PENTAMASTER CORP

(PENT MK EQUITY, PMAS.KL)

BUY

(UPGRADED)

Price: RM2.97
Target Price (% return): RM3.90 (+32%)
52-week High/Low: RM4.46/RM1.86

Technology
Rationale for report: Company Update

Valuation reset, ambition intact

We're turning constructive again on Pentamaster, not because the story has changed, but because the price has. We stepped away last Aug 2025 when bull-case expectations looked fully priced in. Since then, that excess has unwound, bringing valuations back to a level that better re flects the execution runway ahead. The core recovery drivers remain intact, underpinned by China+1 capex and continued medical device FDIs into Malaysia. What is beginning to stand out now is advanced packaging, where 4 POs from 3 customers suggest Pentamaster may be moving from ambition to evidence, opening up a potential new growth leg into 2027.

- **Upgrade to BUY with higher TP of RM3.90/share (from RM3.35).** The increase is driven by a valuation roll-forward to CY27, while our target PE is unchanged at 30x. We have also raised earnings by 2–9%, to reflect stronger telco and semiconductor revenues.
- **Telco-led rebound in 2026, anchored by China+1 expansion into India.** We are assuming a return to peak revenue in 2026, driven by a recovery in the telco segment. The key swing factor is our expectation that the group secures a fairly sizeable order tied to China+1 capex, as its customer expands assembly capacity into India. Encouragingly, based on our channel checks, the prototype has already been received, with installation work taking place, suggesting the project is moving beyond the evaluation stage. We expect the bulk of revenue recognition from this order to come through in 2H26.
- **"9 Samurai" could form next growth leg into 2027.** Early validation is already visible from 4 POs secured from 3 customers. An additional kicker would be its silicon photonics solutions, where AI driven data centre scaling is lifting demand for faster, lower-power optical interconnects and more complex optical-electrical testing. Separately, power semiconductors could re-emerge as another growth pocket, as rising rack power density drives demand for more advanced power conversion and tighter reliability testing. Together, this broadens the group's relevance across the AI hardware stack.
- **Margin headwinds are forex and higher oil prices.** On forex, the group has been reducing exposure to US dollar settlement by transacting in customers' home currencies where possible, which should help ease currency-related volatility. On the oil side, the main risk would come from a broader supply-chain choke if conditions deteriorate. Even then, the group's shipment footprint is still largely intra-Asia.

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	583.7	695.9	790.4	841.2
Core net profit (RM mil)	61.0	77.1	92.9	99.5
FD Core EPS (sen)	8.6	10.8	13.1	14.0
FD Core EPS growth (%)	(16.6)	26.3	20.5	7.1
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	-	2.0	2.0	2.0
PE (x)	35.2	27.9	23.1	21.6
EV/EBITDA (x)	16.3	13.0	11.2	10.1
Div yield (%)	-	0.7	0.7	0.7
ROE (%)	8.1	9.4	10.4	10.2
Net Gearing (%)	nm	nm	nm	nm

Source: Pentamaster Corp, AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	↑
EPS:	↑

Stock and Financial Data

Shares Outstanding (million)	711.3
Market Cap (RMmil)	2,148.2
Book Value (RM/Share)	1.11
P/BV (x)	2.7
ROE (%)	8.1
Net Gearing (%)	-
Free Float	56.2
Avg Daily Value (RMmil)	5.1

Major Shareholders

Chuah Choon Bin	(19.7%)
EPF	(14.1%)
KWAP	(8.1%)

Price performance	3mth	6mth	12mth
Absolute(%)	(23.9)	(20.5)	0.7
Relative(%)	(25.4)	(25.3)	(10.7)

Source: Pentamaster Corp, AmInvestment Bank Bhd.

Price Chart

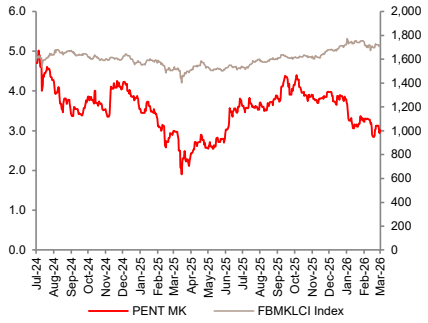


EXHIBIT 1. Changes to earnings

RMmil	FY26F Old	FY26F New	FY26F %	FY27F Old	FY27F New	FY27F %
Earnings	75	77	2.4	86	93	8.6
Telco revenues	153	175	14.1	161	149	-7.6
Semiconductors revenues	50	66	32.7	53	133	152.7
Consumer electronics revenues	79	76	-3.7	83	114	37.6

Source: TM, AmInvestment Bank Bhd.

EXHIBIT 2. Valuations

Target PE	30x
CY27 EPS	13.1sen/share (from 11.2sen/share)
ESG premium	-
Target price	**RM3.90/share (from RM3.35)**

Source: AmInvestment Bank Bhd.

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

2026 rebound led by the telecommunications segment. We expect Pentamaster to benefit from China+1-related capex, as a customer expands assembly into India. With prototype work already underway and installations taking place in both India and China, this gives us greater confidence in a meaningful pickup in 2H26.

"9 Samurai" suite could drive the next leg of growth into 2027. Early validation is already visible from 4 POs secured from 3 customers, while exposure to silicon photonics and AI-linked power semiconductors positions the group to participate in rising demand for optical-electrical testing, advanced power conversion and tighter reliability requirements. Together, this broadens Pentamaster's relevance across the AI hardware stack.

Valuation

We value Pentamaster based on a target PE of 30x and CY27 EPS. Our target PE is based on the group's 5-year average. We believe initial concerns relating to US tariffs and its dependency on a large medical device customer has largely eased, with the group successfully pivoting to other higher growth areas.

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%.

Financial Summary

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	623.0	583.7	695.9	790.4	841.2
EBITDA	127.4	116.2	139.6	156.0	165.2
Depreciation/Amortisation	(21.6)	(28.3)	(24.8)	(25.6)	(26.4)
Operating income (EBIT)	105.8	88.0	114.8	130.4	138.8
Other income & associates	(0.6)	-	-	-	-
Net interest	12.8	6.4	5.9	7.3	8.7
Exceptional items	(12.6)	1.5	-	-	-
Pretax profit	**105.4**	**95.8**	**120.7**	**137.7**	**147.5**
Taxation	(1.5)	(5.1)	(12.1)	(6.9)	(7.4)
Minorities/pref dividends	(38.7)	(28.8)	(31.5)	(37.9)	(40.6)
Net profit	**65.2**	**62.0**	**77.1**	**92.9**	**99.5**
Core net profit	73.2	61.0	77.1	92.9	99.5

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	457.3	496.1	524.2	551.3	577.2
Intangible assets	40.8	33.7	30.8	28.2	25.8
Other long-term assets	46.0	53.9	53.9	53.9	53.9
Total non-current assets	**544.2**	**583.7**	**609.0**	**633.4**	**656.9**
Cash & equivalent	448.7	248.2	337.5	394.3	477.5
Stock	121.8	120.2	144.2	163.8	174.4
Trade debtors	230.6	291.6	311.3	353.5	376.3
Other current assets	6.5	12.7	12.7	12.7	12.7
Total current assets	**807.6**	**672.8**	**805.8**	**924.4**	**1,040.9**
Trade creditors	195.4	130.2	194.1	220.4	234.6
Short-term borrowings	-	-	-	-	-
Other current liabilities	62.0	57.4	57.4	57.4	57.4
Total current liabilities	**257.3**	**187.5**	**251.4**	**277.7**	**291.9**
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	13.4	7.8	7.8	7.8	7.8
Total long-term liabilities	**13.4**	**7.8**	**7.8**	**7.8**	**7.8**
Shareholders' funds	**748.0**	**789.8**	**852.7**	**931.4**	**1,016.7**
Minority interests	333.0	271.3	302.8	340.7	381.4
BV/share (RM)	1.05	1.11	1.20	1.31	1.43

Cash Flow (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	105.4	95.8	120.7	137.7	147.5
Depreciation/Amortisation	21.6	28.3	24.8	25.6	26.4
Net change in working capital	5.0	(144.7)	20.1	(35.5)	(19.1)
Others	6.4	(5.0)	(17.9)	(14.2)	(16.1)
Cash flow from operations	**138.4**	**(25.6)**	**147.7**	**113.6**	**138.7**
Capital expenditure	(154.9)	(59.7)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	3.8	(81.0)	-	-	-
Others	5.6	4.2	5.9	7.3	8.7
Cash flow from investing	**(145.6)**	**(136.5)**	**(44.1)**	**(42.7)**	**(41.3)**
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(14.2)	(34.7)	(14.2)	(14.2)	(14.2)
Others	(10.4)	-	-	-	-
Cash flow from financing	**(32.6)**	**(34.7)**	**(14.2)**	**(14.2)**	**(14.2)**
Net cash flow	**(39.7)**	**(196.7)**	**89.3**	**56.7**	**83.2**
Net cash/(debt) b/f	**490.9**	**448.7**	**248.2**	**337.5**	**394.3**
Net cash/(debt) c/f	**448.7**	**248.2**	**337.5**	**394.3**	**477.5**

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	(10.0)	(6.3)	19.2	13.6	6.4
EBITDA growth (%)	(19.1)	(8.7)	20.1	11.8	5.9
Pretax margin (%)	16.9	16.4	17.3	17.4	17.5
Net profit margin (%)	10.5	10.6	11.1	11.8	11.8
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	1.5	5.3	10.0	5.0	5.0
Dividend payout (%)	21.8	56.0	18.4	15.3	14.3
Debtors turnover (days)	138	163	158	154	158
Stock turnover (days)	92	76	69	71	73
Creditors turnover (days)	105	102	85	96	99

Source: Company, AmInvestment Bank Bhd.

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