

PGF Capital (8117)

Insulator with Promising Outlook



Stock Highlights

Robust demand for glass wool. PGF's main revenue contributor is its glass mineral wool business, which posted strong growth of 27.8% y-o-y in 9MFY25. This is driven by stricter insulation requirements in Australia (>60% of sales) and rising demand for building insulation in projects in Malaysia. Currently operating at full capacity, PGF is addressing this constraint with a multi-phase expansion on 23.9-acre land in Kulim East Technology Park. The expansion will triple production capacity eventually: Phase 1 will boost capacity by more than double to 65,000MT by June 2026, and Phase 2 will add another 25,000MT, reaching a total of 85,000MT by 1H2028. In addition, PGF is also applying for the NCER tax incentive, which can help to lower its effective tax rate.

New revenue stream. PGF owns 1,311 acres of leasehold land in Tg Malim, strategically located next to Proton City. With the development of Automotive High-Tech Valley (AHTV) by DRB-Hicom and Zhejiang Geely in Tg. Malim, this has boosted the property demand in the region. To capitalise on this, PGF has launched their master plan, allocating 400 acres for property development and 890 acres for agrotourism. We believe this new business opportunity will uplift the revenue contribution from its property development arm, diversifying its revenue stream.

Still has room to re-rate. Even after rallying by 60% since 2024, PGF currently just trades at FY25 fully-diluted P/E of 15.6x based on consensus forecast. We see room for further rerating due to two key drivers: 1) A 3x capacity expansion (June 2026 completion), which would lead to substantial earnings growth from 2026 onwards, and 2) An undervalued asset play in its 1,311-acre Tg Malim landbank, held at RM2.57psf (book value: RM147m) versus transacted market prices of RM35psf. Notably, just 400 acres of this land could be worth RM610m, almost 1.4x of PGF's current market cap.

Further upside in the offing. After peaking at RM2.38, the stock underwent a two-month corrective phase before rebounding as buying interest returned. Since then, it has maintained an uptrend. Recently, it broke out of the falling triangle pattern, supporting the case for further upside. An ideal entry range can be set at RM2.16 to RM2.19 with its first and second resistance lie on RM2.23 and RM2.38 respectively.

Technical

Resistance 1 (RM)	2.23
Resistance 2 (RM)	2.38
Support 1 (RM)	2.13
Support 2 (RM)	2.07
MACD	Positive
RSI	Positive

Stock Information

Last Close (RM)	2.19
Market cap (RM m)	424.8
52-week Range (RM)	1.59-2.42

Financial Highlights

FYE Feb	FY22	FY23	FY24	9MFY25
Revenue (RM m)	57.6	91.1	128.6	121.3
Core PAT (RM m)	2.3	7.1	13.9	23.2
Core EPS (sen)	1.0	3.0	5.8	9.7
DPS (sen)	0.0	1.0	1.5	2.0
BV/share (RM)	0.77	0.84	0.88	1.04
P/E (x)	217.0	72.3	37.4	17.6
P/B (x)	2.8	2.6	2.5	2.1

Source: Bloomberg, Mercury Securities

Company Profile

PGF Capital Bhd engages in designing, manufacturing and distribution of glass mineral wool insulation as well as developing and investing in hospitality assets.

Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none">- current high less the current low;- the absolute value of the current high less the previous close;- the absolute value of the current low less the previous close;
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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