

## Powerwell Holdings Berhad

### One More Acquisition Before the Year Ends

#### Newsbreak

- Powerwell Holdings Berhad (PWRWELL) has entered into conditional share sale and purchase agreements to acquire 49.0% equity interest each in Tenaga Kenari Sdn Bhd (TKSB) and Tenaga Kenari Marketing Sdn Bhd (TKMSB) for a total cash consideration of RM16.7m, comprising RM12.5m for TKS and RM4.2m for TKMSB, from four vendors. Post-acquisition, TKS and TKMSB will become subsidiaries of PWRWELL, with majority board control via shareholders' agreements. The vendors have provided a cumulative profit after tax guarantee of RM12.0m over FY26–FY28 (TKS: RM9.0m; TKMSB: RM3.0m), secured by 15.98% pledged shares, with shortfalls settled in shares and/or cash.
  - PWRWELL is also granted call options to acquire an additional 2.0% stake each in TKS and TKMSB for RM1.58m, raising its effective interest to 51.0%. The implied valuation translates to 8.5–8.9x PE based on the average profit guarantee. The acquisition will be funded via internally generated funds and/or bank borrowings, with completion targeted by 31 March 2026, and is not subject to shareholder approval.
- #### M+ Global View
- The acquisition appears reasonable, in our view, as the entire transaction is cash-settled and priced at a similar PER to Firerex. We believe that PWRWELL's proposed acquisition of TKS and TKMSB will be broadly earnings neutral in the near term, with FY26f group net profit projected at RM20.7m remains. However, PWRWELL's consolidated FY27f PER is expected to dip to 11.5x.
  - Moreover, we believe this would further de-risk the group's long-term earnings trajectory, which has historically been volatile due to its project-based nature, with a significant portion of revenue typically is back-loaded.
  - Overall, while the near-term EPS impact is expected to be neutral, the acquisition positions PWRWELL for stronger long-term earnings from FY27f onwards.

#### Valuation & Recommendation

- Forecast.** We raised our FY27–28f earnings forecasts from RM23.2m/RM25.9m by 55.5%/14.9% to RM32.2m/RM37.0m, reflecting post-acquisition earnings contributions.
- Valuations.** Pegging a PER of 17x on mid-FY27f earnings, PWRWELL's TP would be revised upward by 20.3% to RM0.77 from RM0.64, reflecting the full consolidation of the company's higher implied valuation post-acquisition. Note that PWRWELL has already hit our previous TP of RM0.64.

#### Company update

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#### BUY

Share price	RM0.64
Target price	RM0.77
Previous TP	RM0.64
Capital upside	20.3%
Dividend return	2.1%
Total return	22.4%

#### Company profile

Powerwell Holdings Berhad is principally involved in the design, manufacturing, and trading of electricity distribution products such as switchboards and switchgears.

#### Stock information

Bursa Code	0217
Bloomberg ticker	PWRWELL MK
Listing market	ACE
Share issued (m)	580.552
Market Cap (m)	368.7
52W High/Low	0.645 / 0.35
Est. Free float (%)	86.8591
Beta (x)	1.040461
3-mth avg vol ('000)	2408.528
Shariah compliant	YES

#### Major shareholders

	%
Wong Yen Yoke	4.8
Tham Wai Kien	3.9

#### Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	12.4	10.4	36.6
Absolute	7.3	5.9	33.0
Relative			

#### Earnings snapshot

FYE (Mac)	FY25	FY26f	FY27f
PATMI (m)	18.8	20.7	32.2
EPS (sen)	3.2	3.6	5.5
P/E (x)	19.6	17.8	11.5



### Financial Forecast

All items in (RM m) unless otherwise stated

#### Balance Sheet

FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	88.1	67.6	98.3	115.8	141.4
Receivables	24.7	53.2	62.2	74.7	85.9
Inventories	17.4	26.9	19.2	21.4	24.7
PPE	30.6	30.1	31.3	32.3	33.1
Others	4.7	4.5	2.8	2.8	2.8
<b>Assets</b>	<b>165.4</b>	<b>182.2</b>	<b>213.8</b>	<b>247.1</b>	<b>287.9</b>
Debts	12.5	15.9	16.9	17.9	18.9
Payables	65.6	66.6	83.2	92.9	106.9
Others	2.8	2.3	1.8	1.8	1.8
<b>Liabilities</b>	<b>80.9</b>	<b>84.7</b>	<b>101.9</b>	<b>112.6</b>	<b>127.5</b>
Shareholder's equity	84.5	97.5	112.0	134.5	160.4
Minority interest	-	-	-	-	-
<b>Equity</b>	<b>84.5</b>	<b>97.5</b>	<b>112.0</b>	<b>134.5</b>	<b>160.4</b>

#### Cash Flow Statement

FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	26.3	26.8	27.2	42.3	48.6
Depreciation & amortisation	2.4	2.3	2.5	2.7	2.9
Changes in working capital	39.9	(37.1)	15.3	(5.0)	(0.5)
Share of JV profits	-	-	-	-	-
Taxation	(6.6)	(8.1)	-	-	-
Others	(6.8)	7.0	-	-	-
<b>Operating cash flow</b>	<b>55.2</b>	<b>(8.9)</b>	<b>44.9</b>	<b>40.0</b>	<b>51.1</b>
Net capex	0.3	0.1	(5.0)	(5.0)	(5.0)
Others	1.8	0.8	-	-	-
<b>Investing cash flow</b>	<b>2.1</b>	<b>0.9</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(5.0)</b>
Changes in borrowings	(14.2)	3.4	1.0	1.0	1.0
Issuance of shares	-	-	-	-	-
Dividends paid	(11.6)	(5.8)	(6.2)	(9.7)	(11.1)
Others	6.6	(9.5)	-	-	-
<b>Financing cash flow</b>	<b>(19.2)</b>	<b>(11.9)</b>	<b>(5.2)</b>	<b>(8.7)</b>	<b>(10.1)</b>
<b>Net cash flow</b>	<b>38.2</b>	<b>(20.0)</b>	<b>30.7</b>	<b>17.5</b>	<b>25.6</b>
Forex	(0.2)	(0.8)	-	-	-
Others	0.3	0.3	-	-	-
Beginning cash	49.7	88.1	67.6	98.3	115.8
Ending cash	88.1	67.6	98.3	115.8	141.4

#### Income Statement

FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
<b>Revenue</b>	<b>154.8</b>	<b>137.5</b>	<b>162.3</b>	<b>194.7</b>	<b>223.9</b>
EBITDA	29.6	29.9	30.4	45.8	52.4
EBIT	27.2	27.6	27.9	43.1	49.5
Net finance income/ (co	(0.8)	(0.8)	(0.7)	(0.8)	(0.8)
Associates & JV	-	-	-	-	-
<b>Profit before tax</b>	<b>26.3</b>	<b>26.8</b>	<b>27.2</b>	<b>42.3</b>	<b>48.6</b>
Tax	(6.6)	(8.1)	(6.5)	(10.2)	(11.7)
<b>Net profit</b>	<b>19.7</b>	<b>18.8</b>	<b>20.7</b>	<b>32.2</b>	<b>37.0</b>
Minority interest	-	-	-	-	-
<b>Core earnings</b>	<b>19.7</b>	<b>18.8</b>	<b>20.7</b>	<b>32.2</b>	<b>37.0</b>
Exceptional items	0.4	1.2	-	-	-
Reported earnings	20.2	19.9	20.7	32.2	37.0

#### Valuation & Ratios

FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	3.4	3.2	3.6	5.5	6.4
P/E (x)	18.7	19.6	17.8	11.5	10.0
DPS (sen)	2.0	1.0	1.1	1.7	1.9
Dividend yield	3.1%	1.6%	1.7%	2.6%	3.0%
BVPS (RM)	0.15	0.17	0.19	0.23	0.28
P/B (x)	4.4	3.8	3.3	2.7	2.3
EBITDA margin	19.1%	21.8%	18.7%	23.5%	23.4%
EBIT margin	17.5%	20.1%	17.2%	22.1%	22.1%
PBT margin	17.0%	19.5%	16.7%	21.7%	21.7%
Net margin	12.7%	13.7%	12.7%	16.5%	16.5%
ROE	24.5%	20.6%	19.7%	26.1%	25.1%
ROA	12.3%	10.8%	10.4%	14.0%	13.8%
Net gearing	CASH	CASH	CASH	CASH	CASH

#### Assumptions

FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue growth	-2.7%	-11.1%	18.0%	20.0%	15.0%
GP margin	29.7%	33.2%	28.0%	33.0%	33.0%

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(a) nil.

## Stock recommendation guide

<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
<b>TRADING SELL</b>	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
<b>NOT RATED</b>	No recommendation is assigned



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