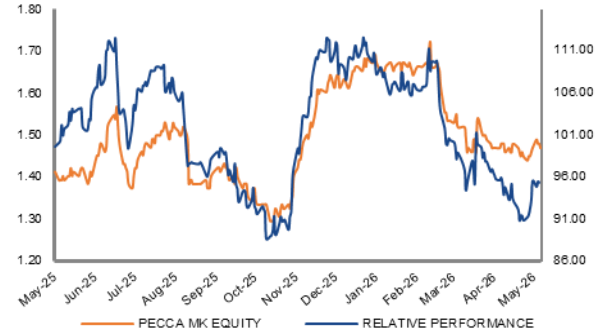
Research Team Coverage / research@mersec.com.my

Friday, May 22, 2026

Price: RM 1.470

Target Price: RM 1.428 (↓)

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)	1,708.36
YTD KLCI chg.	1.7%
YTD Stock Price chg.	-12.5%

Price Performance	1M	3M	12M
Absolute (%)	-0.7%	-11.7%	5.5%
Relative to KLCI (%)	-0.3%	-9.1%	-5.1%

Stock Information

Market Cap (RM m)	1,064.9
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	0.4
3-month Avg Vol. (m)	2,335,115
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 June (RM m)	FY25A	FY26E	FY27E
Revenue	224.5	225.4	261.8
EBITDA	76.1	77.0	89.4
EBIT	71.8	71.0	83.3
PBT	75.6	74.3	87.6
Core Net Profit	57.1	56.1	66.6
Consensus Net Profit	-	61.0	72.7
Earnings Revision (%)	-	-9%	-8%
Core EPS (sen)	7.60	7.45	8.85
Core EPS Growth (%)	3.9%	-1.9%	18.8%
Net Div. Yield (%)	3.92	2.03	2.41
BVPS (sen)	27.72	32.19	37.51
PER (x)	22.9	19.7	16.6
PBV (x)	6.3	4.6	3.9
Net Gearing (x)	N.Cash	N.Cash	N.Cash



Valuation. We lower our target price to RM1.428 (from RM1.55), based on an unchanged target P/E multiple of 16x applied to FY27E EPS of 8.9 sen. The target multiple is benchmarked against the industry's 2-year historical average. **HOLD** recommendation maintained.

Moving forward we are cautiously optimistic on Pecca's resilience supported by (i) a strong model pipeline, (ii) expansion of the Aviation segment, and (iii) 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 positioned to sustain growth given its (i) Strong National OEM Partnerships, (ii) Pecca's strategy on Riding on rising demand on the national automotive, (iii) Capacity Expansion and Incremental Diversification, and (iv) its Industry Leading Margin Structure. Notwithstanding near-term headwinds, we believe Pecca's structural growth pillars position it well for a sustained recovery.

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)	3QFY26	2QFY26	QoQ Chg	3QFY25	YoY Chg	9M26	9M25	YoY Chg
Turnover	44.8	65.0	-31.1%	53.1	-15.6%	170.4	171.7	-0.7%
Gross Profit	17.1	27.3	-37.2%	23.6	-27.3%	69.9	74.9	-6.6%
OPEX	(3.2)	(5.8)	-44.2%	(4.3)	-25.2%	(13.6)	(15.7)	-13.5%
EBITDA	14.2	21.7	-34.8%	19.4	-27.0%	57.1	59.7	-4.3%
EBIT	12.4	20.0	-37.9%	17.9	-30.8%	52.0	55.4	-6.2%
PBT/(LBT)	13.2	20.7	-36.3%	18.8	-30.0%	54.2	58.3	-7.1%
Taxation	(3.1)	(5.1)	-39.3%	(4.6)	-32.2%	(13.2)	(14.2)	-7.2%
Net Profit	10.1	15.6	-35.3%	14.2	-29.3%	41.0	44.1	-7.1%
PATAMI	10.1	15.6	-35.2%	14.2	-29.1%	41.0	44.2	-7.0%
Core EPS (sen)	1.4	2.1	-35.2%	2.0	-28.6%	5.7	6.0	-6.4%
DPS (sen)	1.4	2.2	-35.3%	2.0	-28.7%	5.7	6.0	-6.5%

Margins

GP Margin	38.2%	41.9%		44.4%		41.0%	43.6%
Opex	-7.2%	-8.9%		-8.1%		-8.0%	-9.1%
EBITDA	31.6%	33.4%		36.5%		33.5%	34.8%
EBIT	27.7%	30.7%		33.8%		30.5%	32.3%
PBT	29.4%	31.8%		35.4%		31.8%	34.0%
PATAMI	22.5%	23.9%		26.8%		24.1%	25.7%
ETR	-23.6%	-24.8%		-24.4%		-24.4%	-24.4%

Revenue Breakdown (RM'm)

Car Seat Cover

-OEM	34.4	54.7	-37.2%	42.8	-19.6%	139.66	142.4	-1.9%
-REM	1.9	2.7	-31.0%	1.8	7.9%	6.34	5.8	9.9%
-PDI	1.7	1.6	9.9%	3.1	-42.8%	5.25	7.6	-31.1%
Leather Cut Pieces Supply	0.1	0.1	-26.8%	0.1	-49.6%	0.29	0.4	-25.2%
Sewing of Fabric Car Seat Covers	2.3	3.1	-26.4%	2.7	-13.0%	8.75	8.6	1.7%
Manufacturing of Leather/PVC	1.9	2.1	-10.3%	1.8	3.7%	6.10	5.5	11.3%
Aviation	0.7	0.6	23.8%	-	100.0%	2.11	-	100
Others	1.8	0.0	12578.6%	0.9	95.9%	1.90	1.4	33.8%
Total	44.8	65.0	-31.1%	53.1	-15.6%	170.4	171.7	-0.7%

Source: Company, Bursa Malaysia, Mercury Securities

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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