Results Note
HOLD (↓)

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Tuesday, July 28, 2026
Price: RM 1.79
Target Price: RM 1.72 (↓)

PGF Capital Bhd

Karangan Plant Sluggishness Dampens Outlook

PGF Capital Berhad (PGF) 3MFY27 results came below our expectations but above the market estimates. The variance was mainly due to slower-than-expected progress on the new Karangan plant. Property development contribution remains negligible, with Kulim Hi-Tech Park and Tanjong Malim JV's still progressing towards construction. We slash our FY27E/FY28E earnings by 42%/48%, mainly on account of lower production output and correspondingly lower our SOP-derived TP to RM1.72 (previously RM1.97). Downgrade our call from BUY to HOLD.

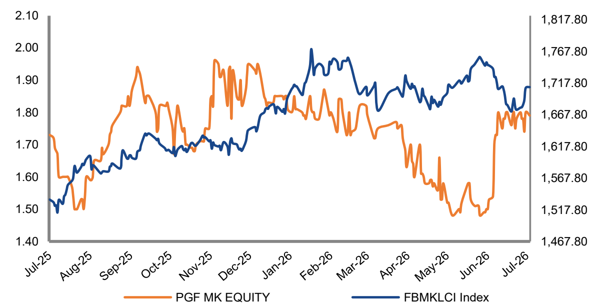
1QFY27 results came below our expectations and above the consensus estimates, with core net profit of RM8.9m made up of 17%/34% of ours/market full-year estimates. The variance in our forecast comes mainly in the slow progress of the of the commissioning of the Karangan plant (with commercial production expected only in October 2026 or 3QFY27). No dividend declare as historically it is declared in Q4.

YoY, 3MFY27 Topline grew +8% YoY (below our expectation of +81% YoY growth and makes up 14% of our full-year FY27 forecast). The growth was driven by steady demand in the Insulation segment, particularly from the Oceania markets, which grew +8% YoY, a sharp pickup from the 3MFY26 growth rate of just +3bps YoY. Property contribution remains negligible. EBITDA grew at a faster pace of +16% (boosted by higher operating income of RM1.54m) with margins up by 3ppts to 36%. That said, this boost from other income was largely offset by higher operating costs incurred during the quarter (+11.5% YoY). PBT rose +14% YoY to RM11m. This was moderated by higher depreciation of RM3.6m (3MFY26: RM3m) and LBT of RM1.8m from property and investment holding. Bottomline rose +18% YoY to RM5m, with Core Net Profit margin improving to 20% (3MFY26: 19%), helped by a lower ETR of 22% versus 25% in 3MFY26.

QoQ 1QFY27 Topline rose +16% QoQ to RM44m (4QFY26: -14% QoQ). This is in line with PGF's historical seasonal pattern, where 1Q is typically stronger than 4Q (Oceania's summer falls in 4Q, while 1Q coincides with fall, when insulation demand tends to build ahead of winter). The improvement was driven by the Insulation segment, which grew +16% QoQ (4QFY25: -15% QoQ), consistent with the reasons outlined in the YoY. EBITDA grew +23% QoQ to RM16m, with EBITDA margin improving to 36% (4QFY25: 34%), supported by the other operating income mentioned above. (4QFY26: other operating expense of RM1m). PBT rose +14% QoQ (4QFY26: +15% QoQ), moderated by higher depreciation costs, with PBT margin holding steady at 26%. Bottomline rose +11% QoQ to RM9m, with Core Net Profit margin at 20% (4QFY26: 21%), impacted by a higher ETR of 22% (4QFY26: 20%).

Outlook. We remain optimistic on PGF's medium-term earnings outlook, underpinned by continued demand for glass mineral wool insulation across its key export markets, supported by regulatory tailwinds in Oceania and Malaysia. Earnings momentum is expected to build further as the new 40,000MT plant in Kulim, Kedah progresses towards completion, targeted for 3QFY27, expanding combined capacity to 65,000MT, though near-term margin compression is expected during the utilization ramp-up period. Property development contribution remains gradual, with the Kulim Hi-Tech Park and Tanjong Malim JVs progressing towards construction. The core insulation segment continues to remain as the primary earnings driver for the Group.

Share Price Performance



Business Overview

PGF Capital Berhad is a company involved in design, manufacturing and distribution of glass mineral wool and develop and invest in hospitality properties. Listed in the Main Market.

Return Information	
KLCI (pts)	1,713.09
YTD KLCI chg.	2.0%
YTD Stock Price chg.	-8.2%

Price Performance	1M	3M	12M
Absolute (%)	-7.7%	2.9%	-15.0%
Relative to KLCI (%)	3.9%	7.8%	11.9%

Stock Information	
Market Cap (RM m)	349.7
Issued Shares (m)	195.3
52-week High (RM)	1.98
52-week Low (RM)	1.40
Est. Free Float (%)	25%
Beta vs FBM KLCI	0.5
3-month Avg Vol.	95,272
Shariah Compliant	Yes
Bloomberg Ticker	PGF MK EQUITY

Top 3 Shareholders	%
Equaplus Sdn Bhd	43.0%
Green Cluster Sdn Bh	12.1%
Fong Wern Sheng	5.9%

FY Feb (RM m)	FY26A	FY27E	FY28E
Revenue	**167.9**	**184.6**	**311.5**
EBITDA	50.8	51.5	82.9
PBT	36.9	36.9	53.3
Net Profit	26.0	29.2	41.7
Core Net Profit	**26.0**	**29.2**	**41.7**
Consensus Net Profit	-	*26.3*	*58.3*
Earnings Revision (%)	-	*-42%*	*-48%*
Core EPS (sen)	**13.4**	15.06	21.52
Core EPS Growth (%)	-23.4	13%	43%
Net DPS (sen)	3.5	3.04	4.35
BV Per Share (sen)	145.8	159.1	175.3
Net Div. Yield (%)	1.6%	1.7%	2.4%
P/E (x)	13.4	11.9	8.3
ROE (%)	9.0	9.5%	12.3%

Earnings. We slash our FY27E/FY28E earnings estimates by 42%/48% to RM29.2m/41.7m respectively, mainly on account of lower production output from the manufacturing segment of 25k/18k MT (previously: 46k/47k MT) – as commercialization is expected to come in 3QFY27 and utilization coming around 20% to 25% – and slower contribution from the property segment, reflecting the slower-than-expected progress on the new Karangan plant and a longer utilization ramp-up period than initially assumed before reaching targeted capacity. We also slash out Utilization rate for the new capacity installed to 30% (from 89% previously) for FY28E.

Valuation. We revise our targeted P/E multiple to 17x, based on its peers 3-year average P/E multiple for its core glass wool insulation manufacturing business, while maintaining our targeted RNAV discount at 75% for the property development segment on execution risks, resulting in a SOP-derived TP of RM1.72 (previously: RM1.97). Downgrade our recommendation from **BUY to HOLD**.

Investment Case. We continue to favour PGF for its compelling risk-reward, supported by; i) its expansion into other markets in the region-ASEAN, Japan and India ii) strong earnings 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.

Key Risks include: (i) Regulatory risk, ii) Foreign exchange rate fluctuation, iii) Supply chain disruption and iv) Execution risk.

Results Highlights

Y/E: DEC (RM m)	1Q27	4Q26	QoQ Chg	1Q26	YoY Chg	3M27	3M26	YoY Chg
Turnover	**43.7**	**37.8**	**15.8%**	**40.6**	**7.8%**	**43.7**	**40.6**	**7.8%**
OPEX	**(29.4)**	**(23.9)**	**23.3%**	**(26.4)**	**11.5%**	**(29.4)**	**(26.4)**	**11.5%**
EBITDA	15.6	12.7	23.0%	13.5	15.7%	15.6	13.5	15.7%
EBIT	12.0	10.5	14.7%	10.5	14.3%	12.0	10.5	14.3%
PBT/(LBT)	**11.4**	**10.0**	**14.2%**	**10.0**	**14.3%**	**11.4**	**10.0**	**14.3%**
Taxation	(2.6)	(2.0)	27.3%	(2.5)	2.4%	(2.6)	(2.5)	2.4%
Net Profit	8.9	8.0	10.9%	7.5	18.3%	8.9	7.5	18.3%
Core net profit	**8.9**	**8.0**	**10.9%**	**7.5**	**18.3%**	**8.9**	**7.5**	**18.3%**
Core EPS (sen)	4.6	4.1	10.9%	3.9	18.2%	4.6	3.9	18.2%
DPS (sen)	-	3.5	-100.0%	-	0.0%	-	-	18.2%
Opex	-67.3%	-63.1%		-65.0%		-67.3%	-65.0%	
EBITDA Margin	35.7%	33.6%		33.3%		35.7%	33.3%	
EBIT Margin	27.5%	27.7%		25.9%		27.5%	25.9%	
PBT Margin	26.2%	26.5%		24.7%		26.2%	24.7%	
Core Net Profit Margin	20.3%	21.2%		18.5%		20.3%	18.5%	
ETR	-22.4%	-20.1%		-25.0%		-22.4%	-25.0%	

Source: Company, Bursa Malaysia, Mercury Securities

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