Powerwell Holdings Berhad

Above Expectations; Another Record Quarter For the Year

Summary

- **Results above expectations.** PWRWELL recorded 2QFY27 core PATMI of RM11.5m (+27.3% QoQ, +121.8% YoY). Cumulative 1HFY27 core PATMI came to RM20.5m (+118.6% YoY), above our expectations but in line with consensus, at 54.5%/52.0% of our/consensus FY27f estimates of RM37.6m/RM39.4m. The positive variance stems from higher-than-expected revenue recognition from its ongoing projects.

- **QoQ.** Topline rose 17.3% to a record RM103.5m as DC billings kept ramping up. GP rose 21.0% to RM25.7m, slightly ahead of revenue, as GP margin edged up 0.7ppt to 24.8%. PBT grew faster, up 30.0% to RM16.7m, even though finance costs rose 67.1% to RM0.25m (1Q27: RM0.15m). Admin and distribution expenses rose a slower 11.4%, and other income was higher, lifting PBT margin 1.6ppts to 16.2%. Core PATMI rose 27.3% to RM11.5m, trailing PBT growth on a higher ETR of 28.2% (1Q27: 25.7%). A second quarter of stable margins suggests the 1Q27 margin reset has set a new base rather than starting a further slide, which eases our concern over lumpy earnings recognition.

- **YoY.** Revenue jumped 2.6x, crossing RM100m in a quarter for the first time, on higher billings from several DC projects and contributions from Tenaga Kenari. PBT and core PATMI rose 127.3% and 121.8% to RM16.7m and RM11.5m, respectively. As in 1Q27, earnings growth trailed revenue growth. GP margin eased to 24.8% from 31.1% on greater outsourcing to meet tight delivery timelines and a larger production headcount, while admin and distribution expenses rose 55.3% on staff costs, ESOS charges and the consolidation of acquired subsidiaries. We continue to view this as the cost of scaling up execution rather than a deterioration in underlying demand, with absolute GP still more than doubling to RM25.7m.

- **YTD.** 1HFY27 revenue rose 155.4% YoY to RM191.8m, already surpassing FY26's full-year revenue of RM159.1m. PBT and core PATMI rose 124.3% and 118.6% to RM29.6m and RM20.5m, respectively. GP and PBT margins eased 4.8ppts and 2.2ppts to 24.5% and 15.4%, as growth in 1H came at the expense of some margin. With the RM376.7m order book still to be delivered, we expect billings to remain elevated in 2H, though margins are likely to hold near current levels rather than return to 1HFY26 levels (GP margin: 29.3%).

- **Dividend.** Declared a first interim dividend of 0.5 sen, payable on 7 January 2027 (entitlement date: 15 December 2026).

- **Outlook**. We remain constructive on PWRWELL, supported by: (i) an outstanding order book of RM376.7m as at end-Sep 2026, providing c.2.4x cover of FY26 revenue and earnings visibility into FY28f, (ii) replenishment momentum, with YTD FY27 major contract wins of RM349.2m already at 91.9% of our RM380m assumption, and a healthy tender pipeline across DC, renewable energy, semiconductor and infrastructure projects, and, (iii) a widening scope up the value chain, from switchboards to integrated power train units for large DC and hyperscale facilities, through the Socomec collaboration. That said, the new US licensing requirements on advanced AI chip shipments to Malaysia could slow the pace of new DC build-outs, while margins remain a key watch item given the continued reliance on outsourcing.

Results Note – 2QFY27

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BUY

Share price	**RM0.78**
Target price	**RM1.28**
Previous TP	**RM1.41**
Capital upside	65.2%
Dividend return	2.7%
Total return	67.9%

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)	449.9
52W High/Low	1.25 / 0.52
Est. Free float (%)	57.6
Beta (x)	1.2
3-mth avg vol ('000)	3688.8
Shariah compliant	Yes

Major shareholders	**%**
United Fam Sdn Bhd	24.3
Wong Yen Yoke	4.1
Tham Wai Kien	3.0

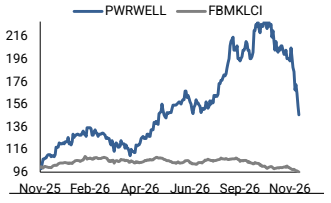
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-26.9	-27.6	47.6
Relative	-24.6	-19.5	52.3

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)	19.1	12.0	10.1

Relative performance chart



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Quarterly performance 2Q27

Quarterly performance FYE Mar (RM m)	2QFY26	1QFY27	2QFY27	QoQ (%)	YoY (%)	1HFY26	1HFY27	YoY (%)
Revenue	39.2	88.3	103.5	*17.3*	*164.4*	75.1	191.8	*155.4*
PBT	7.4	12.9	16.7	*30.0*	*127.3*	13.2	29.6	*124.3*
PAT	5.4	9.6	12.0	*25.7*	*123.0*	9.7	21.6	*122.0*
Core PATMI	5.2	9.0	11.5	*27.3*	*121.8*	9.4	20.5	*118.6*
Reported PATMI	5.2	9.0	11.5	*27.3*	*121.8*	9.4	20.5	*118.6*
Core EPS (sen)	0.9	1.6	2.0	*27.3*	*121.8*	1.6	3.5	*118.6*
PBT margin (%)	18.8	14.6	16.2			17.6	15.4	
Core PATMI margin (%)	13.2	10.2	11.1			12.5	10.7	

Source: Powerwell Holdings Berhad, M+Global Research

Valuation & Recommendation

- **Forecast.** As results were above expectations, we raise our FY27f/28f/29f earnings by 8.2%/4.4%/2.4% to RM40.7m/RM46.5m/RM48.4m respectively, assuming a higher order book burn rate. We retain our RM380m FY27f order book replenishment assumption and RM350m for FY28f-29f.

- **Maintain BUY with a lower TP of RM1.28 (from RM1.41).** Our TP is now based on 17x target P/E multiple (from 20x) pegged to revised mid-FY28f EPS of 7.5 sen. The 15% discount applied to our previous target multiple reflects broader concerns over renewed US scrutiny of the technology supply chain, amid the latest US export controls on advanced AI chips and an ongoing US trade probe that includes Malaysia. The new TP implies 65.2% capital upside plus a 2.7% dividend return (FY27f DPS of 2.1 sen), for a total return of 67.9%.

- **Valuations undemanding.** PWRWELL trades at 9.7x FY28f P/E, a c.43% discount to our revised 17x target P/E multiple. This suggests the market has priced in a far steeper de-rating than we assume. On its 1-year LTM P/E band, the stock trades at 13.0x, c.1.7 standard deviations below its 1-year mean of 17.5x and approaching the -2SD level of 12.1x (c.RM0.72). Mean reversion to 17.5x would imply c.RM1.25, broadly in line with our TP. We view this de-rating as excessive given its (i) record execution, (ii) an order book that covers 2.4x FY26 revenue, (iii) a net cash position based on our FY27f-29f estimates, and (iv) a three-year CAGR of 27.1% over FY26–29f core earnings, which implies a PEG of c.0.6x at our target multiple.

- **Downside risks.** Risks to our recommendation include: (i) slower-than-expected contract replenishment, including delays to DC investments arising from US chip export controls; (ii) margin pressure from outsourcing and headcount additions to meet compressed delivery timelines; and (iii) delays in project delivery or customer acceptance.

Financial Highlights

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	86.1	114.2	146.4
Receivables	53.2	57.2	94.9	105.8	110.8
Inventories	26.9	45.6	66.4	74.0	77.6
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**	**281.2**	**329.2**	**371.1**
Debts	15.9	9.6	10.6	11.6	12.6
Payables	66.6	66.1	121.7	135.7	142.2
Others	2.3	5.5	5.5	5.5	5.5
Liabilities	**84.7**	**81.2**	**137.8**	**152.8**	**160.2**
Shareholder's equity	97.5	113.6	141.0	173.5	207.4
Minority interest	-	1.9	2.4	2.9	3.5
Equity	**97.5**	**115.5**	**143.4**	**176.4**	**210.9**

Cash Flow Statement

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Profit before taxation	26.8	35.2	55.2	62.9	65.7
Depreciation & amortis	2.3	2.8	2.7	2.9	3.2
Changes in working cap	(37.1)	(23.1)	(2.9)	(4.5)	(2.1)
Share of JV profits	-	-	-	-	-
Taxation	(8.1)	(10.8)	(13.2)	(15.1)	(15.8)
Others	7.0	8.5	2.3	(0.1)	(0.2)
Operating cash flow	**(8.9)**	**12.5**	**43.9**	**46.1**	**50.8**
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)	(12.2)	(13.9)	(14.5)
Others	(9.5)	(1.5)	-	-	-
Financing cash flow	**(11.9)**	**(16.5)**	**(11.2)**	**(12.9)**	**(13.5)**
Net cash flow	**(21.7)**	**(9.9)**	**27.7**	**28.1**	**32.3**
Forex	(0.8)	(1.6)	-	-	-
Others	2.0	2.2	-	-	-
Beginning cash	88.1	67.6	58.4	86.1	114.2
Ending cash	67.6	58.4	86.1	114.2	146.4

Income Statement

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Revenue	**137.5**	**159.1**	**288.5**	**321.7**	**337.0**
EBITDA	29.9	38.7	58.4	66.5	69.6
EBIT	27.6	35.9	55.8	63.6	66.4
Net finance income/ (cost)	(0.8)	(0.8)	(0.6)	(0.7)	(0.7)
Associates & JV	-	-	-	-	-
Profit before tax	**26.8**	**35.2**	**55.2**	**62.9**	**65.7**
Tax	(8.1)	(10.8)	(13.2)	(15.1)	(15.8)
Net profit	**18.8**	**24.3**	**41.9**	**47.8**	**49.9**
Minority interest	-	(0.7)	(1.3)	(1.4)	(1.5)
Core earnings	**18.8**	**23.6**	**40.7**	**46.4**	**48.4**
Exceptional items	0.4	1.2	-	-	-
Reported earnings	19.2	24.8	40.7	46.4	48.4

Valuation & Ratios

FYE Mar (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Core EPS (sen)	3.23	4.07	7.01	7.99	8.34
P/E (x)	24.0	19.1	11.1	9.7	9.3
DPS (sen)	1.0	1.5	2.1	2.4	2.5
Dividend yield	1.3%	1.9%	2.7%	3.1%	3.2%
BVPS (RM)	0.17	0.20	0.24	0.30	0.36
P/B (x)	4.6	4.0	3.2	2.6	2.2
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%	19.6%	19.5%
Net margin	13.7%	14.8%	14.1%	14.4%	14.4%
ROE	20.6%	22.4%	32.0%	29.5%	25.4%
ROA	10.8%	12.5%	17.0%	15.2%	13.8%
Net gearing	CASH	CASH	CASH	CASH	CASH

Source: Powerwell Holdings Berhad, M+Global Research

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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