Pantech Global Berhad (PGLOBAL)

Extensive Global "Connections"

- **Pantech Global Berhad is a Malaysia-based investment holding company specializing in the manufacturing of (i) butt weld pipe fittings, (ii) stainless steel welded pipes, and (iii) other related products, including HFI long bend services, by-products, and scrap metal. The group serves customers across the United States, Malaysia, Taiwan, Indonesia, Canada, Europe and also other parts of the world.**
- **We project 3-year earnings CAGR of 9.9%, with core PAT anticipated to reach RM54.3m-RM66.0m over the next three years. This growth is underpinned by (i) the group's strong geographical presence worldwide, (ii) increasing oil drilling activities in the US, and also (iii) the increase in the group's overall production capacity due to new machinery and equipment at its Klang Factory and processing facility at its Pasir Gudang Factory.**
- **We assign a fair value of RM0.92 per share for PGLOBAL, indicating an 35.3% upside from the IPO price of RM0.68. This valuation is based on a PE multiple of 12.5x pegged to mid-FY27f EPS of 7.37 sen.**

Investment highlights

Extensive geographical reach supported by an established track record. With over two decades of experience, the group has built a strong foundation in manufacturing carbon steel and stainless steel pipe fittings and welded pipes. The group expanded its presence across 27 foreign markets, including the United States, Netherlands, Canada, and Indonesia. For FY24, revenue from international markets accounted for 72.6% of total revenue, demonstrating the group's ability to serve a diverse global customer base while sustaining business growth.

Fig #1 Geographical markets served



Pantech Global principally operate in Malaysia and serve customers in **Asia Pacific,** the **Americas**, **Europe**, and the **Middle East and North Africa** ("**MENA**")

Source: Pantech Global Berhad

Serving a wide range of industries. The group's butt weld pipe fittings are used across multiple industries due to their inherent strength, leak-proof nature and also ability to withstand high pressure. Some of the industries using PGLOBAL's products include oil and gas, petrochemical, chemical, water treatment, power generation, shipbuilding, semiconductor, food and beverage, agricultural and irrigation, and also mining.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.68**
Target price	**RM0.92**
Previous TP	**-**
Capital upside	35.3%
Dividend return	4.0%
Total return	39.3%

Company profile

Pantech Global Berhad primarily specializes in manufacturing butt weld pipe fittings, stainless steel welded pipes, and other related products including HFI long bend services, by-products, and scrap metal.

Stock information

Bursa Code	5331
Bloomberg ticker	PGLOBAL MK
Listing market	MAIN
Share issued (m)	850.0
Market Cap (m)	578.0
Shariah compliant	YES
MITI allocation	YES

Major shareholders	**%**
CTL Capital	17.1
GL Management	12.3

Earnings snapshot

FYE (Feb)	FY24	FY25f	FY26f
PATMI (m)	49.7	54.3	59.3
EPS (sen)	5.8	6.4	7.0
P/E (x)	11.6	10.6	9.7

Timetable of IPO

Opening of application	10 February
Closing of application	19 February
Balloting of application	24 February
Allotment of the IPO shares	28 February
Listing on the MAIN market	3 March

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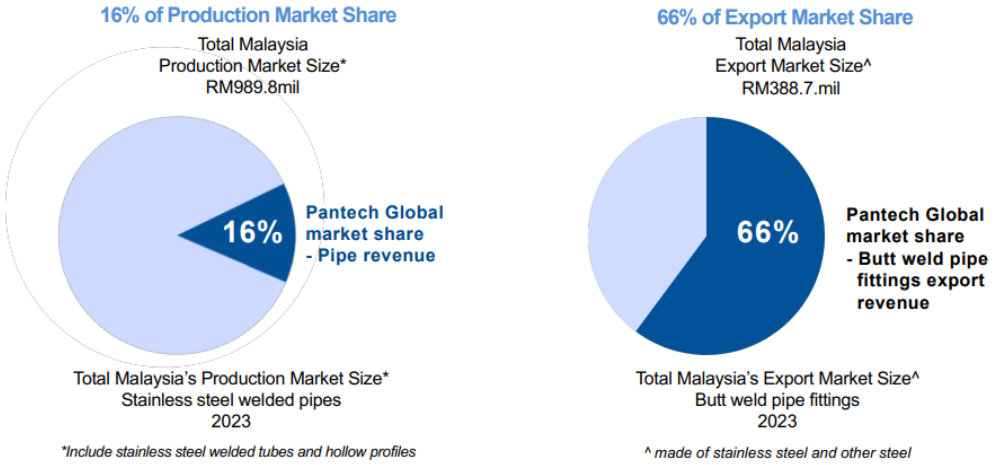
Fig #2 PGLOBAL's key industries



Source: Pantech Global Berhad

Decent market share. According to the IMR report, PGLOBAL has a 66% market share of Malaysia's export market size for butt weld pipe fittings. Meanwhile, the group also enjoy a 16% market share in terms of stainless steel welded pipes for the Malaysia's production market. As a leading global exporter with relatively decent market share, the group is well-positioned to capitalize on increasing demand for pipe fittings and welded pipes across various industries, enhancing its economies of scale to maintain cost efficiency and competitive pricing.

Fig #3 PGLOBAL's market share



Source: Pantech Global Berhad

Acquisition of existing operational facilities. The group plans to acquire the lands and buildings of its existing factories in Klang and Johor, which are currently rented from its related company, Pantech Corporation. The Klang factory acquisition involves two plots of land for RM40.0m, while the Johor factory acquisition involves one parcel of land for RM12.5m. The acquisitions will help the group with greater control over its operational assets and reduce long-term rental dependency.

Expansion of pickling capacity and warehouse facilities in Johor. The group plans to set up an additional pickling facility at its Johor Factory with larger pickling tanks capable of accommodating pipes up to 11.8 metres in length. This facility will also include an industrial effluent treatment system and will be located at Block F, which is currently used as a warehouse. To address future storage needs, the group has acquired industrial land in Pasir Gudang for a new warehouse, ensuring sufficient space for operations as Block F transitions into a pickling facility.

Enhancing capacity through more machinery and equipment. The group plans to allocate RM12.2m (6.8% of IPO proceeds) to acquire new machinery and upgrade existing equipment at its Klang factory. This investment aims to enhance the group's production capacity and optimize manufacturing processes for carbon steel butt weld pipe fittings and HFI long bend services.

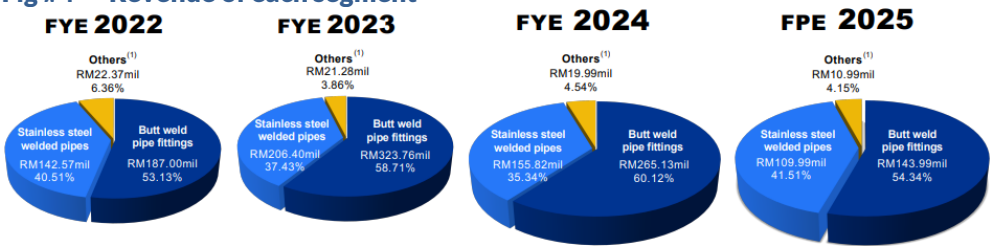
Establishment of a new factory and corporate head office. To support business expansion in Selangor, the group plans to establish a new corporate head office and factory in Klang ("Klang Factory 2") by 2028. The facility, spanning approximately 10 to 12 acres, will house a production area, warehouse, and workers' accommodation for up to 150 personnel. RM46.0m (25.8% of IPO proceeds) will be used to fund the cost.

Benefitting from Trump's *'Drill, Baby, Drill'*. With President Trump reintroducing a more aggressive pro-drilling policy in the US, a boost in US oil and gas production would drive higher demand for pipelines, processing facilities, and refineries, all of which require stainless steel and carbon steel pipes and fittings, which are PGLOBAL's core products. Meanwhile, US is already the group's largest foreign market (34.6% of FY24 revenue). Expanded drilling activities could lead to larger orders for use by American oil & gas companies, pipeline operators, and refineries.

Company background

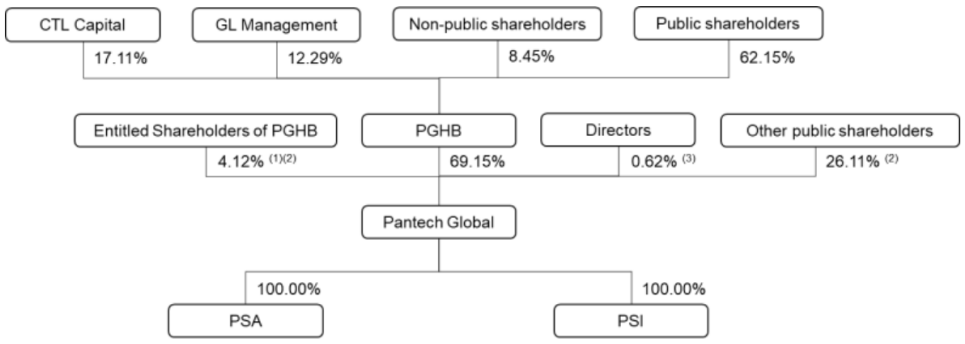
Tracing its roots to year 2000, Pantech Global Berhad is a Malaysia-based investment holding company specializing in the (i) manufacturing of butt weld pipe fittings and (ii) stainless steel welded pipes. Through its subsidiaries, PSI and PSA, the group produces carbon and stainless steel pipe fittings for pressure piping applications and welded pipes designed for high-temperature and corrosion-resistant environments. (iii) The group also provides HFI long bend services and sells by-products, scrap metal, and other related products. With manufacturing facilities in Klang and Pasir Gudang, the group serves customers across the United States, Malaysia, Taiwan, Indonesia, Canada, Europe and also other parts of the world.

Fig #4 Revenue of each segment



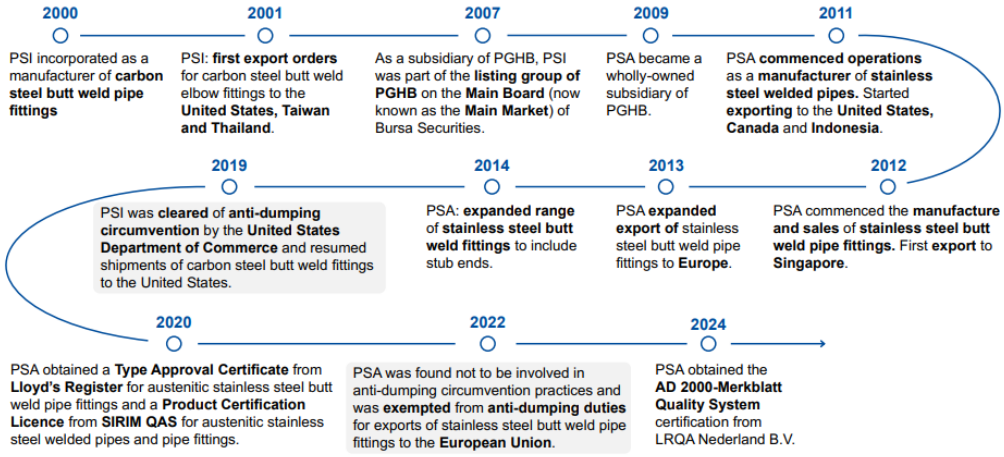
Source: Pantech Global Berhad

Fig #5 Post-IPO shareholding structure



Source: Pantech Global Berhad

Fig #6 Corporate milestones



Source: Pantech Global Berhad

Fig #7 Utilisation of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Business expansion	67.3	37.8	Within 36 months
Capital expenditure	64.7	36.3	Within 36 months
Working capital	22.7	12.7	Within 12 months
Repayment of borrowings	15.0	8.4	Within 6 months
Estimated listing expenses	8.6	4.8	Within 3 months
Total	178.3	100.0	

Source: Pantech Global Berhad

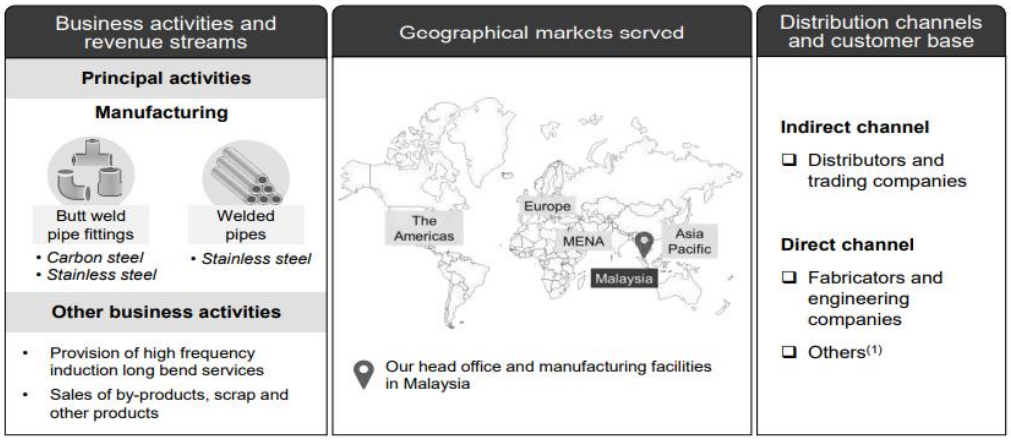
Business overview

Manufacturing of butt weld pipe fittings (60.1% of FYE24). The group manufactures carbon and stainless steel butt weld pipe fittings, including elbows, tees, reducers, stub ends and end caps, which are used for high-pressure and high-temperature applications. These fittings, produced in various sizes and wall thicknesses, comply with ASTM and ASME standards. Carbon steel fittings are made using seamless pipes at Klang facility, while stainless steel fittings use seamless and welded pipes at Pasir Gudang facility.

Manufacturing of stainless steel welded pipes (35.3% of FYE24). The group produces stainless steel welded pipes by shaping and welding stainless steel coils into a cylindrical form at its Pasir Gudang facility. These pipes, available in various sizes and thicknesses, are designed to withstand high temperatures and resist corrosion, making them suitable for industries like oil and gas, chemicals, and construction. Built to ASTM and ASME standards, they provide durable and reliable piping solutions for demanding environments.

Other business activities (4.5% of FYE24). The group provides HFI long bend services, a hot pipe bending technology used to shape long pipes with diameters ranging from 2 inches to 48 inches. Customers typically supply the pipes for bending. Additionally, the group sells by-products and scrap metal from its manufacturing process, along with small volumes of stainless and carbon steel pipes and coils, primarily to its related company, Pantech Corporation.

Fig #8 Principal business activities and services provided



Source: Pantech Global Berhad

Financials

Revenue highlights. The group reported a RM110.5m or 20.0% YoY decrease in revenue, declining from RM551.4m in FY23 to RM440.9m in FY24. This decrease was primarily driven by the manufacturing of butt weld pipe fittings and stainless steel welded pipes segments, which recorded a drop of RM58.6m or 18.1% and RM50.6m or 24.5%, respectively. The revenue decline in the manufacturing of butt weld pipe fittings was caused by a decrease in steel prices, leading to a lower ASP, while the decline in the stainless steel welded pipes segment was attributed to lower sales volume. The group's revenue from other business activities also saw a reduction of RM1.3m or 6.1% YoY, mainly due to a decrease in sales of by-products, scrap metal, and other products.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 9.9%, with core PATMI expected to reach RM54.3m, RM59.3m, and RM66.0m over the next three years, largely supported by (i) the group's strong geographical presence worldwide, (ii) increasing oil drilling activities in the US, and also (iii) the increased in the group's overall production capacity due to new machinery and equipment at its Klang Factory.

Fig #9 Financial Highlights

FYE Feb (RM m)	FY22	FY23	FY24	FY25f	FY26f	FY27f
Revenue	351.9	551.4	440.9	505.7	520.7	535.9
EBITDA	64.5	121.8	79.6	87.6	95.2	105.9
EBIT	54.1	111.8	68.9	76.2	82.7	91.1
PBT	51.0	107.5	65.1	71.5	78.1	86.8
PAT	38.4	81.4	49.7	54.3	59.3	66.0
PATMI – Core	38.4	81.4	49.7	54.3	59.3	66.0
% change YoY – Core PATMI	-	112%	-39%	9%	9%	11%
Core EPS (sen)	4.5	9.6	5.8	6.4	7.0	7.8
P/E (x)	15.1	7.1	11.6	10.6	9.7	8.8
DPS (sen)	0.8	4.4	7.1	2.6	2.8	3.1
Yield (%)	1%	6%	10%	4%	4%	5%
BVPS (RM/share)	0.3	0.4	0.3	0.6	0.6	0.7
P/B (x)	2.2	1.9	2.0	1.2	1.1	1.0
ROE (%)	23%	29%	17%	14%	11%	12%
Net Gearing (%)	0.3	0.1	0.2	CASH	CASH	CASH

M+ Research

Valuations

We assign a fair value of RM0.92 per share for PGLOBAL, representing an 35.3% upside from the IPO price of RM0.68. This valuation is based on a P/E ratio of 12.5x, pegged to mid-FY27f EPS of 7.37 sen. We believed that the ascribed P/E is fair the 12-months forward P/E and historical average P/E for Steel industry under the Bursa Malaysia Industrial Production Index stood at 9.80-12.50x.

Fig #10 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
Pantech Global Berhad	**MAIN**	**Feb**	**0.68**	**578.0**	***11.6**	****9.2**	***17.0**	***11.3**
Pantech Group Holdings Bhd	MAIN	Feb	0.89	735.0	7.6	6.6	10.9	11.1
Southern Steel Bhd	MAIN	Jun	0.49	735.5	N/A	N/A	(7.4)	(2.5)
Ann Joo Resources Bhd	MAIN	Dec	0.82	574.3	N/A	N/A	(5.6)	(0.1)
Hiap Teck Venture Bhd	MAIN	Jul	0.32	548.8	3.6	5.3	11.2	6.3
CSC Steel Holdings Bhd	MAIN	Dec	1.13	417.3	12.5	17.7	3.7	3.2
Mestron Holdings Bhd	MAIN	Dec	0.28	280.2	22.7	N/A	5.2	7.3
Malaysia Steel Works KL Bhd	MAIN	Dec	0.30	203.8	9.0	N/A	2.5	0.1
Leon Fuat Bhd	MAIN	Dec	0.45	153.5	7.5	N/A	3.5	3.9
K Seng Seng Corp Bhd	MAIN	Dec	0.77	142.7	N/A	N/A	(5.3)	(5.4)
Lion Industries Corp Bhd	MAIN	Dec	0.20	136.2	N/A	N/A	(35.3)	(21.0)
Prestar Resources Bhd	MAIN	Dec	0.40	143.6	8.5	N/A	3.9	4.9
Choo Bee Metal Industries Bhd	MAIN	Dec	0.68	132.4	N/A	N/A	(1.9)	0.3
MAYU GLOBAL GROUP Bhd	MAIN	Jun	0.26	121.9	9.7	N/A	3.9	14.0
Mycron Steel Bhd	MAIN	Jun	0.36	116.1	8.6	N/A	2.7	2.1
Lysaght Galvanized Steel Bhd	MAIN	Dec	2.68	111.4	7.7	N/A	8.1	13.3
Melewar Industrial Group Bhd	MAIN	Jun	0.21	73.7	38.0	N/A	1.0	0.6
Leader Steel Holdings BHD	MAIN	Dec	0.44	68.1	3.7	N/A	6.7	9.9
ASTEEL Group Bhd	MAIN	Dec	0.07	33.9	N/A	N/A	(9.6)	(2.5)
Eonmetall Group Bhd	MAIN	Dec	0.27	82.3	22.9	N/A	0.8	(3.9)
Avg ex-Pantech Global Berhad				**253.2**	**12.5**	**9.8**	**(0.1)**	**2.2**

*Source: M+ Research (*FY24, **FY26f)*

Investment risks

Exposure to steel price fluctuations. The group relies on stainless steel and carbon steel as key raw materials, both subject to global price fluctuations. Changes in steel prices impact production costs and selling prices, affecting demand and profitability. A prolonged price increase may improve margins but could dampen demand, while a sharp decline may reduce selling prices and compress margins.

Significant dependence on the US. The group's financial performance is heavily reliant on the US, its largest geographical market. Any reduction in demand due to economic shifts, policy changes, or geopolitical events in the US could negatively impact the group's revenue. Additionally, the loss of key customers without timely replacements may adversely affect business operations and profitability.

Absence of long-term contracts. The group operates on a purchase order basis without long-term contracts, leaving revenue dependent on recurring customer orders. Any decision by customers to switch suppliers or reduce purchases could negatively impact financial performance.

Exposure to trade restrictions and tariffs. The group's export sales may be impacted by anti-dumping duties, tariffs, and trade restrictions imposed by foreign governments. Such measures, aimed at protecting domestic industries, could increase costs, limit market access, and adversely affect financial performance.

Exposure to foreign exchange fluctuations. The group generates a significant portion of revenue and incurs most raw material costs in USD, exposing it to foreign currency fluctuations. Any adverse changes in exchange rates between RM and USD could impact profitability and financial performance.

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NOT RATED	No recommendation is assigned