Pecca Group Berhad

Losing Traction as Key Customer Stalls

Result Note
HOLD (⇔)
Research Team Coverage / research@mersec.com.my
Thursday, November 19, 2026
Price: RM 1.42
Target Price: RM 1.26 (⇓)

Pecca's 1QFY27 results came in below our and market expectations. Topline fell -14% YoY on softer Malaysia OEM orders ahead of new model launches, while GP margin compressed to 39.7% (1QFY26: 42.1%). We cut our FY27E/FY28E earnings by 11.5%/5.8% to RM58.9m/RM65.8m to reflect slower OEM sales volume in FY27E, though we still expect earnings to grow from a soft start, with Perodua's next new model possibly entering production in 2QCY27. Consequently, we lower our TP to RM1.26 (previously: RM1.43), based on an unchanged 16x target P/E applied to FY27E EPS of 7.8 sen. Maintain our HOLD recommendation.

1QFY27 results came in below our/market expectations, with core net profit of RM11.0m making up 16.5%/17.7% of ours/market full-year estimates. The miss came from both revenue and profitability margins. Revenue in the quarter made up only 20% of our FY27E estimates (Historical 1Q contribution to topline FY23-FY26: c.26%) as Malaysia OEM orders softened ahead of new model launches, while GP margin of 39.7% also fell short of our 42.0% assumption. A first interim dividend of 1.5 sen was declared (1QFY26: 1.5 sen), making up 42% of our FY27E estimate of 3.5 sen.

YoY, **3MFY27** Topline fell -14% YoY to RM52m, well below our full-year expectation of +18% YoY growth. The decline was driven by the Car Seat Cover segment, which fell -15% YoY to RM46m, with OEM, PDI and REM customers declining -15%, -13% and -9% YoY respectively, as automotive order volumes softened on a shift in consumer demand ahead of new model launches. This was partially cushioned by continued growth in Aviation (+58% YoY to RM1.2m) and its Indonesian automotive subsidiary (+51% YoY to RM2.7m), albeit both off a small base. GP fell -19% YoY to RM21m, with GP margin narrowing to 39.7% (1QFY26: 42.1%), as cost of sales did not fall in line with revenue (-10% YoY vs revenue's -14%), which we believe that production costs remained relatively sticky despite lower sales volumes. PBT fell -27% YoY to RM15m, with margin narrowing to 28% (1QFY26: 34%), weighed down further by a +15% YoY rise in Opex, attributed to the Group's strategic investments and business expansion initiatives. Bottomline fell further by -28% YoY to RM11m, with margin narrowing by 4ppts to 21%, as ETR rose to 26% (1QFY26: 24%) due to certain non-deductible expenses.

QoQ, Topline rose marginally by +1% QoQ to RM52.1m (4QFY26: RM51.6m), driven by improved contributions from the Malaysia operations and the Aviation segment. Within the Car Seat Cover segment, OEM and PDI grew +2% and +13% QoQ respectively, while REM fell -27% QoQ to RM1.6m, albeit off a small base. Aviation revenue rose +85% QoQ to RM1.2m. GP rose +4% QoQ to RM21m, with GP margin improving by 1.2ppts to 39.7% (4QFY26: 38.5%), as cost of sales eased -1% QoQ despite the higher revenue. EBITDA rose at a slower pace of +3% QoQ to RM16m, with EBITDA margin edging up by 60bps to 30%, as the improvement in GP margin was partly offset by an increase in Opex (Opex margin 1QFY27: 10.1% vs 9.5% in 4QFY26). Consequently, PBT rose +3% QoQ to RM15m, with margin edging up 60bps to 28%, in line with the growth in EBITDA. Bottomline rose +2% QoQ to RM11m, with PATAMI margin broadly flat at 21%, as a higher ETR of 25.5% (4QFY26: 24.6%) moderated the growth.

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)	1,566.73
YTD KLCI chg.	-6.7%
YTD Stock Price chg.	-15.5%

Price Performance	1M	3M	12M
Absolute (%)	5.2%	9.2%	-3.4%
Relative to KLCI (%)	7.7%	18.8%	-0.5%

Stock Information	
Market Cap (RM m)	1,028.7
Issued Shares (m)	724.5
52-week High (RM)	1.79
52-week Low (RM)	1.29
Est. Free Float (%)	31%
Beta vs FBM KLCI	0.6
3-month Avg Vol. (m)	2,051,092
Shariah Compliant	Yes
Bloomberg Ticker	PECCA MK EQUITY

Top 3 Shareholders	%
Mrz Leather Holdings	51.5%
Sam Yin Thing	7.6%
Teoh Hwa Cheng	3.4%

FY June (RM m)	FY26A	FY27E	FY28E
Revenue	222.0	231.2	252.5
EBITDA	72.4	78.9	86.2
EBIT	65.6	72.9	80.1
PBT	68.5	77.5	86.5
Core Net Profit	**51.8**	**58.9**	**65.8**
Consensus Net Profit	-	62.2	68.4
Earnings Revision (%)	-	*-11.5%*	*-5.8%*
Core EPS (sen)	**7.2**	**7.8**	**8.7**
Core EPS Growth (%)	-5.8%	9.6%	11.6%
Net Div. Yield (%)	2.2	2.4	2.6
BVPS (sen)	33.1	36.6	41.8
PER (x)	18.6	17.0	15.2
PBV (x)	4.0	3.6	3.2
Net Gearing (x)	N.Cash	N.Cash	N.Cash

Outlook, we expect FY27E earnings to grow, albeit from a soft start, with growth weighted towards the remaining quarters. While 9MCY26 TIV grew +4.0% YoY, management noted that growth has been concentrated in brands with new model launches and value-for-money offerings instead. Nonetheless, management remains focused on delivering a resilient FY27 performance, supported by year-end promotions, higher content per vehicle through seat assembly and integrated interior solutions, as well as expansion in REM exports, aviation MRO and locomotive interiors. Based on public sources, Perodua's next new model is possibly entering production in 2QCY27, which could provide a modest uplift to earnings in 4QFY27, with a fuller contribution in FY28E as volumes ramp up.

Post results, we slashed our FY27E/FY28E earnings by 11.5%/5.8% to RM58.9m/RM65.8m, mainly to reflect slower OEM sales volume in FY27E. Our FY28E cut also reflects a potential delay at the Serendah plant, limiting its contribution to FY28E.

Valuation. We lower our target price to RM1.26 (previously: RM1.43), based on an unchanged target P/E multiple of 16x applied to FY27E EPS of 7.8 sen. The target multiple is benchmarked against the industry's 2-year historical average. Maintain our **HOLD** recommendation.

Investment Merits. Despite the expected normalisation in Malaysia's TIV, we remained cautiously optimistic on Pecca, underpinned by its (i) Strong National OEM Partnerships, (ii) Pecca's strategy on Riding on Normalising but Structurally Elevated TIV, (iii) Capacity Expansion and Incremental Diversification into seat assembly, aviation MRO, locomotive interiors and regional markets, and (iv) its Industry Leading Margin Structure. Consequently, we view the risk-reward as mildly favourable.

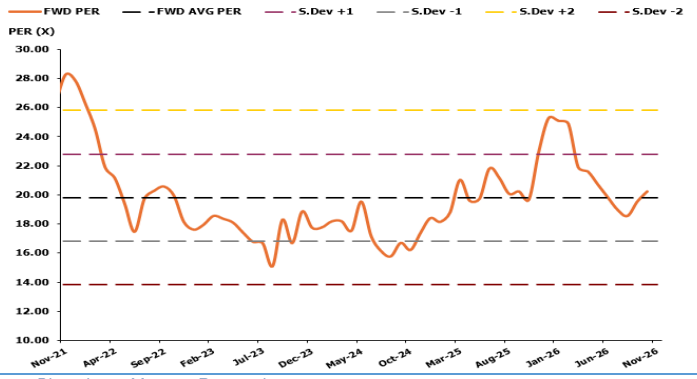
Key risks include: i) High Local Client Concentration, ii) Exposure to Domestic TIV Cycles, and iii) Competition Risk from Low-Cost Asean Suppliers.

Results Highlights

Y/E : June (RM m)	1QFY27	4QFY26	QoQ Chg	1QFY26	YoY Chg	3MFY27	3MFY26	YoY Chg
Turnover	**52.1**	**51.6**	***1.1%***	**60.6**	***-14.0%***	**52.1**	**60.6**	***-14.0%***
Gross Profit	**20.7**	**19.9**	***4.2%***	**25.5**	***-18.9%***	**20.7**	**25.5**	***-18.9%***
OPEX	(5.2)	(4.9)	*6.9%*	(4.5)	*15.3%*	(5.2)	(4.5)	*15.3%*
EBITDA	15.7	15.3	*3.0%*	21.2	*-25.9%*	15.7	21.2	*-25.9%*
EBIT	14.0	13.6	*3.0%*	19.6	*-28.4%*	14.0	19.6	*-28.4%*
PBT/(LBT)	**14.8**	**14.4**	***3.0%***	**20.3**	***-27.3%***	**14.8**	**20.3**	***-27.3%***
Taxation	(3.8)	(3.5)	*6.7%*	(5.0)	*-23.9%*	(3.8)	(5.0)	*-23.9%*
Net Profit	11.0	10.8	*1.8%*	15.4	*-28.4%*	11.0	15.4	*-28.4%*
PATAMI	**11.0**	**10.8**	***2.0%***	**15.4**	***-28.4%***	**11.0**	**15.4**	***-28.4%***
Core EPS (sen)	1.5	1.5	*2.0%*	2.1	*-28.4%*	1.5	2.1	*-28.4%*
DPS (sen)	1.5	1.5	*0.0%*	1.5	*0.0%*	1.5	1.5	*0.0%*
Margins								
GP Margin	39.7%	38.5%		42.1%		39.7%	42.1%	
Opex	-10.1%	-9.5%		-7.5%		-10.1%	-7.5%	
EBITDA	30.2%	29.6%		35.0%		30.2%	35.0%	
EBIT	26.9%	26.4%		32.3%		26.9%	32.3%	
PBT	28.4%	27.8%		33.6%		28.4%	33.6%	
PATAMI	21.1%	20.9%		25.4%		21.1%	25.4%	
ETR	-25.5%	-24.6%		-24.4%		-25.5%	-24.4%	
Revenue Breakdown (RM'm)								
Car Seat Cover								
-OEM	43.0	42.0	2.3%	50.6	-14.9%	43.0	50.6	-14.9%
-REM	1.6	2.1	-26.8%	1.7	-8.9%	1.6	1.7	-8.9%
-PDI	1.7	1.5	13.3%	1.9	-12.9%	1.7	1.9	-12.9%
Leather Cut Pieces Supply	0.1	0.1	53.1%	0.1	-22.2%	0.1	0.1	-22.2%
Sewing of Fabric Car Seat Covers	2.3	2.2	5.3%	3.3	-29.0%	2.3	3.3	-29.0%
Manufacturing of Leather/PVC	2.2	2.7	-18.8%	2.1	6.4%	2.2	2.1	6.4%
Aviation	1.2	0.7	84.9%	0.8	57.5%	1.2	0.8	57.5%
Others	0.0	0.3	-98.9%	0.1	-97.2%	0.0	0.1	-97.2%
Total	**52.1**	**51.6**	**1.1%**	**60.6**	**-14.0%**	**52.1**	**60.6**	**-14.0%**

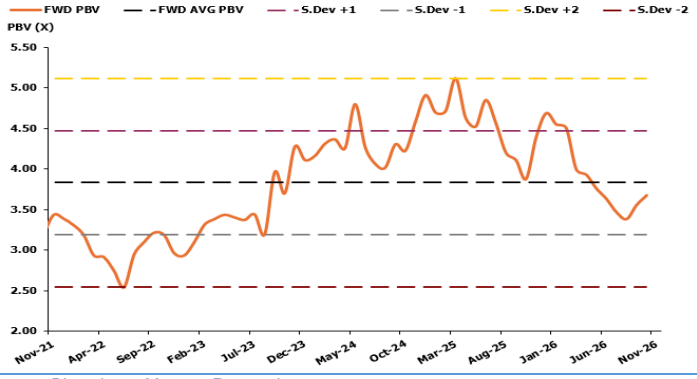
Source: Company, Bursa Malaysia, Mercury Securities

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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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