



Company Report

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PENTAMASTER CORP

(PENT MK EQUITY, PMAS.KL)

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Priced to perfection

SELL

(Maintained)

Rationale for report: Company Result

Price	RM3.95
Target Price	RM3.35
52-week High/Low	RM4.46/RM1.86

Key Changes

Fair value	↑
EPS	↑

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	623.0	540.5	680.8	727.4
Core net profit (RM mil)	73.2	63.4	74.9	84.7
FD Core EPS (sen)	10.3	8.9	10.5	11.9
FD Core EPS growth (%)	(23.9)	(13.3)	18.0	13.1
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	2.0	2.0	2.0	2.0
PE (x)	38.4	44.3	37.5	33.2
EV/EBITDA (x)	18.5	22.7	18.7	17.2
Div yield (%)	0.5	0.5	0.5	0.5
ROE (%)	9.0	8.9	10.5	10.9
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	711.3
Market Cap (RMmil)	2,809.7
Book Value (RM/Share)	1.05
P/BV (x)	3.8
ROE (%)	9.0
Net Gearing (%)	-
Major Shareholders	Chuan Choon Bin (19.7%) abrdn plc (19.7%) EPF (11.0%)
Free Float	56.2
Avg Daily Value (RMmil)	8.8

Price performance	3mth	6mth	12mth
Absolute (%)	7.0	46.3	6.8
Relative (%)	2.9	39.7	6.9



Investment Highlights

We retain **SELL** with a higher TP of RM3.35 (from RM2.60), based on a target PE of 30x and blended CY26/27 EPS. While we raise earnings by 4-5% on a stronger tender book, the market is already pricing in RM94mil forward earnings, leaving little buffer if delivery misses. This concern is reinforced by 9M25 core profit of RM46mil (-23% YoY), which fell short of consensus. Order book growth to RM450mil is positive, but still below the RM550mil level seen when the group earned RM96mil. The 9 Samurais R&D push is strategically sound, yet remains a 2027 story.

- **Retain SELL at higher TP of RM3.35/share (from RM2.60/share).** This is based on a higher target PE of 30x (from 24x) and blended CY26/27 EPS, to capture a 12 months view. Our target PE now reflects the group's five-year average. We believe initial concerns about US tariffs have largely eased. In addition, its outlook appears stronger than expected, as indicated by a growing order book. Due to a stronger than expected tender book, we raise earnings by 4-5%. This is partly offset by the assumption of a higher tax rate, in line with the expiry of its pioneer tax status in Apr 2026.
- **Market pricing in forward earnings of RM94mil.** However, while not mathematically impossible, we believe current valuations already reflect a best case scenario. This could result in downside risks, if delivery falls short. Already, 9M25 core earnings of RM46mil (-23% YoY) missed consensus expectations at 66% of estimates, though still within our more conservative assumptions.
- **Order book grew +29% QoQ to RM450mil.** While this a positive sign, the group still needs to bridge a noticeable gap to meet market expectations. For context, when the group delivered RM96mil core profit in 2023, order book averaged at RM550mil. To close this gap and meet current market expectations, the group will likely need to lock in two large projects in the electro-optical and consumer segments, which leaves limited margin for execution slip.
- **Introducing the 9 Samurais.** The group is already laying the groundwork for its 2027 growth ambitions, assembling what management calls its "9 Samurais" – nine advanced test platforms designed to carve out a larger foothold in the fast-growing advanced packaging space. Beyond current valuations, we see this as the right strategic direction. Collectively, these nine R&D initiatives could contribute 10–15% of 2027 revenue, provided development milestones and customer qualifications stay on track.

EXHIBIT 1: 3Q25 RESULTS SUMMARY

RMmil	3Q25	3Q24	YoY (%)	2Q25	QoQ (%)	9M25	9M24	YoY (%)
Revenue	148	150	-1.4	145	2.2	425	492	-13.8
Ebitda	25	33	-22.3	31	-18.8	84	105	-20.1
Depreciation and amortisation	-7	-5	39.2	-7	6.3	-21	-16	35.7
Ebit	18	27	-34.3	24	-26.0	63	90	-29.9
Finance income	1	3	-62.6	2	-27.0	4	9	-51.1
Finance costs	0	0	n.a.	0	n.a.	0	0	n.a.
JV/Associates	1	0	-1,269.0	0	-353.0	0	0	17.4
El	2	-9	-126.3	-8	-129.9	-7	-14	-52.5
Pbt	22	21	3.9	18	25.9	60	84	-28.5
Taxation	2	0	-995.4	0	-628.1	1	-1	-194.1
MI	-7	-9	-27.0	-6	20.5	-20	-32	-38.4
Patami	17	12	45.3	12	47.4	42	51	-18.6
Core Patami	15	18	-11.9	17	-10.9	46	60	-22.9
EPS (sen)	2.4	1.7	45.2	1.6	47.9	5.9	7.2	-18.1
DPS (sen)	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
Profitability ratio (%)								
Ebitda margin	17.2	21.8	-4.6	21.6	-4.4	19.8	21.4	-1.6
Ebit margin	12.1	18.2	-6.1	16.8	-4.6	14.8	18.2	-3.4
Pbt margin	15.0	14.2	0.8	12.2	2.8	14.2	17.1	-2.9
Tax rate	-8.2	0.9	-9.1	1.9	-10.1	-1.8	1.4	-3.2
Patami margin	10.4	11.7	-1.2	11.9	-1.5	10.9	12.2	-1.3
Revenue breakdown								
Electro-optical	7	14	-47.1	33	-77.2	67	67	-0.1
Consumer and industrial products	21	8	164.2	17	24.5	58	25	134.4
Semiconductor	11	16	22.0	12	-4.0	50	38	31.9
Automotive	23	33	-28.1	44	-46.8	119	128	-7.3
Medical devices	80	79	1.0	36	124.1	122	234	-47.9
Renewable energy	5	0	n.a.	4	35.1	8	0	n.a.
Others	0	0	n.a.	0	-100.0	0	0	245.3
Automated test equipment								
Revenue	39	45	-13.5	83	-53.8	218	187	16.6
Pbt	-6	4	-228.8	9	-160.0	28	20	39.8
Pat	-4	5	-193.1	9	-147.5	29	19	49.6
Factory automation solutions								
Revenue	102	106	-3.7	61	65.8	199	305	-34.7
Pbt	28	30	-7.0	17	67.5	49	87	-44.0
Pat	69	29	133.2	17	314.1	90	87	3.1
Smart control								
Revenue	0	0	-100.0	0	-100.0	0	0	-113.6
Pbt	0	-1	-93.7	0	-40.2	0	-2	-96.2
Pat	0	-1	-96.1	0	-65.7	0	-2	-96.1

Source: Pentamaster

EXHIBIT 2: ORDERBOOK



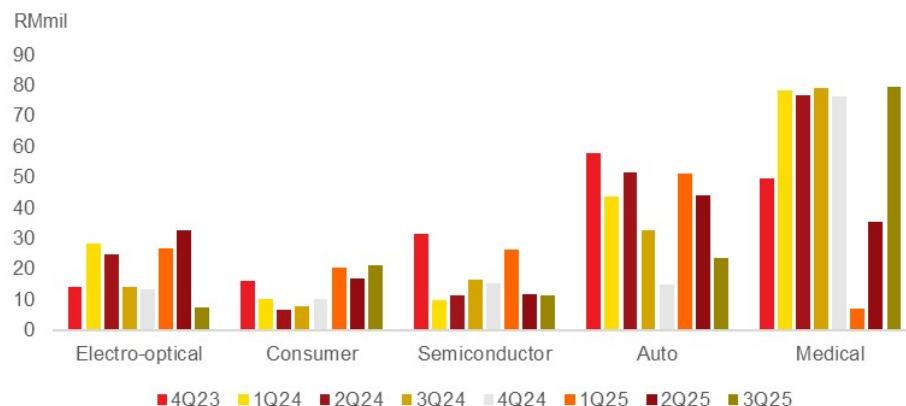
Source: Pentamaster

EXHIBIT 3: NEW ORDERS SECURED



Source: Pentamaster

EXHIBIT 4: REVENUE BY END MARKETS



Source: Pentamaster

EXHIBIT 5: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	540	540	-	599	681	13.6	663	727	9.6
Earnings	63	63	-	72	75	3.5	80	85	5.4
Tax rate	2.0%	2.0%	-	2.0%	10.0%	+8pp	2.0%	5.0%	+3pp
Revenue by end markets									
Electro-optical	77	77	0.0	81	153	90.5	85	161	90.5
Consumer electronics	31	31	0.0	33	79	138.1	35	83	138.1

Source: AmlInvestment Bank

EXHIBIT 6: VALUATIONS

Target PE (x)	30x (from 24x)
CY26/27 EPS	11.2sen/share (from 10.7sen/share)
ESG premium	-
12-month target price	RM3.35/share (from RM2.60)

Source: AmlInvestment Bank

EXHIBIT 7: 5-YEAR FORWARD PE



Source: Bloomberg

Company profile

Pentamaster Corporation Berhad (PCB) is a manufacturer of automated test and factory automation equipment. It serves customers from a broad range of industries, including telecommunications, consumer, semiconductor, automotive and medical.

The group sets itself apart, by being able to offer customised solutions. This allows it to create sticky relationships with customers and also command premium margins.

PCB owns 63.9% of Pentamaster International Limited, which is its main subsidiary that is listed on the Main Board of The Stock Exchange of Hong Kong.

Mr. Chuah Choon Bin is the Executive Chairman and co-founded Pentamaster in 1991. He is a professional engineer and prior to setting up the group, served as an automation engineer for National Semiconductor and Intel Technology Malaysia.

Demonstrating its adaptability, the group constantly reinvents itself. By anticipating future trends to remain relevant, revenue drivers have evolved over the years from smartphone to automotive to medical devices.

Production facilities are primarily located in Penang, while the group also has sales and technical support offices in the US, Singapore, Japan and Germany.

Investment thesis and catalysts

Valuation Stretched Amid Incomplete Recovery. While order book has shown a sequential rebound, it remains below previous peak levels when earnings were significantly stronger. Despite a healthier tender pipeline, the market appears to be pricing in an optimistic earnings scenario. This leaves limited room for disappointment, especially as recent results have fallen short of consensus.

Normalisation of existing revenue drivers. Medical devices revenue, supported by foreign direct investments into Malaysia, has been a bright spot. However, growth is expected to normalise, as current momentum is largely driven by a single large customer whose capex cycle is unlikely to sustain at current levels indefinitely. Meanwhile, the recovery in automotive revenue remains slower than anticipated, and overcapacity in the SiC segment—exacerbated by an EV slowdown and geopolitical caution—continues to weigh on demand.

Strategic R&D Offers Long-Term Upside. The group is laying the foundation for its 2027 growth ambitions through its “9 Samurais” initiative—nine advanced test platforms targeting the fast-growing advanced packaging space. While strategically sound, these initiatives are unlikely to contribute meaningfully before 2027, and their success hinges on meeting development milestones and customer qualifications.

Valuation methodology

We value Pentamaster at a target PE of 30x and blended CY26/27 EPS, to capture a 12-month forward view. Our target PE is based on the group's 5-year average. We believe initial concerns about US tariffs have largely eased. In addition, its outlook appears stronger than expected, as indicated by a growing order book.

Risk factors

Being a capex beneficiary, revenue growth is contingent on its customer's expansion plans. As customers cannot expand perpetually and usually need time to digest new capacity, it is important that Pentamaster maintains a large customer base and continues to source for new customers.

Currently, the group's revenues are mainly exposed to medical devices and SiC. Hence, any developments relating to both these industries could impact the outlook of the group.

Another key risk is currency, where we estimate, every 1% increase/decrease in the USD/MYR rate increases/decreases earnings by 3%.

EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	691.9	623.0	540.5	680.8	727.4
EBITDA	157.4	127.4	113.1	137.1	145.6
Depreciation/Amortisation	(17.7)	(21.6)	(23.9)	(24.7)	(25.6)
Operating income (EBIT)	139.6	105.8	89.2	112.3	120.0
Other income & associates	-	(0.6)	-	-	-
Net interest	13.0	12.8	6.9	4.8	5.5
Exceptional items	(11.2)	(12.6)	-	-	-
Pretax profit	141.4	105.4	96.0	117.1	125.5
Taxation	(1.0)	(1.5)	(1.9)	(11.7)	(6.3)
Minorities/pref dividends	(51.3)	(38.7)	(30.7)	(30.6)	(34.6)
Net profit	89.1	65.2	63.4	74.9	84.7
Core net profit	96.2	73.2	63.4	74.9	84.7
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	282.0	457.3	487.0	515.6	542.9
Intangible assets	44.6	40.8	37.2	33.9	31.0
Other long-term assets	63.6	46.0	46.0	46.0	46.0
Total non-current assets	390.2	544.2	570.2	595.5	619.9
Cash & equivalent	490.9	448.7	237.6	244.2	305.0
Stock	190.6	121.8	141.2	177.9	190.0
Trade debtors	241.4	230.6	210.8	265.5	283.7
Other current assets	4.8	6.5	6.5	6.5	6.5
Total current assets	927.7	807.6	596.1	694.0	785.3
Trade creditors	162.5	195.4	123.4	155.4	166.0
Short-term borrowings	-	-	-	-	-
Other current liabilities	140.3	62.0	62.0	62.0	62.0
Total current liabilities	302.8	257.3	185.3	217.3	228.0
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	9.5	13.4	13.4	13.4	13.4
Total long-term liabilities	9.5	13.4	13.4	13.4	13.4
Shareholders' funds	699.4	748.0	681.9	742.6	813.0
Minority interests	306.1	333.0	285.7	316.3	350.9
BV/share (RM)	0.98	1.05	0.96	1.04	1.14
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	141.4	105.4	96.0	117.1	125.5
Depreciation/Amortisation	17.7	21.6	23.9	24.7	25.6
Net change in working capital	68.5	5.0	(71.6)	(59.3)	(19.7)
Others	(11.7)	6.4	(8.8)	(16.5)	(11.8)
Cash flow from operations	215.9	138.4	39.6	66.0	119.6
Capital expenditure	(116.1)	(154.9)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	(8.0)	3.8	(95.9)	-	-
Others	7.3	5.6	6.9	4.8	5.5
Cash flow from investing	(116.7)	(145.6)	(139.0)	(45.2)	(44.5)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	6.8	-	-	-	-
Dividends paid	(14.2)	(14.2)	(111.6)	(14.2)	(14.2)
Others	(9.9)	(10.4)	-	-	-
Cash flow from financing	(29.7)	(32.6)	(111.6)	(14.2)	(14.2)
Net cash flow	69.4	(39.7)	(211.1)	6.6	60.8
Net cash/(debt) b/f	421.2	490.9	448.7	237.6	244.2
Net cash/(debt) c/f	490.9	448.7	237.6	244.2	305.0
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	15.2	(10.0)	(13.2)	26.0	6.9
EBITDA growth (%)	10.3	(19.1)	(11.2)	21.2	6.2
Pretax margin (%)	20.4	16.9	17.8	17.2	17.3
Net profit margin (%)	12.9	10.5	11.7	11.0	11.6
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	0.7	1.5	2.0	10.0	5.0
Dividend payout (%)	16.0	21.8	176.0	19.0	16.8
Debtors turnover (days)	142	138	149	128	138
Stock turnover (days)	95	92	89	86	92
Creditors turnover (days)	83	105	108	75	81

Source: Company, AmlInvestment Bank Bhd estimates

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