Results Note – 1QFY27

Powerwell Holdings Berhad

Strong Start to FY27, Though Margins Normalise

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Summary

- **1Q27 results tracking ahead, but broadly within expectations.** PWRWELL's 1Q27 core PATMI of RM9.0m (+17.5% QoQ, +114.6% YoY) came in at 31.1%/26.9% of our/consensus full-year FY27f earnings estimates of RM29.0m/RM33.6m, respectively. While this is ahead of the 25% straight-line run rate, we deem the results broadly within expectations, as the strong revenue delivery was partly offset by weaker margins, while the milestone-based nature of project execution and customer acceptance could result in earnings volatility between quarters.

- **QoQ.** Revenue surged >100% to RM88.3m as data centre-related billings accelerated, with Tenaga Kenari also contributing. Core PATMI, however, rose by a more modest 17.5% to RM9.0m as GP margin normalised sharply to 24.1% from 39.8% in 4Q26. While the sequential comparison is partly distorted by project finalisation and an impairment reversal in the preceding quarter, the weaker margin reinforces our view that earnings recognition could remain lumpy as PWRWELL ramps up larger projects.

- **YoY.** 1Q27 marked a strong start to the year, with revenue more than doubling on higher billings from several data centre projects and contributions from Tenaga Kenari. PBT and core PATMI rose 120.4% and 114.6% to RM12.9m and RM9.0m, respectively. However, earnings growth trailed revenue growth as GP margin eased to 24.1% from 27.3%, reflecting front-loaded mobilisation costs, greater outsourcing and higher production headcount. We view this as the near-term cost of scaling up execution rather than a deterioration in underlying demand.

- **Outlook**. We remain constructive on PWRWELL's longer-term prospects, underpinned by its RM268.9m order book as at 30 June 2026 and continued demand from data centres, renewable energy, semiconductors and infrastructure. The strong 1Q27 revenue delivery provides an encouraging indication of its ability to execute the enlarged project pipeline, while ongoing capacity expansion should support its growing tender pipeline. Tenaga Kenari also broadens its presence in East Malaysia and provides an additional earnings contribution. Nevertheless, near-term margin normalisation bears monitoring, with GP margin at 24.1% amid mobilisation costs, outsourcing and higher production headcount. We expect margins to remain somewhat volatile, although sustained execution and further data centre order replenishment could provide earnings upside.

Quarterly performance 1Q27

Quarterly performance FYE Mar (RM m)	1QFY26	4QFY26	1QFY27	QoQ (%)	YoY (%)
Revenue	35.9	41.4	88.3	*113.0*	*145.6*
PBT	5.8	12.3	12.9	*4.8*	*120.4*
PAT	4.3	7.8	9.6	*22.7*	*120.7*
Core PATMI	4.2	7.7	9.0	*17.5*	*114.6*
Reported PATMI	4.2	7.7	9.0	*17.5*	*114.6*
Core EPS (sen)	0.7	1.3	1.6	*17.5*	*114.6*
PBT margin (%)	16.3	29.6	14.6		
Core PATMI margin (%)	11.7	18.5	10.2		

Source: Powerwell Holdings Berhad, M+ Global Research

SELL (From Hold)

Share price	**RM1.09**
Target price	**RM0.91**
Previous TP	RM0.91
Capital downside	16.5%
Dividend return	1.4%
Total return	-15.1%

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)	580.6
Market Cap (m)	632.8
52W High/Low	1.14 / 0.505
Est. Free float (%)	81.8
Beta (x)	1.1
3-mth avg vol ('000)	3783.3
Shariah compliant	Yes

Major shareholders	%
United Fam Sdn Bhd	24.8
Wong Yen Yoke	4.8
Tham Wai Kien	3.0

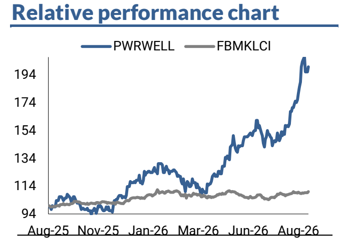
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	27.5	36.3	100.0
Relative	25.3	31.8	82.2

Earnings snapshot

FYE (Mar)	FY26	FY27f	FY28f
PAT (m)	23.6	29.0	33.5
EPS (sen)	4.07	4.99	5.77
P/E (x)	26.8	21.8	18.9

Relative performance chart



Valuation & Recommendation

- **Forecast.** We maintain our FY27f–28f earnings estimates at this juncture, despite 1Q27 core PATMI tracking slightly ahead of the straight-line run rate. We refrain from extrapolating the strong 1Q27 performance given the milestone-based nature of project execution and customer acceptance requirements, which could result in earnings volatility between quarters. Our forecasts already incorporate contributions from the RM158.8m data centre contract based on a more measured execution profile. Sustained execution momentum over the coming quarters could provide upside to our forecasts.

- **Downgrade to SELL with unchanged TP of RM0.91.** Despite the broadly in-line 1Q27 results, we downgrade PWRWELL to SELL from HOLD following the sharp appreciation in its share price to RM1.09, which has moved ahead of our fundamental valuation. Our RM0.91 TP remains based on an unchanged 17.0x P/E applied to mid-FY28f EPS of 5.37 sen, implying approximately 16.5% downside. While we remain positive on PWRWELL's longer-term earnings prospects, we believe the current share price appears to have priced in a faster earnings recognition profile. The margin contraction in 1Q27 warrants some caution over near-term earnings conversion as the Group ramps up larger projects. At current levels, we view the risk-reward profile as less favourable.

- **Downside risks.** Risks to our recommendation include: (i) slower-than-expected construction projects awards or execution, (ii) weaker-than-expected project margins amid higher mobilisation, outsourcing and labour costs, and (iii) foreign exchange volatility.

Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	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
TRADING SELL	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
NOT RATED	No recommendation is assigned