The Crossroads of Cybersecurity, Cloud and AI

PENTECH HOLDINGS BERHAD Fair Value: RM0.35 (75%)

Company Description

Pentech Holdings Berhad ("Pentech") is a Penang-based enterprise ICT solutions provider operating through its wholly-owned subsidiary, Pentech Solution Sdn Bhd. The Group integrates enterprise ICT infrastructure (data centres, networks and security), supplies hardware and software, and provides cloud, managed and other services such as technical and digital transformation. With roughly 20 years track record and around 2,000 projects delivered, it serves over 1,000 customers across Malaysia – with a growing recurring-income base.

Investment Highlight

- **Established 20-year track record anchors order wins:** Pentech has built an enterprise ICT franchise since 2006, with about 15 years specifically in infrastructure integration and 2,000 projects completed or on-going. This depth provides a credible reference base when bidding for sizeable new mandates, and is reinforced by 2025 partner accolades from Fortinet, HPE, Cisco, Dell, Lenovo and Veeam. A proven delivery history materially de-risks customer adoption and supports a continuing pipeline of repeat and referral business across sectors.
- **Rising recurring income improves earnings visibility:** Recurrent revenue from cloud and managed services has climbed steadily from 9.0% of revenue in FY2022 to 20.7% (RM48.1 million ("mn")) in FY2025, growing in tandem with subscription and maintenance contracts that typically run one to five years. Management expects double-digit growth ahead. This recurring layer cushions the lumpiness of project-based work, lengthens customer relationships and provides clearer forward visibility – a quality the market generally rewards with a higher rating.
- **Pure-play exposure to Malaysia's digitalisation and AI build-out:** The Group is positioned squarely in the structural growth of cloud, data centres, Artificial intelligence ("AI") and cybersecurity. National programmes such as MyDIGITAL, Industry4WRD, JENDELA and the 5G rollout, together with MIDA incentives, are channelling investment into secure, scalable ICT infrastructure. The Malaysian enterprise ICT services and ICT trade market is estimated at roughly RM36 billion ("bn"), giving Pentech a large and expanding addressable market for its integration, cloud and managed-services offerings.
- **In-house engineering and brand independence widen the moat:** The Group performs its own engineering and system design through a 69-strong technical team of ICT engineers and architects, enabling complete, single-point-of-contact solutions rather than mere box-shifting. Being brand-independent, Pentech is free to assemble best-fit combinations of hardware, software and platforms across vendors. This flexibility broadens its addressable market, supports higher-value mandates and differentiates it from narrower hardware- or single-vendor-focused competitors.

Valuation / Recommendation

We derive a fair value of RM0.35 based on 15.01x multiple to its FYE2027F EPS of 2.32sen. The initial public offering ("IPO") aims to raise approximately RM34.4mn from the public issue of 172.0mn new shares. A total of 70.47% is allocated for capital expenditure, 10.17% is set for marketing activities, 6.28% will be used for working capital, while the remaining 13.08% is allocated for listing expenses.

The current ratio remains healthy at 1.48x (FYE2025), indicating the Group's ability to meet short-term obligations. Pentech commands under 1% of Malaysia's RM36B ICT market. With cloud growing 40% annually and Bank Negara Malaysia ("BNM") mandating Financial Services Industry ("FSI") upgrades, its runway is massive.

IPO TIMELINE

Opening Date	20 May 2026
Closing of Application	29 May 2026
Listing Date	15 Jun 2026
IPO Price (RM)	0.20
Expected Return	75.00%
Market/ Sector	Technology
Bursa Code	0457

IPO Details	**Shares(mn)**
Public Issue	172.00
Enlarged share	620.00
	RM(mn)
Market Cap	124.00
Shariah compliant	Yes

Substantial Shareholders	**Shares(mn)**	**(%)**
Evernorth Capital Sdn Bhd	357.00	60.00

Utilisation of IPO Proceeds	**RM(mn)**	**(%)**
Establishment of new SOC	9.40	27.33
Upgrade of our Group's OCC infrastructure	8.10	23.55
Business expansion to provide additional ICT serv	6.74	19.59
Marketing expenses and promotional activities	3.50	10.17
Working capital requirements	2.16	6.28
Estimated listing expenses	4.50	13.08
Total	**34.40**	**100.00**

Allocation	**Shares(mn)**	**(%)**
Public Issue		
Malaysian Public via balloting process:		
• Public investors	15.50	2.50
• Bumiputera public investors	15.50	2.50
Eligible Directors	7.00	1.13
Eligible employees	19.90	3.21
Persons who have contributed to the success of Group	4.10	0.66
Private placement to selected investors	32.50	5.24
Private placement to Bumiputera investors approved by MITI	77.50	12.50
Total	**172.00**	**27.74**
Total enlarged share capital upon listing	**620.00**	

Key Financial Summary

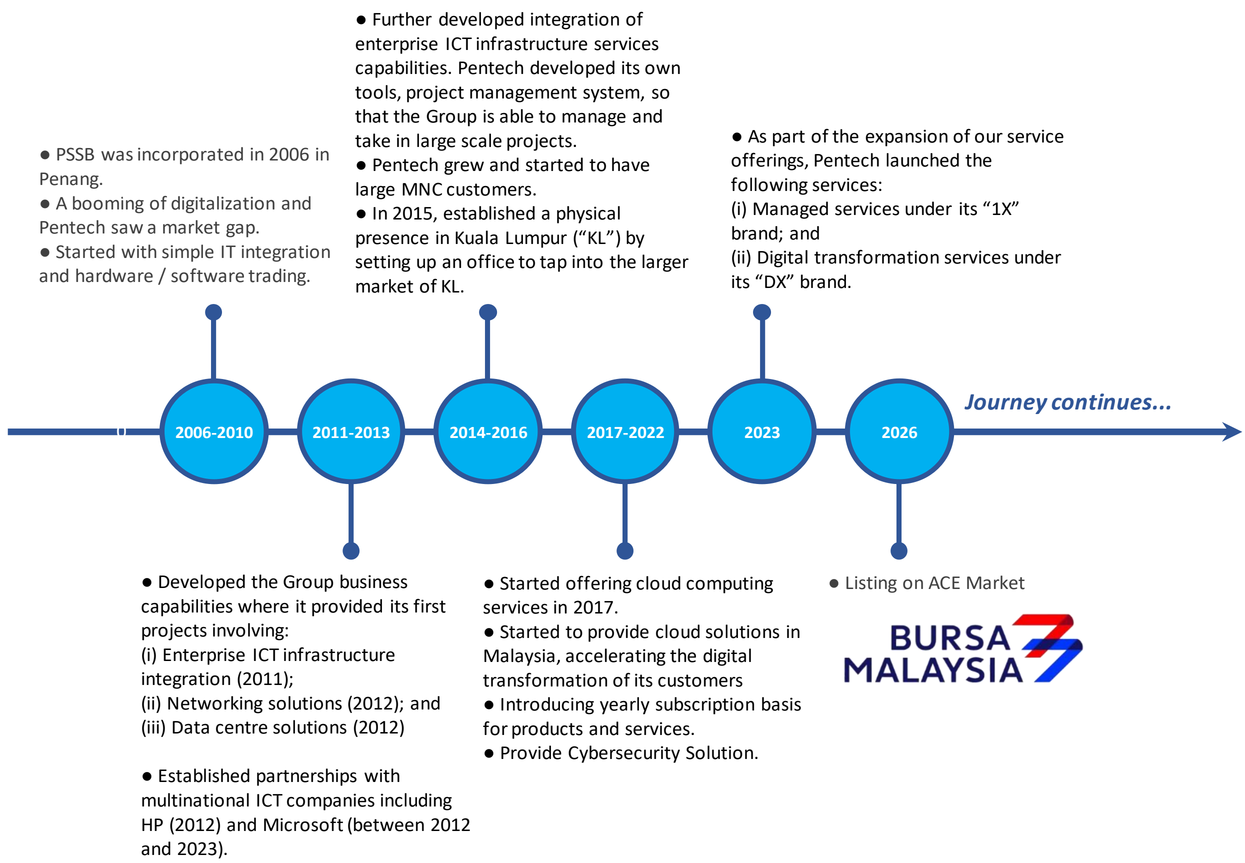
FYE Dec (RMmn)	2024A	2025A	2026F	2027F	2028F
Revenue	188.94	232.89	270.23	314.08	**361.90**
Gross Profit	31.37	34.80	40.38	47.11	**54.29**
Pre-tax Profit	13.44	14.47	16.79	19.69	**22.69**
Core Net Profit	9.96	10.59	12.29	14.41	**16.61**
Core EPS (Sen)	1.61	1.71	1.98	2.32	**2.68**
P/E (x)	12.45	11.71	10.09	8.60	**7.47**
DPS (Sen)	0.95	0.00	0.24	0.00	**0.00**
Dividend Yield (%)	4.76	0.00	1.21	0.00	**0.00**

Source: Company Prospectus, S&P Global, Eco Asia Research Estimates
EPS, P/E and DPS from 2024A to 2025A (pre-IPO) are on pro-forma basis for comparative purposes only.

Company Background

Pentech Holdings Berhad was incorporated in Malaysia under the Companies Act 2016 on 21 November 2024 as a private limited company (Pentech Holdings Sdn Bhd) and converted to a public company on 26 June 2025. It is an investment-holding company. Its operating subsidiary, Pentech Solution Sdn Bhd, was incorporated on 14 July 2006 in Penang and undertakes the Group's enterprise ICT business.

Key Milestones



Source: Company Prospectus

Business activities

The Group operates four inter-related revenue streams, principally in Malaysia and predominantly via direct distribution channels:

1. **Integration of enterprise ICT infrastructure:** Design and systems integration of data centres, networks and security (including cybersecurity), combining hardware, software and supporting equipment with business-continuity planning.
2. **Supply of hardware and software:** Standalone provision of servers, storage, network equipment, licensed operating systems, security and collaboration tools, independent of other services.
3. **Cloud and managed services:** Platform-as-a-Service (“PaaS”) and Software-as-a-Service (“SaaS”) intermediation, managed cloud services, and managed operation of parts of customers' ICT infrastructure - the core recurring-income engine.
4. **Other services:** 24/7 technical support and digital transformation services, including the "1X" managed and "DX" digital-transformation brands.

Geographical markets

Principal market

Distribution channels and customer base

Direct
- Manufacturing
- Financial services
- Healthcare
- Education
- BPO
- Others (a)

Indirect
- ICT
- BPO
- Telecommunication

Note/s:
(a) Other direct distribution channel customers include companies in hospitality, transportation and logistics, construction, property development and management, professional service providers, as well as government agencies and government linked companies.

Source: Company Prospectus

Business Segments

Integration of enterprise ICT infrastructure

Supply Of Hardware And Software

Provision of cloud and managed services

Other Services

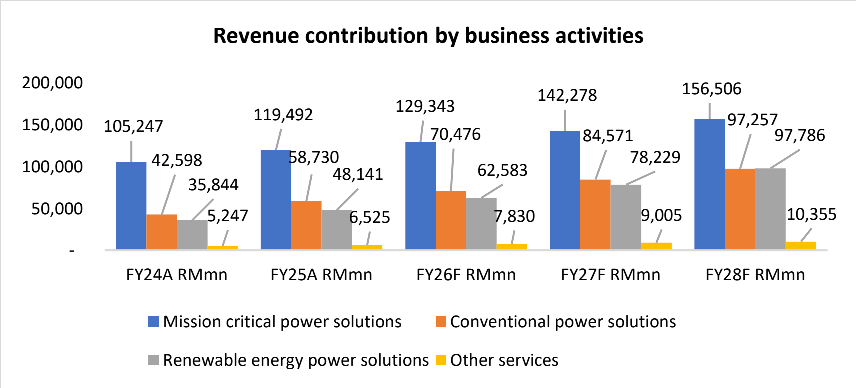
Provision of technical and digital transformation services

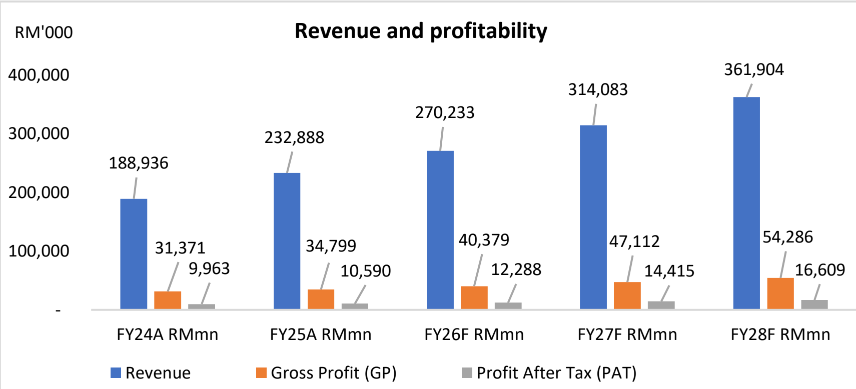
Note/s:
Other services comprise the provision of technical and digital transformation services.

Source: Company Prospectus

Revenue and Profitability

Pentech's revenue from FYE2024 to FYE2025 was mainly derived from the Integration of enterprise ICT infrastructure segment, which accounted around 51.00% of its total revenue (as of FYE2025). The following shows revenue contributions by business activities as well as the revenue and profitability from FYE2024A to FYE2025A, FYE2026F, FYE2027F and FYE2028F:





Future Plans and Strategies

The Group's growth blueprint is a deliberate climb up the ICT value chain, funded by IPO proceeds:

1) **Facility expansion:** Establish a new 2,800 sq ft Security Operations Centre ("SOC") in Kuala Lumpur for real-time threat monitoring, and upgrade the Operations Command Centre ("OCC") to strengthen monitoring and incident response.
2) **Additional ICT services:** Launch AI-powered cloud services with embedded AI cybersecurity, and build a dedicated cybersecurity solutions business unit delivering managed security services.
3) **Go-to-market:** Intensify sales and marketing (digital marketing, events, webinars, PR and customer engagement) to promote the new SOC, OCC and AI, cloud and cybersecurity offerings.

Key Risks

Project- and order-based revenue volatility: About 79% of FY2025 revenue was non-recurrent, derived from fixed lump-sum contracts and purchase orders. Revenue can swing materially year to year – m it fell 12.4% in FY2023 before recovering. Sustained performance depends on continually replenishing the order book (RM82.2mn outstanding at the LPD). Failure to secure sufficient new, sizeable projects would directly pressure revenue and profitability.

Dependence on third-party suppliers and partner programmes: Delivery relies on hardware, software and cloud services from third parties, with purchases almost entirely domestically sourced. Global supply-chain disruptions, semiconductor shortages or geopolitics can raise costs and lengthen lead times – inability to pass these on already compressed FY2025 Gross profit ("GP") margin. Loss of vendor accreditation, or reduced incentives and rebates under partner programmes, would also hurt margins and credibility.

Cybersecurity and security-breach liability: Integrating network and security systems and delivering cloud and managed services exposes Pentech to cybersecurity and other security risks. A breach of systems it integrates or services it operates could trigger legal or regulatory action, financial loss, remediation costs and reputational damage – a risk that intensifies as the Group expands deeper into managed security services.

Project delays, penalties and execution risk: Many contracts carry liquidated and ascertained damages ("LAD") and service-level ("SLA") penalties for missed completion or delivery dates. Delays may cause cost overruns, deferred revenue recognition, reduced scope, or contract suspension/termination, and can damage customer relationships and future engagements. Growth may also be constrained if technical resources are insufficient to support an expanding project pipeline.

Industry Outlook

The outlook for Malaysia's enterprise ICT services industry is firmly positive. The industry's real GDP grew 6.2% in 2025 and is projected to expand a further 4.3% in 2026, driven by advances in AI, and the rapid build-out of data centres and cloud infrastructure; industry revenue has compounded at about 5.4% over 2023-2025. The combined enterprise ICT services and ICT trade market is estimated at roughly RM36bn, providing a deep addressable base.

Government policy is a powerful tailwind. National agendas – Malaysia Digital Economy Blueprint ("MyDIGITAL"), National Industrial Revolution 4.0 Policy ("Industry4WRD"), Jalinan Digital Negara ("JENDELA") and the 5G rollout via Digital Nasional Berhad — alongside Malaysian Investment Development Authority ("MIDA"), incentives, Malaysia Digital ("MD")-status tax allowances, and Budget 2026 measures (a RM50mn SME digital matching grant and a RM3bn Bank Negara Malaysia ("BNM") small and medium sized enterprise ("SME"), fund supporting digitalisation) are accelerating enterprise technology adoption. Rising cybersecurity needs and Malaysia's ambition to be a regional digital hub continue to fuel demand for secure, scalable ICT infrastructure – m squarely aligned with the Group's integration, cloud, managed-services and cybersecurity strategy.

DEFINITION OF RATINGS

Eco Asia Investment Advice uses the following rating system:

STOCK RECOMMENDATION

BUY Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL Share price may fall by more than 15% in the next 3 months.
SELL Share price may fall by more than 10% over the next 12 months.
NOT RATED Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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