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Pecca Group Berhad

Result Note
HOLD (⇔)
Research Team Coverage / research@mersec.com.my
Friday, August 21, 2026
Price: RM 1.32
Target Price: RM 1.43 (⇔)

Margin Squeeze Offsets In-Line Topline

Pecca's 12MFY26 results came in below our expectations, mainly due to a lower-than-expected GP margin vs our assumption, even as revenue tracked broadly in line. Consequently, we maintain our FY27E/FY28E earnings of RM66.6m/RM69.8m, pending a post-results briefing today, and maintain our TP of RM1.43, based on an unchanged 16x target P/E multiple applied to our FY27E EPS of 8.9 sen. HOLD recommendation maintained.

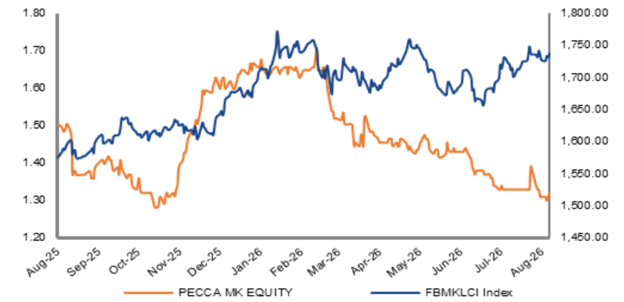
12MFY26 results came below our/market expectations, with core net profit of RM52m made up of 92%/92% of ours/market full-year estimates. The variance in our forecast is due to lower-than-expected GP margin of 40.5% (Our assumption: 42%), even with our revenue estimate broadly in line, accounting for 95% of the Group's FY26 revenue. A fourth interim dividend of 1.5 sen was declared, bringing the full-year dividend declared for FY26 of 6.0 sen (FY25: 5.0 sen), above our estimate of 3.0 sen.

YoY, 12MFY26 Topline fell -1% YoY to RM222m, coming in below our expectation of +4bps YoY growth. The decline was primarily driven by the Car Seat Cover segment, which fell -3% YoY to RM197m, as revenue from OEM and PDI customers declined -2% YoY and -29% YoY respectively, partially offset by the REM customers, which grew +8% YoY. Aviation's revenue contribution remained insignificant at RM3m. Despite the softer topline, cost of sales rose +4% YoY, further compressing GP by -8% YoY to RM90m and pulling GP margin down to 40.5% (FY25: 43.6%). Consequently, PBT declined -10% YoY to RM69m (FY25: RM76m), with margin narrowing to 31% (FY25: 34%), reflecting the factors above as well as higher depreciation charges in FY26, in line with Pecca's ongoing facility expansion strategy. Bottomline fell -10% YoY to RM52m (FY25: RM58m) but margins fell by 3ppts to 23% .

QoQ, Topline rose +15% QoQ to RM52m (3QFY26: RM45m), reflecting a recovery in sales volume from the Automotive segment following a softer performance in the preceding quarter. Within the Car Seat Cover segment, most sub-segments registered growth, with the exception of PDI, which fell -16% QoQ to RM1.5m (3QFY26: RM1.7m), albeit off a small base. The Aviation segment also saw revenue decline -8% QoQ to RM674k. EBITDA rose by only +8% QoQ to RM15m, with EBITDA margin contracting by 2ppts to 30% as growth moderated by higher operating expenses, with the Opex margin widening by +3ppts to 10%. PBT rose +9% QoQ to RM14m, with PBT margin slipping by 1ppt to 28%, in tandem with the weaker EBITDA margin, partially cushioned by lower depreciation charges recognised for the quarter. Bottomline correspondingly rose +7% QoQ to RM11m, even as PATAMI margin fell 2ppts to 21%, weighed down by a slightly higher ETR of 1ppt.

Outlook, we expect FY27E earnings to remain resilient, supported by (i) upcoming model launches from key automotive customers, (ii) the progressive ramp-up of higher-margin segments of Aviation, and (iii) growing contribution from Indonesia. Pecca's move into full seat assembly and integrated interior solutions should further strengthen its position within the OEM supply chain, while ongoing capacity expansion at Serendah is expected to support long-term growth. The Group is also expanding its aviation MRO capabilities and pursuing new regional markets, while maintaining a focus on cost competitiveness through automation and technology.

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)			1,736.71
YTD KLCI chg.			3.4%
YTD Stock Price chg.			-21.4%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	-0.8%	-9.9%	-11.1%
Relative to KLCI (%)	-1.6%	-11.0%	-20.5%

Stock Information	
Market Cap (RM m)	956.3
Issued Shares (m)	724.5
52-week High (RM)	1.79
52-week Low (RM)	1.26
Est. Free Float (%)	31%
Beta vs FBM KLCI	0.6
3-month Avg Vol. (m)	1,655,147
Shariah Compliant	Yes
Bloomberg Ticker	PECCA MK EQUITY

Top 3 Shareholders	%
Mrz Leather Holdings	51.5%
Sam Yin Thing	7.6%
Huaren Holdings	3.4%

FY June (RM m)	FY26A	FY27E	FY28E
Revenue	222.0	261.8	270.7
EBITDA	72.4	89.4	92.4
EBIT	65.6	83.3	86.3
PBT	68.5	87.6	91.8
Core Net Profit	**51.8**	**66.6**	**69.8**
Consensus Net Profit	*56.6*	*65.6*	*73.2*
Earnings Revision (%)	-	-	-
Core EPS (sen)	**7.2**	**8.9**	**9.3**
Core EPS Growth (%)	-5.8%	23.8%	4.8%
Net Div. Yield (%)	2.2	2.7	2.8
BVPS (sen)	33.1	37.2	42.8
PER (x)	18.6	15.0	14.3
PBV (x)	4.0	3.6	3.1
Net Gearing (x)	N.Cash	N.Cash	N.Cash

Earnings Maintained. FY27E earnings of RM67m maintained pending a post-results briefing today. We also introduce our FY28E earnings of RM70m.

Valuation. We maintained our target price to RM1.43, 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.

Investment Merits. Despite the expected normalisation in Malaysia's TIV, we remain cautiously optimistic on Pecca, underpinned by its (i) Strong National OEM Partnerships, supported by upcoming model launches from key automotive customers, (ii) Capacity Expansion with the Serendah plant, (iii) Growing Contribution from Higher-Margin Segments of Aviation, and (iv) Growing Regional Presence, driven by the continued ramp-up of its Indonesia operations and expansion into new export markets.

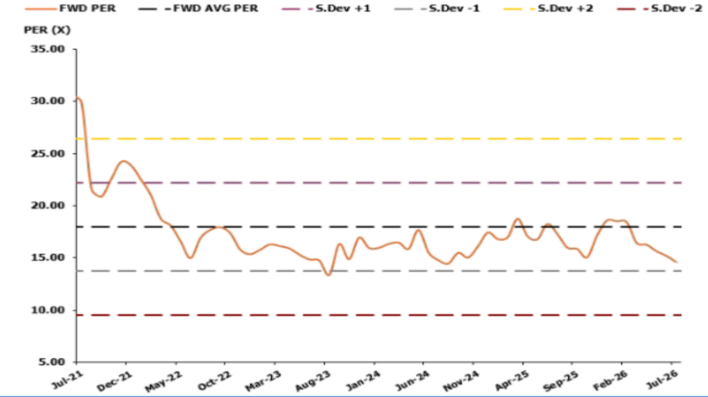
Key risks include: i) High Local Client Concentration, ii) Exposure to Domestic TIV Cycles, and iii) Competition Risk from Low-Cost Asean Suppliers.

Results Highlights

Y/E : June (RM m)	4QFY26	3QFY26	QoQ Chg	4QFY25	YoY Chg	12M26	12M25	YoY Chg
Turnover	**51.6**	**44.8**	***15.2%***	**52.8**	***-2.4%***	**222.0**	**224.5**	*-1.1%*
Gross Profit	**19.9**	**17.1**	***16.1%***	**22.9**	***-13.2%***	**89.8**	**97.8**	***-8.2%***
OPEX	(4.9)	(3.2)	*52.1%*	(4.9)	*1.0%*	(18.5)	(20.5)	*-10.1%*
EBITDA	15.3	14.2	*7.9%*	18.3	*-16.7%*	72.4	78.0	*-7.2%*
EBIT	13.6	12.4	*9.6%*	16.9	*-19.3%*	65.6	72.3	*-9.3%*
PBT/(LBT)	**14.4**	**13.2**	***9.1%***	**17.7**	***-18.8%***	**68.5**	**76.0**	***-9.8%***
Taxation	(3.5)	(3.1)	*13.8%*	(4.2)	*-15.2%*	(16.7)	(18.4)	*-9.0%*
Net Profit	10.8	10.1	*7.6%*	13.5	*-19.9%*	51.8	57.6	*-10.1%*
PATAMI	**10.8**	**10.1**	***7.0%***	**13.5**	***-20.1%***	**51.8**	**57.7**	*-10.1%*
Core EPS (sen)	1.5	1.4	*7.0%*	1.9	*-19.8%*	7.2	7.9	*-9.8%*
DPS (sen)	1.5	1.4	*0.0%*	1.9	*-25.3%*	6.0	5.0	*20.0%*
Margins								
GP Margin	38.5%	38.2%		43.4%		40.5%	43.6%	
Opex	-9.5%	-7.2%		-9.2%		-8.3%	-9.1%	
EBITDA	29.6%	31.6%		34.7%		32.6%	34.8%	
EBIT	26.4%	27.7%		31.9%		29.5%	32.2%	
PBT	27.8%	29.4%		33.5%		30.9%	33.9%	
PATAMI	20.9%	22.5%		25.6%		23.4%	25.7%	
ETR	-24.6%	-23.6%		-23.6%		-24.4%	-24.2%	
Revenue Breakdown (RM'm)								
Car Seat Cover								
-OEM	42.0	34.4	*22.3%*	42.7	*-1.5%*	181.69	185.1	*-1.8%*
-REM	2.1	1.9	*11.9%*	2.1	*1.7%*	8.46	7.9	*7.8%*
-PDI	1.5	1.7	*-16.2%*	1.8	*-18.1%*	6.71	9.4	*-28.6%*
Leather Cut Pieces Supply	0.1	0.1	*-9.9%*	0.1	*-23.8%*	0.36	0.5	*-24.9%*
Sewing of Fabric Car Seat Covers	2.2	2.3	*-3.5%*	2.8	*-20.8%*	10.98	11.4	*-3.8%*
Manufacturing of Leather/PVC	2.7	1.9	*43.8%*	2.2	*23.6%*	8.83	7.7	*14.8%*
Aviation	0.7	0.7	*-7.5%*	-	*100.0%*	2.78	-	*100*
Others	0.3	1.8	*-84.8%*	1.2	*-77.0%*	2.17	2.6	*-16.3%*
Total	**51.6**	**44.8**	*15.2%*	**52.8**	*-2.4%*	222.0	224.5	*-1.1%*

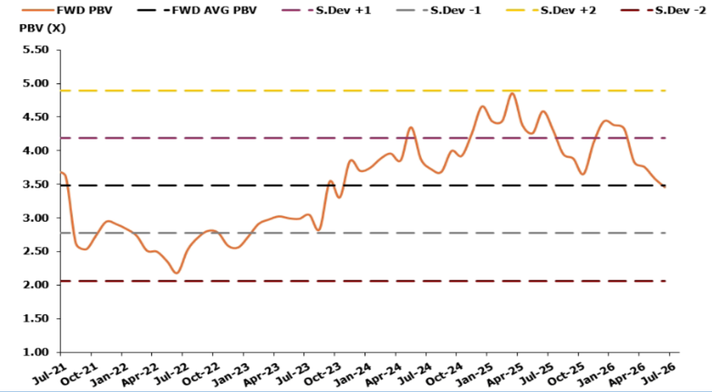
Source: Company, Bursa Malaysia, Mercury Securities

Figure 1: 5-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 5-Year P/B Band



Source: Bloomberg, Mercury Research

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