



PGF Capital Bhd

Stronger Margins Lift Outlook

PGF Capital Berhad (PGF) 6MFY27 results came above our and market expectations. The variance was mainly due to stronger-than-expected improvement in the Insulation segment, which more than offset the absence of property contribution. Commencement of the new Kulim plant has shifted to 4QFY27, while the Kulim Hi-Tech Park and Tanjong Malim JVs continue to progress. We raise our FY27E/FY28E earnings by 18%/16%, mainly on improved margins and correspondingly raise our SOP-derived TP to RM2.18 (previously RM1.72). Upgrade our call from HOLD to BUY.

6MFY27 results came above our and consensus expectations, with core net profit of RM17.1m making up 58%/59% of ours/market full-year estimates. The variance came mainly from stronger-than-expected Insulation margins (6MFY27 PBT margin of 29% vs our 20% assumption). No dividend was declared, as historically it is declared in Q4.

YoY, 6MFY27 Topline grew +8% YoY to RM93m (broadly in line with our expectation of +10% YoY growth and makes up 50% of our full-year FY27 forecast). The growth was driven by steady demand in the Insulation segment (+8% YoY), particularly from the Oceania markets. Property contribution remains negligible. EBITDA grew at a faster pace of +26% to RM32m, with margins up 5ppts to 34%, boosted by other operating income of RM2.6m (6MFY26: other operating expense of RM1.4m). PBT rose +27% YoY to RM23m, driven by improved margins from the insulation segment (6MFY27: 29%, 6MFY26: 26%, our assumption of 20%) and unrealised gains of RM0.6m vs a loss of RM1.7m the previous corresponding period. This was moderated by higher depreciation of RM7.3m (6MFY26: RM6.0m) and LBT of RM2.6m from property and investment holding. Bottomline rose +36% YoY to RM17m, with Core Net Profit margin improving to 18% (6MFY26: 15%), helped by a lower ETR of 26% versus 31% in 6MFY26.

QoQ, Topline rose +12% QoQ to RM49m (1QFY27: +16% QoQ). This is in line with PGF's historical seasonal pattern, where 2Q is typically its strongest quarter, as it coincides with winter in Oceania, when insulation demand peaks. The improvement was driven by the Insulation segment, which grew +12% QoQ on higher sales to Oceania. EBITDA grew a slower +2% QoQ to RM16m, with EBITDA margin easing to 32% (1QFY27: 36%) on higher operating costs of RM34m (1QFY27: RM29m) and lower other operating income of RM1.0m (1QFY27: RM1.5m). Consequently, PBT margin narrowed to 24% (1QFY27: 26%), in line with the lower Insulation segment margin of 28% of the quarter (1QFY27: 30%). Bottomline fell -8% QoQ to RM8m, with Core Net Profit margin at 17% (1QFY27: 20%), impacted by a higher ETR of 30% (1QFY27: 22%).

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 (NEEAP 2.0), and its new South Australia Distribution Centre (commenced 31 August 2026). The new 40,000MT plant in Kulim, Kedah is now expected to commence operations by 4QFY27 (previously 3QFY27), expanding combined capacity to 65,000MT, though near-term margin compression is expected during the utilisation ramp-up period. With property development contribution remaining gradual, as the Kulim Hi-Tech Park JV awaits regulatory approval and infrastructure works at the Tanjong Malim JV near completion ahead of Phase 1, the core insulation segment remains the Group's primary earnings driver.

Results Note

BUY (↑)

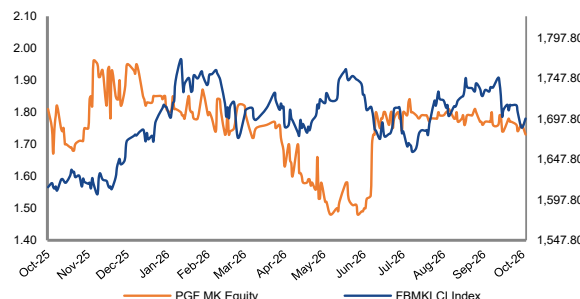
research@mersec.com.my

Tuesday, October 27, 2026

Price: RM 1.73

Target Price: RM 2.18 (↑)

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)	1,604.36
YTD KLCI chg.	-4.5%
YTD Stock Price chg.	-11.3%

Price Performance	1M	3M	12M
Absolute (%)	-2.3%	-3.4%	-1.1%
Relative to KLCI (%)	1.8%	3.0%	-0.3%

Stock Information

Market Cap (RM m)	345.3
Issued Shares (m)	199.6
52-week High (RM)	1.98
52-week Low (RM)	1.40
Est. Free Float (%)	27%
Beta vs FBM KLCI	0.6
3-month Avg Vol.	37,367
Shariah Compliant	Yes
Bloomberg Ticker	PGF MK Equity

Top 3 Shareholders

	%
Equaplus Sdn Bhd	42.1%
Green Cluster Sdn Bh	11.9%
Oversea-Chinese	6.7%

FY Feb (RM m)	FY26A	FY27E	FY28E
Revenue	167.9	184.6	311.5
EBITDA	50.8	58.3	94.4
PBT	36.9	43.7	62.0
Net Profit	26.0	34.4	48.3
Core Net Profit	26.0	34.4	48.3
Consensus Net Profit	-	29.2	52.5
Earnings Revision (%)	-	+17.8%	+15.8%
Core EPS (sen)	13.4	17.73	24.90
Core EPS Growth (%)	-23.4	33%	40%
Net DPS (sen)	3.5	3.58	5.03
BV Per Share (sen)	145.8	161.1	179.8
Net Div. Yield (%)	1.6%	2.1%	2.9%
P/E (x)	13.4	9.8	6.9
ROE (%)	9.0	11.0%	13.8%



Earnings. We raise our FY27E/FY28E earnings estimates by 18%/16% to RM34.4m/48.3m respectively, mainly on account of a higher insulation segment PBT margin assumption of 29% (previously: 20%/22%), in line with its 6MFY27 PBT margin of 29% (6MFY26: 26%). We maintain our production output assumptions of 25k/18k MT and utilisation for the new capacity of 20% to 25% for FY27E and 30% for FY28E. Despite the plant's commencement shifting to 4QFY27, our assumptions were already conservative, as installation of machinery, gas pipelines and electrical infrastructure is progressing well.

Valuation. We maintain our targeted P/E multiple of 17x, based on its peers' 3-year average P/E multiple for its core glass wool insulation manufacturing business, and our targeted RNAV discount of 75% for the property development segment on execution risks. Following our earnings upgrade, our SOP-derived TP rises to RM2.18 (previously: RM1.72), implying an upside of 22%. Upgrade our recommendation from **HOLD to BUY**.

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 projects, iii) timely capacity expansion to capture incremental demand, and iv) attractive asset play from its strategically located 1,311-acre landbank in Tanjung 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)	2Q27	1Q27	QoQ Chg	2Q26	YoY Chg	6M27	6M26	YoY Chg
Turnover	49.2	43.7	12.4%	45.4	8.3%	92.9	86.0	8.1%
OPEX	(34.2)	(29.4)	16.1%	(32.6)	4.7%	(63.6)	(59.0)	7.8%
EBITDA	16.0	15.6	2.2%	11.6	37.5%	31.6	25.1	25.8%
EBIT	12.3	12.0	2.1%	8.6	42.0%	24.3	19.2	26.8%
PBT/(LBT)	11.6	11.4	1.5%	8.1	43.1%	23.1	18.1	27.2%
Taxation	(3.5)	(2.6)	34.8%	(3.1)	11.0%	(6.0)	(5.6)	7.2%
Net Profit	8.2	8.9	-8.1%	5.0	63.1%	17.1	12.5	36.2%
Core net profit	8.2	8.9	-8.1%	5.0	63.1%	17.1	12.5	36.2%
Core EPS (sen)	4.2	4.6	-8.2%	2.6	62.7%	8.8	6.5	35.9%
DPS (sen)	-	-	0.0%	-	0.0%	-	-	0.0%
Opex	-69.5%	-67.3%		-71.8%		-68.4%	-68.6%	
EBITDA Margin	32.5%	35.7%		25.6%		34.0%	29.2%	
EBIT Margin	25.0%	27.5%		19.0%		26.1%	22.3%	
PBT Margin	23.6%	26.2%		17.9%		24.8%	21.1%	
Core Net Profit Margin	16.6%	20.3%		11.0%		18.4%	14.6%	
ETR	-29.7%	-22.4%		-38.3%		-26.1%	-31.0%	

Source: Company, Bursa Malaysia, Mercury Securities

Disclaimer & Disclosure of Conflict of Interest

This report has been prepared by Mercury Securities pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

The information contained in this report is based on data obtained from data and sources believed to be reliable at the time of issue of this report. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the information or opinions in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to Mercury Securities Sdn Bhd. ("Mercury Securities") and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. Mercury Securities expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Accordingly, neither Mercury Securities nor any of its holding company, related companies, directors, employees, agents and/or associates nor person connected to it accept any liability whatsoever for any direct, indirect, or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Mercury Securities has no obligation to update its opinion or the information in this report.

This report does not have regard to the specific investment objectives, financial situation and particular needs of any specific person. Accordingly, investors are advised to make their own independent evaluation of the information contained in this report and seek advice from, amongst others, tax, accounting, financial planner, legal or other business professionals regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you. This report is not intended, and should not under no circumstances be considered as an offer to sell or a solicitation of any offer or a solicitation or expression of views to influence any one to buy or sell the securities referred to herein or any related financial instruments.

Mercury Securities and its holding company, related companies, directors, employees, agents, associates and/or person connected with it may, from time to time, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment, share margin facility or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests and should exercise their own judgement before making any investment decisions.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Mercury Securities. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted, or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Mercury Securities takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Mercury Securities own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Mercury Securities' website shall be at your own risk.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.



Recommendation Rating

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

BUY	Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield)
HOLD	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

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