Powerwell Holdings Berhad

Clearer Execution Visibility Supports Stronger Earnings

Summary

- **1Q27 results recap.** PWRWELL delivered record 1Q27 revenue of RM88.3m (+145.6% YoY) and core PATMI of RM9.0m (+114.6% YoY), driven by stronger data centre billings and contributions from Tenaga Kenari. GP margin eased to 24.1% from 27.3% in 1QFY26, mainly due to front loaded mobilisation, greater outsourcing and higher production headcount.

- **Capacity expansion underway.** PWRWELL has added a new c.120,000 sq ft facility in Shah Alam, comprising 109,000 sq ft of production space and 11,000 sq ft of office space. The RM6m investment is expected to incur RM4.8m of annual fixed overheads, with the facility partially operational from October 2026 and phased move-in thereafter. The new Malaysian facility, alongside a further 10,000 sq ft manufacturing expansion in Indonesia, will raise total Group built up area by approximately 85% from 142,000 sq ft in FY26 to around 262,000 sq ft. Annual output is targeted to increase to 18,724 units in FY28 from 10,460 units in FY26, representing a 79% increase.

M+ Global View

- **Following the 1QFY27 results briefing,** we view positively the improved visibility on PWRWELL's execution pipeline. The key development is no longer simply the size of the orderbook, but the Group's ongoing investment to expand production capacity alongside its enlarged project pipeline. The RM268.9m orderbook as at 30 June 2026 is expected to be largely recognised within three to nine months, while management expects revenue to gradually strengthen over the coming quarters.

- **Orderbook replenishment remains supportive.** The c.RM573m tender book as at August 2026, of which 70% comprises data centre projects, provides further visibility beyond the current orderbook. Management estimates a general conversion rate of 20-30%, implying around RM100-200m of potential order conversion over the next six to 12 months. We believe continued replenishment will be important to sustain the higher revenue base beyond FY27, with data centres remaining the key growth driver.

- **Capacity expansion should support stronger execution and margin recovery.** We see the enlarged manufacturing footprint as an important step in supporting PWRWELL's ability to take on larger projects without relying as heavily on outsourced production. While the expansion is unlikely to be a major FY27 revenue driver given the phased ramp up, bringing fabrication and assembly in house should gradually improve cost efficiency and operating leverage from FY28 as utilisation increases.

- **More importantly, the expanded capacity provides headroom for further orderbook growth.** With data centre projects carrying tighter delivery timelines and management continuing to see a healthy tender pipeline, the additional capacity should reduce execution bottlenecks and allow PWRWELL to handle a larger volume of projects as new orders are secured. We therefore see the expansion as supporting both revenue scalability and margin normalisation, rather than simply adding production capacity.

Company Update

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HOLD (from Sell)

Share price	**RM1.11**
Target price	**RM1.20**
Previous TP	RM0.91
Capital upside	8.1%
Dividend return	1.9%
Total return	10.0%

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)	644.4
52W High/Low	1.14 / 0.505
Est. Free float (%)	57.6
Beta (x)	1.1
3-mth avg vol ('000)	3665.2
Shariah compliant	Yes

Major shareholders	%
United Fam Sdn Bhd	24.3
Wong Yen Yoke	4.8
Tham Wai Kien	3.0

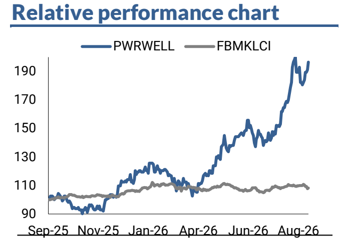
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	16.2	35.4	96.5
Relative	17.7	32.6	82.3

Earnings snapshot

FYE (Mar)	FY26	FY27f	FY28f
PAT (m)	23.6	37.6	44.5
EPS (sen)	4.07	6.48	7.66
P/E (x)	27.3	17.1	14.5

Relative performance chart



Valuation & Recommendation

- **Forecast.** Following the post-earnings briefing, we raise our FY27f/FY28f earnings estimates by 29.9%/32.8% to RM37.6m/RM44.5m and introduce FY29f earnings at RM48.8m. The revision mainly reflects our increased confidence in the pace of project recognition following the strong 1Q27 performance and management's expectation that the majority of the RM268.9m orderbook will be recognised within the next three to nine months. We also retain our assumptions on Tenaga Kenari contribution, while remaining conservative on FY27 margin recovery given continued outsourcing and the ongoing capacity transition. We expect the benefits from greater in-house production and higher capacity utilisation to become more meaningful from FY28.

- **Upgrade to HOLD with a revised TP of RM1.20.** Following our earnings forecast revision, we derive a new TP of RM1.20 from RM0.91, based on an unchanged 17.0x P/E applied to our mid-FY28f EPS of 7.07 sen. We remain positive on PWRWELL, underpinned by better visibility on secured project execution and the Group's capacity expansion to support the enlarged pipeline. However, with only 8.1% upside to our revised TP, we believe the improved earnings outlook is increasingly reflected in the current share price, resulting in a more balanced risk reward.

- **Downside risks.** Risks to our recommendation include: (i) slower-than-expected contract replenishment, (ii) delays in project delivery or customer acceptance, and (iii) foreign exchange volatility.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Cash	67.6	58.4	86.8	112.4	143.1
Receivables	53.2	57.2	87.8	101.4	108.3
Inventories	26.9	45.6	61.5	71.0	75.8
PPE	30.1	29.6	33.0	34.4	35.5
Others	4.5	6.0	0.9	0.9	0.9
Assets	**182.2**	**196.7**	**270.0**	**320.1**	**363.5**
Debts	15.9	9.6	10.6	11.6	12.6
Payables	66.6	66.1	112.7	130.2	138.9
Others	2.3	5.5	5.5	5.5	5.5
Liabilities	**84.7**	**81.2**	**128.8**	**147.2**	**157.0**
Shareholder's equity	97.5	113.6	138.8	170.0	203.1
Minority interest	-	1.9	2.3	2.9	3.4
Equity	**97.5**	**115.5**	**141.2**	**172.8**	**206.5**

Cash Flow Statement

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Profit before taxation	26.8	35.2	51.0	60.3	64.2
Depreciation & amortisa	2.3	2.8	2.7	2.9	3.2
Changes in working cap	(37.1)	(23.1)	(0.0)	(5.7)	(2.8)
Share of JV profits	-	-	-	-	-
Taxation	(8.1)	(10.8)	(12.2)	(14.5)	(15.4)
Others	7.0	8.5	2.3	(0.1)	(0.2)
Operating cash flow	**(8.9)**	**12.5**	**43.7**	**42.9**	**48.9**
Net capex	0.1	(1.1)	(5.0)	(5.0)	(5.0)
Others	(0.9)	(4.8)	-	-	-
Investing cash flow	**(0.9)**	**(5.9)**	**(5.0)**	**(5.0)**	**(5.0)**
Changes in borrowings	3.4	(6.3)	1.0	1.0	1.0
Issuance of shares	-	-	-	-	-
Dividends paid	(5.8)	(8.7)	(11.3)	(13.3)	(14.2)
Others	(9.5)	(1.5)	-	-	-
Financing cash flow	**(11.9)**	**(16.5)**	**(10.3)**	**(12.3)**	**(13.2)**
Net cash flow	**(21.7)**	**(9.9)**	**28.4**	**25.6**	**30.7**
Forex	(0.8)	(1.6)	-	-	-
Others	2.0	2.2	-	-	-
Beginning cash	88.1	67.6	58.4	86.8	112.4
Ending cash	67.6	58.4	86.8	112.4	143.1

Income Statement

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Revenue	**137.5**	**159.1**	**267.2**	**308.6**	**329.3**
EBITDA	29.9	38.7	54.3	63.9	68.1
EBIT	27.6	35.9	51.6	61.0	64.9
Net finance income/ (cost)	(0.8)	(0.8)	(0.6)	(0.7)	(0.7)
Associates & JV	-	-	-	-	-
Profit before tax	**26.8**	**35.2**	**51.0**	**60.3**	**64.2**
Tax	(8.1)	(10.8)	(12.2)	(14.5)	(15.4)
Net profit	**18.8**	**24.3**	**38.8**	**45.8**	**48.8**
Minority interest	-	(0.7)	(1.2)	(1.4)	(1.5)
Core earnings	**18.8**	**23.6**	**37.6**	**44.5**	**47.3**
Exceptional items	0.4	1.2	-	-	-
Reported earnings	19.2	24.8	37.6	44.5	47.3

Valuation & Ratios

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Core EPS (sen)	3.23	4.07	6.48	7.66	8.15
P/E (x)	34.3	27.3	17.1	14.5	13.6
DPS (sen)	1.0	1.5	1.9	2.3	2.4
Dividend yield	0.9%	1.4%	1.8%	2.1%	2.2%
BVPS (RM)	0.17	0.20	0.24	0.29	0.35
P/B (x)	6.6	5.7	4.6	3.8	3.2
EBITDA margin	21.8%	24.3%	20.3%	20.7%	20.7%
EBIT margin	20.1%	22.6%	19.3%	19.8%	19.7%
PBT margin	19.5%	22.1%	19.1%	19.5%	19.5%
Net margin	13.7%	14.8%	14.1%	14.4%	14.4%
ROE	20.6%	22.4%	29.8%	28.8%	25.4%
ROA	10.8%	12.5%	16.1%	15.1%	13.8%
Net gearing	CASH	CASH	CASH	CASH	CASH

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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