

Eita Resources Berhad (5208)

High Voltage Breakeven

Bloomberg Ticker: EITA MK | Investment Horizon: 12 Months

Recommendation

We upgrade our call to HOLD (from SELL) with higher TP of RM0.50 (from RM0.41), with FY27F PE of 8x (from 7x), which is in line with its 5 years average, to reflect better improvement in high voltage system segment.

Results Review

EITA's 1HFY26 core PATAMI of RM6.9mn came below expectations, accounting for 39% of our and consensus forecast. The negative variance due to lower contribution from manufacturing segment.

YoY, 1HFY26 revenue declined 5%, adversely impacted across all segments except the high-voltage system segment. Core PATAMI also fell 46%, dragged by an unfavourable sales mix across segments and a higher effective tax rate of 46% vs 28% in 1HFY25, partly affected by loss-making segments.

QoQ, 2QFY26 revenue grew by 5%, mainly thanks to high-voltage system segment (+113% QoQ) due to higher execution of Transmission Sub-Station projects in Peninsular Malaysia. However, core PATAMI declined by 34% due to the unfavourable segment mix with losses from manufacturing segment.

Outlook

On a brighter note, high voltage system segment broke even in 2QFY26 after being loss-making for 8 quarters. However, we remain cautious on EITA's earnings growth, as losses from the high voltage system segment continue to weigh on overall performance. Although management is implementing corrective measures for low-margin legacy contracts, we view its new strategy of expanding into Sarawak substations cautiously, given the company's limited experience and the intense margin pressure from established competitors. We expect that operational costs remain elevated, leading to lower profitability.

We expect the manufacturing and marketing & distribution segments to grow to support the revenue growth, supported by replacement demand, price adjustments in both public and private sector contracts, and strong momentum in the high-growth busduct segment.

Forecast

We cut FY26F-FY28F earnings by 3%-14% to reflect lower contribution from the manufacturing and marketing & distribution segment, and higher tax rate due to the loss-making segments.

Investment Risk to our Call

(i) Project-based revenue volatility, (ii) operational and execution risk, and (iii) intense competition.

HOLD ↑

Target Price: RM0.50 (0%) ↑

Current Share Price: RM0.50

Main Market
Industrial Products & Services

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Company Overview

EITA Resources Berhad is a Malaysian-based engineering company specializing in the manufacturing, installation, and maintenance of elevators and electrical systems for infrastructure and building sectors.

Stock Information

Market Cap (RM'mn)	150.9
Issued Shares (mn)	301.8
52W High (RM)	0.67
52W Low (RM)	0.45
Estimated Free Float (%)	24.8
Beta vs FBM KLCI	0.4
3-month Average Vol. (mn)	0.1
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	4.6	5.9	6.4
TP (RM)	High	Mean	Low
	0.00	0.50	0.41
Ratings	Buy	Hold	Sell
	0	1	1

Category	Score	Materiality	Weighted Score
Environmental	33	25%	1.6
Social	34	35%	2.4
Governance	34	40%	2.7
Total	99	100%	6.7

Results Summary

FYE 30 Sept (RMmn)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	89.1	90.1	94.4	4.8	6.0	194.5	184.6	(5.1)
EBITDA	6.6	5.0	5.8	15.3	(12.3)	20.0	10.7	(46.3)
Depreciation/Amortisation	(1.5)	(1.6)	(1.6)	(1.8)	4.0	(3.1)	(3.2)	3.9
EBIT	5.0	3.4	4.2	23.4	(17.2)	17.0	7.6	(55.4)
Pretax Profit	4.4	2.6	3.7	42.8	(17.0)	15.4	6.2	(59.7)
Taxation	(1.9)	(1.7)	(1.2)	(27.3)	(37.9)	(4.3)	(2.9)	(33.6)
PATAMI	3.4	1.7	2.6	52.1	(25.8)	12.8	4.2	(66.9)
Core PATAMI	3.4	4.2	2.7	(33.9)	(20.3)	12.8	6.9	(46.1)
Margin (%)								
EBITDA	7.4	5.5	5.5			10.3	5.5	
Pretax	4.9	2.8	3.9			7.9	3.4	
PATAMI	3.9	4.6	2.9			6.6	3.7	
Segmental Revenue								
Marketing and Distribution	20.2	24.6	22.5	(8.6)	11.1	47.8	47.1	(1.5)
Manufacturing	39.4	38.6	30.9	(20.0)	(21.5)	82.1	69.5	(15.3)
Services	13.6	13.4	12.4	(7.6)	(8.8)	28.1	25.8	(8.2)
High Voltage System	15.9	13.5	28.7	112.6	80.5	36.5	42.2	15.6
Segmental Profit/Losses								
Marketing and Distribution	2.8	2.4	2.2	(7.1)	(21.0)	7.2	2.2	(69.2)
Manufacturing	(0.7)	(2.2)	(2.1)	(3.3)	220.0	3.1	(2.1)	N.A.
Services	3.9	4.2	3.5	(16.9)	(11.1)	8.3	3.5	(57.8)
High Voltage System	(1.8)	(1.8)	0.1	N.A.	N.A.	(3.1)	0.1	N.A.

Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Manufacturing	33%	7%	5%	5%	7%	1%	5%	7%
Services	-4%	-3%	5%	5%	2%	5%	5%	2%
Marketing & distribution	39%	9%	5%	5%	2%	-5%	5%	2%
High voltage system	34%	22%	6%	0%	0%	6%	0%	0%

Key Financial Metrics

FYE 30 Sept	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	394.7	430.6	424.4	342.1	358.2
EBITDA (RM'mn)	18.4	25.7	25.7	32.6	37.2
Pretax profit (RM'mn)	10.5	17.5	17.7	25.1	29.7
Net profit (RM'mn)	9.4	14.6	15.4	18.9	22.3
EPS (sen)	3.1	4.8	5.1	6.2	7.4
PER (x)	16.0	10.3	9.8	8.0	6.8
Core net profit (RM'mn)	9.4	14.6	15.4	18.9	22.3
Core EPS (sen)	3.1	4.8	5.1	6.2	7.4
Core EPS growth (%)	(10.4)	55.1	5.2	22.8	18.2
Core PER (x)	16.0	10.3	9.8	8.0	6.8
Net DPS (sen)	2.25	3.0	2.5	2.5	3.5
Dividend Yield (%)	4.5	6.0	5.0	5.0	7.0
ROE (%)	3.8	5.8	5.7	6.4	6.8
P/BV (x)	0.6	0.6	0.6	0.5	0.5

Financial Exhibits

Income Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	394.7	430.6	424.4	342.1	358.2
Operating expenses	(376.3)	(404.9)	(398.6)	(309.5)	(321.0)
EBITDA	18.4	25.7	25.7	32.6	37.2
Depreciation	(5.4)	(5.8)	(5.0)	(4.9)	(5.0)
EBIT	13.0	19.9	20.8	27.7	32.2
Net int income/(expense)	(2.5)	(2.5)	(3.0)	(2.5)	(2.5)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	10.5	17.5	17.7	25.1	29.7
Tax	(7.3)	(8.5)	(8.0)	(6.3)	(7.4)
Minority interest	6.2	5.6	5.6	0.0	0.0
PATAMI	9.4	14.6	15.4	18.9	22.3
Core PATAMI	9.4	14.6	15.4	18.9	22.3

Balance Sheet Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	44.2	42.9	43.8	44.7	46.5
Other long term assets	28.0	27.9	22.9	6.9	7.9
Total non-current assets	72.3	70.9	66.8	51.6	54.4
Cash and equivalents	68.4	65.4	76.7	105.8	120.4
Inventories	64.5	55.9	65.4	66.2	67.8
Receivables	70.7	86.3	76.4	82.1	86.0
Other current assets	127.1	134.9	109.6	101.9	111.5
Total current assets	330.6	342.6	328.1	356.0	385.7
Payables	61.4	77.5	65.4	67.7	69.3
Short term borrowings	43.9	49.1	49.1	49.1	49.1
Other current liabilities	45.6	35.3	18.0	2.0	2.0
Total current liabilities	150.9	161.9	132.5	118.8	120.4
Long term borrowings	10.7	8.9	8.9	8.9	8.9
Other long term liabilities	2.0	1.8	-	-	-
Total long term liab.	12.7	10.6	8.9	8.9	8.9
Shareholders' Funds	245.0	252.2	270.4	296.8	327.7
Minority Interest	-5.8	-11.3	-16.9	-16.9	-16.9

Cash Flow Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	10.5	17.5	17.7	25.1	29.7
Depreciation & amortisation	5.4	5.8	5.0	4.9	5.0
Working capital changes	(19.5)	(5.6)	7.8	17.7	1.8
Cash tax paid	(7.4)	(8.7)	(7.1)	(6.3)	(7.4)
Others	16.5	0.6	0.0	0.0	0.0
C/F from operation	5.5	9.5	23.4	41.5	29.1
Capex	(2.9)	(2.2)	(5.2)	(5.5)	(7.5)
Others	0.7	(1.0)	0.6	0.6	0.6
C/F from investing	(2.2)	(3.2)	(4.6)	(4.9)	(6.9)
Debt raised/(repaid)	(0.4)	(1.8)	0.0	0.0	0.0
Dividends paid	(6.4)	(7.5)	(7.5)	(7.5)	(7.5)
Others	11.2	0.1	0.0	0.0	0.0
C/F from financing	4.4	(9.3)	(7.5)	(7.5)	(7.5)
Net change in cash flow	7.7	(2.9)	11.3	29.1	14.7
Free Cash Flow	2.6	7.3	18.2	36.0	21.6



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