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Recommendation:	BUY
Current Price:	RM 1.61
Previous Target Price:	N/A
Target Price:	RM 1.95
Upside/Downside:	21.1%

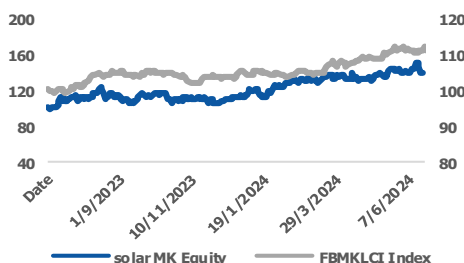
Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0215 / SOLAR MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆★
Bloomberg ESG Rating	N/A
Shares issued (m)	695.4
Market Cap (RM' m)	1,077.8
52-Week Price Range (RM)	1.1-1.73
Beta (x)	1.0
Free float (%)	44.6
3M Average Volume (m)	3.0
3M Average Value (RM' m)	4.8

Top 3 Shareholders (%)

Atlantic Blue Hlds Sdn Bhd	22.0
Lim Chin Siu	9.0
Tan Chyi Boon	8.4

Share Price Performance



	1M	3M	12M
Absolute (%)	-5.5	-1.3	37.2
Relative (%)	-3.7	-4.2	20.0

Solarvest Holdings Berhad

Turning Sunlight into Investment

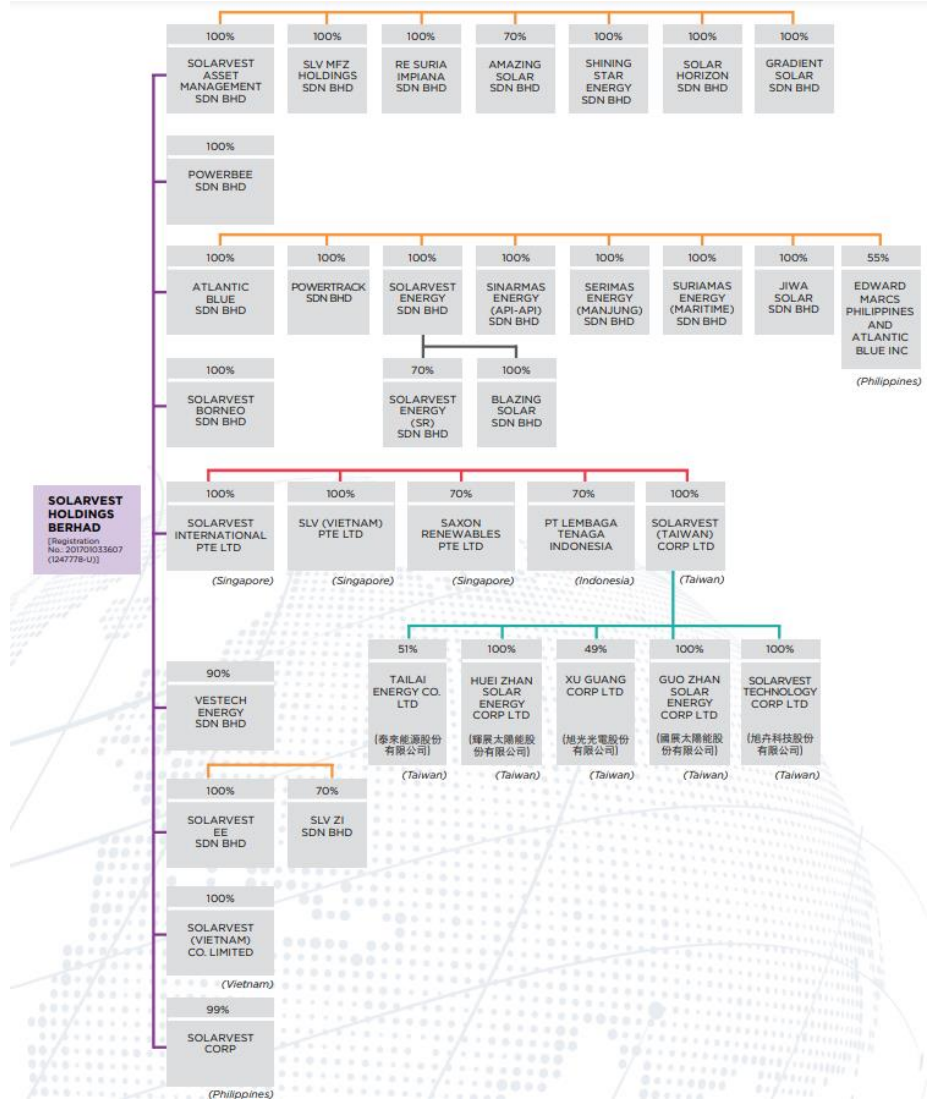
Summary

- Solarvest is a leading clean energy provider and pioneer of solar EPCC, having installed more than 1.2GW across various solar PV systems; the highest among its peers.
- We anticipate FY25F and FY26F core-profit to demonstrate record breaking figures at RM50.8m and RM60.3m respectively, anchored by robust order book replenishment from various government solar initiatives.
- We initiate coverage on Solarvest with a BUY rating and a target price of RM1.95 based on Sum-of-Parts (SOP) valuation.

Company Background

- Established in 2012, Solarvest debuted on the ACE market of Bursa Malaysia in 2019 and transitioned to the Main Board by 2021. As a one-stop solar photovoltaic (PV) system solution provider, Solarvest's capabilities encompass engineering, procurement, construction, and commissioning (EPCC) of solar systems, operations and maintenance (O&M), and electricity sales from solar assets. Service portfolio has expanded into a wide range of clean energy solutions, such as energy efficiency (EE), energy storage systems (ESS), green hydrogen, low-carbon mobility, renewable energy certificates (RECs), and project management, positioning Solarvest as an integrated clean energy solutions provider.
- As Malaysia's leading turnkey solar EPCC solution provider, Solarvest has extensive experience delivering projects, including the LSS programme, securing an average 20.0% market share in EPCC jobs for LSS1, 2, and 4. Solarvest's business extends into the ASEAN region, with a robust overseas project pipeline backed by a 2.0GW tender book, focusing on key markets in Indonesia, Taiwan, and Brunei totaling 1.0GW. Solarvest also owns 199.0MW of solar assets and plans to scale this to 1.0GW by 2027 to establish solid recurring income.
- Less than a decade since listing, Solarvest's revenue has multiplied by almost fourteenfold. Over the years, the Group has received numerous recognitions, including the Fast-Moving Companies Award from SME100 in 2015 and 2018, and the Solar Energy Leadership Award in 2019 which is a testament of their capabilities in the solar industry. To date, Solarvest has completed over 1,700 solar installation projects with a cumulative installed capacity of up to 1.2GW and commands c.40.0% market share in Commercial and Industrial (C&I) rooftop solar, solidifying its position as Malaysia's leading solar turnkey EPCC provider.

Corporate Structure



Source: SLVEST

- Management and shareholdings.** Solarvest is led by co-founder Mr. Lim Chin Siu and CEO Mr. Chong Chun Shiong. Mr. Lim holds an Engineering degree from the UK and a certificate in grid-connected PV system design from SEDA. Mr. Chong holds an Engineering degree and an MBA from Australia. Atlantic Blue Sdn Bhd is the largest shareholder with 22.0%, followed by Mr. Lim Chin Siu 9.0% and Mr. Tan Chyi Boon 8.4%.

Business Overview

- Business Model.** Solarvest operates in four key segments: EPCC, Power Supply, O&M, and Others. In the EPCC segment, the Group undertakes the full spectrum of solar PV installations, including rooftop, ground-mounted, and floating solar PV systems. To complement its solar PV system services, Solarvest provides project development, O&M, solar financing services, insurance services, and sells electricity generated through its solar assets. Expanding within the clean energy ecosystem, Solarvest offers EE solutions, ESS, EV ecosystem, RECs, green hydrogen, and green data centers.

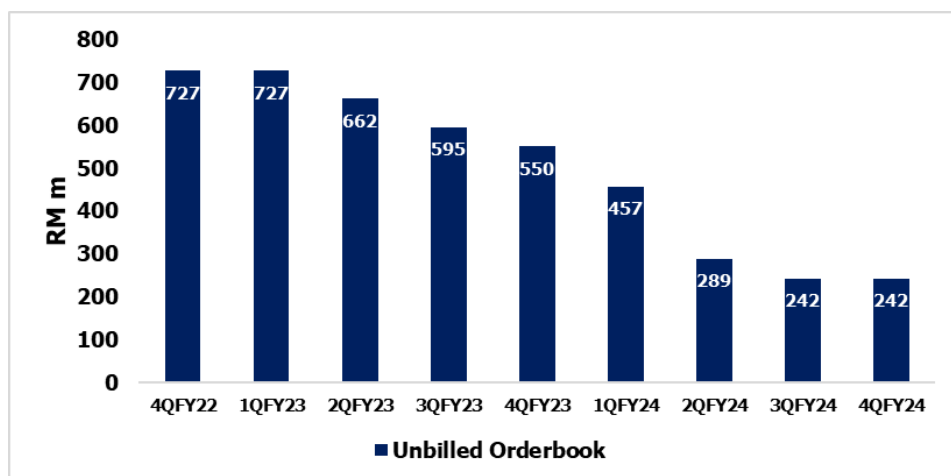
Business Activities

Business Divisions	Details
EPCC	Engineering, procurement, construction, and commissioning (EPCC) in Solar Photovoltaic (PV) systems. Serving three main segments: LSS Farm, C&I properties and Residential.
Power Supply	Sales of electricity generated through its self-constructed RE plant.
O&M	Solar PV systems operations & maintenance (O&M), include solar performance monitoring, AIoT solutions, preventative maintenance and corrective maintenance.
Others	Energy efficiency (EE) solutions, energy storage systems (ESS), low-carbon mobility (EV) ecosystem, RE certificates (RECs), green hydrogen and green data centres.

Source: SLVEST

- EPCC remains as the core businesses constituted averaging 95.2% of the Group revenue in FY21-FY24E. Thanks to the government initiatives such as LSS, SELCO, and NEM initiatives, EPCC revenue recorded all-time high in FY24 at RM449.7m, c.14x higher than the value since listing in 2019 at RM33.3m. Based on past LSS cycles, Solarvest consistently secured a significant portion of LSS project jobs, with an average market share of 20.0%, while capturing approximately 40.0% of the C&I rooftop installation market, reinforcing its market leader status. Historically, Solarvest’s order book exceeded RM200.0m and peaked at RM727.0m in 4QFY22, fluctuating with the growth of the RE industry.

Historical Quarterly Orderbook



Source: SLVEST, Apex Securities

Total LSS Installed Capacity

	Solarvest (MW)	Total (MW)	Market Share
LSS1	146	451	32.4%
LSS2	110	562	19.6%
LSS3	N/A	491	N/A
LSS4	208	823	25.3%

Source: SLVEST, Apex Securities

- Solarvest serves a wide range of clientele, ranging from MNCs to public listed companies, and garnered experience in government-related projects. The latter stemmed from active participation in initiatives such as collaborations with CENTEXS and Huawei, in Smart Solar PV and Green Hydrogen Testbed in Sarawak, as well as solar-powered electric bus charging facilities in Kuching. In March 2024, Solarvest was appointed to install over 300 PETRONAS stations across Malaysia. We believe the extensive engagement positions the Group as a frontrunner to capitalise future government RE roll-out opportunities and enjoy a higher success rate in bidding for upcoming projects.

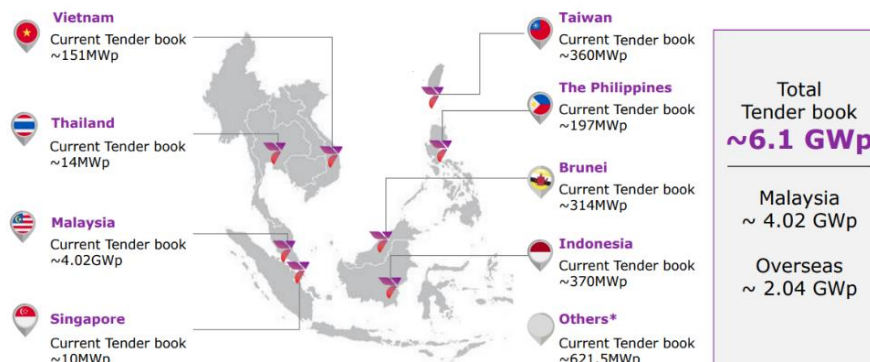
Client rosters and award recognitions



Source: SLVEST

- Over the years, Solarvest’s operations were strategically expanded across multiple high-growth regions, including Taiwan, Indonesia, Vietnam, Singapore, Thailand, Brunei, Pakistan, and Cambodia to tap into fresh revenue streams. Currently, Solarvest holds a robust overseas project pipeline backed by 2.0GW or 33.4% of total tender book of 6.1GW. Indonesia took the largest chunk with tenderbook of 370.0MW (18.2%), followed by Taiwan at 360.0MW (17.7%) and the Brunei at 314.0MW (15.4%). Although these developments have yet to yield significant contributions, ongoing collaborations with local entities and strategic partnerships are laying a solid foundation for long-term impact and market presence for Solarvest.

Tender book breakdown



Source: SLVEST

- One of Solarvest's unique offerings is in-house solar financing program, **Powervest**, designed to facilitate the adoption of solar PV systems by both residential and C&I users. **Powervest** provides two options: **Power Flex** (asset ownership model) and **Powerlease** (leasing model), tailored to meet the diverse financing needs of users. This unique business model also served as the Group's moat, enabling to trade off C&I assets with better conversion rates and reinvest in new C&I assets to ensure consistency of cash flow. As of now, Solarvest has secured a cumulative capacity of 109.0MW, with 80.0% of agreements signed through PPAs, ideally generating up to RM38.0m in recurring income annually.

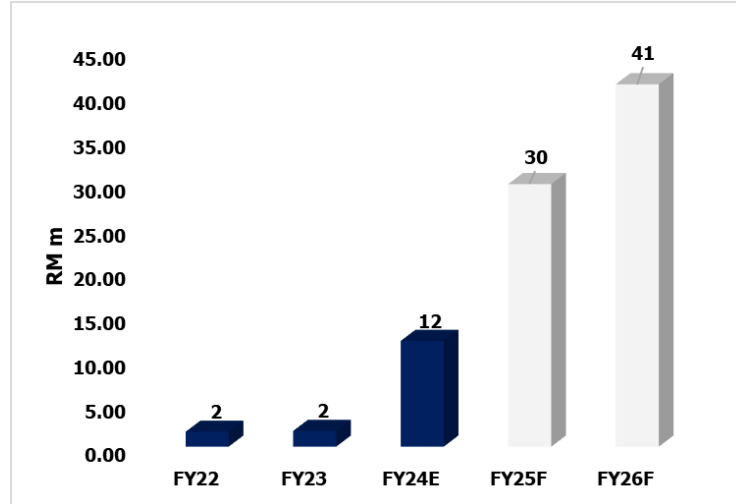
Financing models

Types of financing	PowerFlex Lite	PowerFlex Hybrid	PowerLease
Cost	Zero upfront cost, free of O&M		
Tenure	7 years	3 - 12 years	15- 25 years
Ownership	Own the asset upon completion of the payment terms	Co-own asset with Solarvest	Own the asset upon completion of the leasing period
Features	50% utility bill savings and tax incentives up to 48%		30% lower tariff rate than the national grid's rate

Source: SLVEST, Apex Securities

- (i) **Powerflex** allows customers or co-own the system with Solarvest with zero upfront costs, with repayments spanning 3 to 12 years, providing up to 50.0% utility bill savings and tax incentives up to 48.0%. There are two options available: **PowerFlex Lite** and **PowerFlex Hybrid**, differing primarily in the duration of the agreement and ownership structure.
 - (ii) **PowerLease** offers customers a leasing option with no upfront costs and a leasing period ranging from 15 to 25 years, with automatic ownership transfer at the end of the leasing period. It provides operating and maintenance-free leasing with a 30.0% lower tariff rate than the national grid's rate.
- Apart from core-business, Solarvest has been actively expanding RE portfolio with the goal of achieving 30.0% recurring income from RE assets by 2027. Currently, the Group's portfolio stands at 199.0MW, with LSS4 assets contributing up to 33.8%, CGPP assets contributing 21.9%, and the rest mainly from the Powervest program. We anticipate the RE portfolio could generate up to RM29.8m and RM41.1m in FY25F and FY26F respectively, assuming all RE plants commence operations as planned, sustaining at least up to two decades of recurring income.

Power Supply from FY22 to FY26F



Source: SLVEST, Apex Securities

- To distinguish itself from other solar energy companies, Solarvest expanded its portfolio to encompass a broad spectrum of clean energy solutions. This includes introduction to an end-to-end service for RECs, EV charging and mobility solution, EE solutions, green hydrogen, and green data centers. Among these, RECs made significant strides with facilitated approximately 500,000 RECs and supported over 200 corporate clients. After years of dedicated effort, this segment has finally begun to yield the fruits of labor. In FY24E, Others revenue segment surged to RM24.0m, nearly tenfold up from RM2.4m in FY22, mainly driven by C&I asset tradeoffs that offer better conversion rates RM9.0m in 4QFY24, with RECs activities contributing c.50.0% to the segment's revenue.

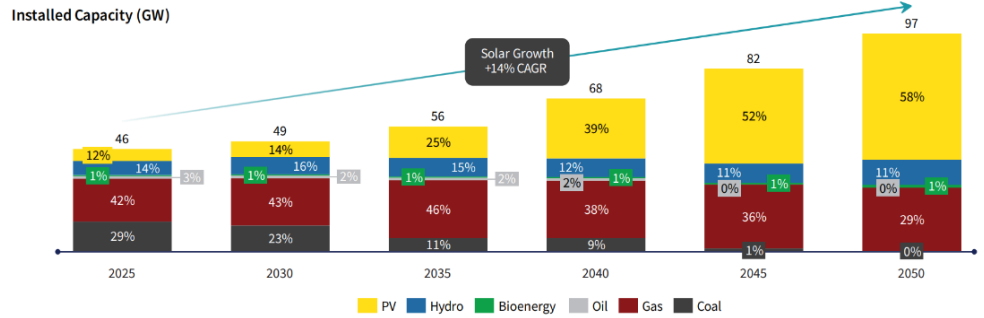
Industry Overview

- National Energy Transition Roadmap (NETR).** On 23 August 2024, Malaysia government launched the NETR as advancing the net-zero ambition with laying out a more aggressive 70.0% RE capacity mix target by 2050. To support this transition, six energy transition levers and ten flagship projects have been outlined, requiring an estimated total investment of approximately RM637.0bn.

The roadmap highlighted a few key observations:

- No new coal plants development, leading to near-complete phase-out by 2045.
- Gas will serve as a transition fuel away from coal as the primary source for baseload power.
- 70.0% RE share by 2050 is primarily driven by solar PV with 59.0GW installed capacity.

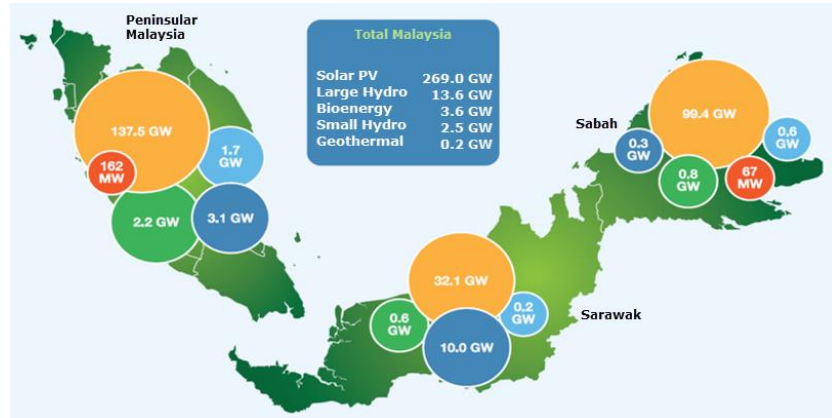
Projected power mix 2050



Source: NETR

- The RE capacity mix target by 2050 represents a significant push for energy transition, requiring the addition of over 50.0GW of RE capacity to the power system. Among the NETR RE capacity, solar is expected to play a prominent role in achieving the 2050 aspiration, with a target installed capacity of up to 59.0GW. One significant aspect highlighted in NETR is Malaysia's abundant solar PV potential, with 269.0 GW of potential resources out of a total of 290.0GW RE resources. Given Malaysia's geographical location near the equator, the country receives solar radiation at a direct 90-degree angle, resulting in dense solar radiation and high energy production per square meter. Therefore, solar energy is poised to play a crucial role in Malaysia's journey towards achieving its net-zero ambition.

RE resource potential in Malaysia



Source: SEDA

RE resource potential in Malaysia in table

Gigawatt (GW)							
Solar	Bioenergy	Location	Small Hydro	Large Hydro	Geothermal		
Ground-mounted	210	Biomass	2.3	Peninsular	1.7	3.1	0.2
Rooftop	42	Biogas	0.7	Sabah	0.6	0.5	0.1
Floating	17	Solid Waste	0.5	Sarawak	0.2	10.0	0.0
Total	269	Total	3.6	Total	2.5	13.6	0.2

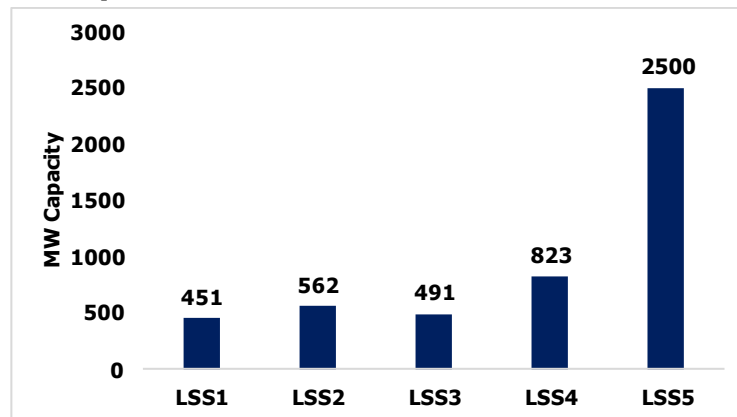
Source: SEDA, Apex Securities

- There are several initiatives aimed at promoting RE development, including the FIT programme, SELCO, NEM mechanism, LSS, and CGPP projects.
- Feed-in Tariff (FIT).** FIT program began in 2004, allowing selected customers to export solar energy to the TNB grid and the quota has long been fulfilled for solar.

FIT is being replaced by LSS auctions, NEM, and SELCO due to better cost efficiency. By 2021, SEDA had awarded FIT quotas totaling 174,672MW for biogas, biomass, and small hydro resources to 34 companies. In 2021 alone, FiT projects generated 1.35 TWh, comprising 33.0% solar PV, 12.0% biomass, 34.0% biogas, and 21.0% small hydropower.

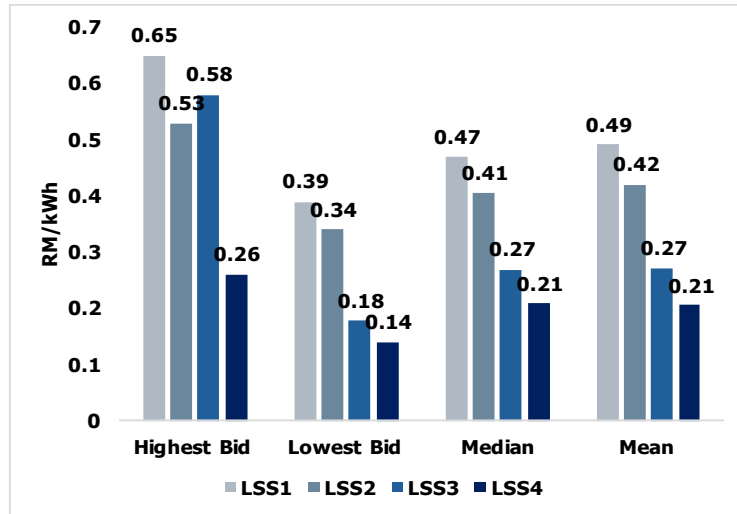
- Self-Consumption (SELCO).** SELCO scheme introduced in 2017 is available for solar PV system owners who intend to use the electricity generated for self-consumption purposes. Electricity generated from SELCO cannot be exported to the grid, limiting owners from securing compensation of excess energy generated. SELCO is part of the NEM program, emphasising self-consumption, with any surplus energy allowed to be exported and sold to the utility at a reduced rate. As of December 2020, 93.0MW capacity has been installed under the SELCO scheme.
- Large-Scale Solar (LSS).** LSS is designed to accelerate the uptake of large -scale solar PV systems involved in 1-100M bidding process. LSS1 first started in 2017 with a 451.0MW allocation followed by LSS2 in 2019 with 562.0MW quota, LSS3 in 2021 with 491.0MW quota. Thereafter, LSS4 quota has scaled up to 823.0MW. On 24 April 2024, LSS program expanded further to the fifth bidding cycle with a massive 2.0GW allocation, surpassing the combined capacities of LSS1 to LSS3 (1.5GW). LSS5 is divided into four packages, allowing companies to bid based on their scale, with operations scheduled to commence in 2026. We reckon with 2.0GW allocation, this will potentially generate construction value of RM5.8bn and will keep EPCC players busy throughout 2026.
- Over the four auction cycles, there's been a consistent decline in mean, highest, lowest, and mode bids. LSS3 recorded bids at RM0.58/kWh, RM0.18/kWh, and RM0.27/kWh for mode and mean, respectively. LSS4 achieved the lowest bid cycle among all LSS cycles, with bids at -55.0%, -21.0%, -22.0%, and -24.0% change against LSS3, despite having the highest allocation quota ever with 823.0MW. We noted that decision-makers are more focused on project feasibility and viability rather than opting for the most economical option available as average mean bid of LSS3 and LSS4 is still way higher. Considering Malaysia's commitment to promoting RE affordability and attractiveness in the grid parity era, we anticipate bid rates for LSS5 will continue to decrease, potentially at c.0.17-0.20 sen/kWh.

Total quota LSS awarded



Source: EC, Apex Securities

Mean, Highest, Lowest, and Median Bids in LSS



Source: EC, Apex Securities

LSS5 Programme

Packages	Quota (MW)	Generation Capacity	Type	Eligibility
1	250	1MW to 10MW	Rooftop or Ground Solar Power Plant	Companies with at least 51% Bumiputera ownership
2	250	10MW to 30MW	Rooftop or Ground Solar Power Plant	Companies with at least 51% Bumiputera ownership
3	1000	30MW to 500MW	Rooftop or Ground Solar Power Plant	Companies with at least 51% domestically owned ownership
4	500	10MW to 500MW	Floating solar power plants	Companies with at least 51% domestically owned ownership

Source: EC, Apex Securities

- **Net Energy Metering (NEM).** The NEM program in Malaysia has evolved significantly over the years, showcasing the country's dedication to promoting RE adoption.

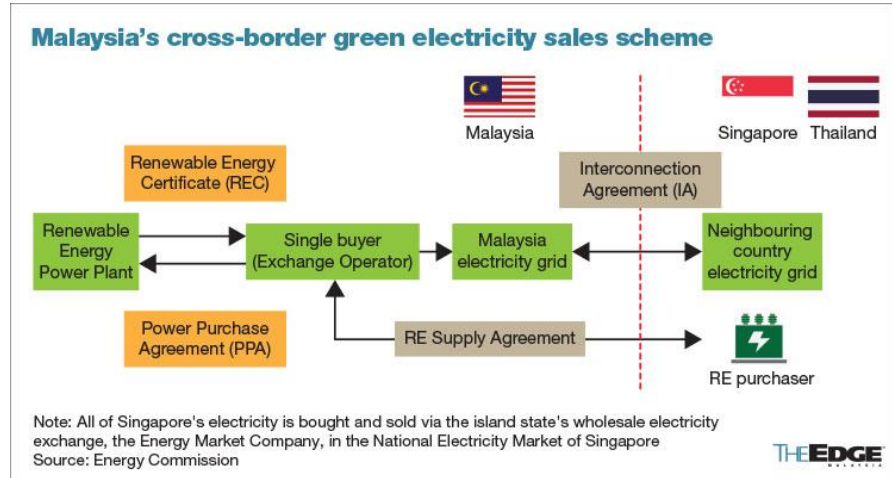
Summary of NEM evolution in table

NEM	Summary
1.0	<ul style="list-style-type: none"> • Total capacity of 500 MW • The scheme prioritized self-consumption, allowing surplus electricity to be exported and sold to the utility at a displaced cost.
2.0	<ul style="list-style-type: none"> • Introduced in Oct 18, allowed excess solar electricity to be compensated on a one-on-one basis, effective from early 2019. • Total capacity of 500 MW • Saw a significant increase in rooftop solar PV capacity installations, with 94 MW installed by the end of Nov 19, compared to 14 MW in NEM 1.0.
3.0	<ul style="list-style-type: none"> • Announced on Dec 20, split into three categories. • Total capacity of 1050 MW • NEM Rakyat: Targeted at residential customers, with 150 MW capacity. • NEM GoMen: Aimed at lowering electricity bills of government buildings and offices, with a 100 MW quota. • NEM NOVA: Targeted at commercial and industrial consumers affected by the COVID-19 pandemic, with a 800 MW allocation.
4.0	<ul style="list-style-type: none"> • Announced in Jan 24, with additional 400MW quota for residential (100MW) and C&I (300MW) segments offering more opportunities for accelerating up the installed capacity. • As of Mar 24, the residential quota was further raised to 350MW, alongside the launch of the Solar for Rakyat Incentive Scheme (SolarIS), providing a rebate of RM1,000/kWac up to RM4,000, expediting the ambitious process.

Source: SEDA, Apex Securities

- **Corporate Green Power Purchase (CGPP).** CGPP agreement is a virtual power purchase arrangement designed for corporate consumers to procure solar energy from solar power producers (SPPs) virtually. A total of 32 successful applicants have secured capacity, with listed companies claiming 80.0% of the allocation, equivalent to 643.0MW out of the total 800.0MW. Some of key winners in solar EPCC projects were Solarvest (90.0MW), Sunview (60.0MW), Samaiden (43.3MW), and Pekat (30.0MW), in addition to TENAGA's 90.0MW.
- This allocation offers significant opportunities for EPCC players to capitalise on CGPP plant constructions. We reckon total EPCC construction value for 800.0MW capacity is c.RM2.2bn, which could keep EPCC players busy until 2025. CGPP projects offers better margins due to availability for players to select own offtaker. As of April 2024, Single Marginal Price at 22.9sen/kWh, is higher than the LSS4 bids range of 18 to 20 sen/kWh for installations between 30.0MW to 50.0MW. We anticipate that construction jobs will flow to EPCC players starting from 3Q/4Q2024, aligning with the commitment to start COD by the end of 2025.
- **RE Export.** In May 2023, Malaysia lifted the export ban on renewable energy (RE), enabling cross-border RE trade to meet strong demand in Singapore. On 24 April 2024, the government launched Energy Exchange Malaysia (Enegem) with a pilot phase exporting 100.0MW of RE to neighbouring countries using existing capacity and infrastructure. The RE export tariff rate will be determined through an auction model where the highest bid is chosen.
- Regulated electricity tariff in Singapore stands at SGD0.2979/kWh before GST (equivalent to RM1.046/kWh) for 1H2024, while Malaysia's average electricity tariff for March 2024 was approximately RM0.20/kWh. Currently, local RE players will not directly benefit from the higher prices gained, as any profits from this gap will be channelled to the government's energy transition fund. To fulfil Singapore's requirement of maintaining a 75.0% load factor for electricity supply, 450MW of solar generation capacity supported by 1.5GW of battery storage is required.
- According to Datuk Seri Fadillah Yusof, the Minister of Energy Transition and Water Transformation, Enegem's energy mix in pilot phase will include at least 30.0% solar-generated power. Although hydroelectricity remains the largest RE power generation source accounting to c.20.0% in Malaysia, preference for solar energy is on the rise due to concerns about river ecology, displacement of residents, and greenhouse gas emissions from flooded forests. We believe solar energy will gradually become a key component in the energy mix and will drive further investment in cross-border RE trade, creating long-term demand for RE contractors.

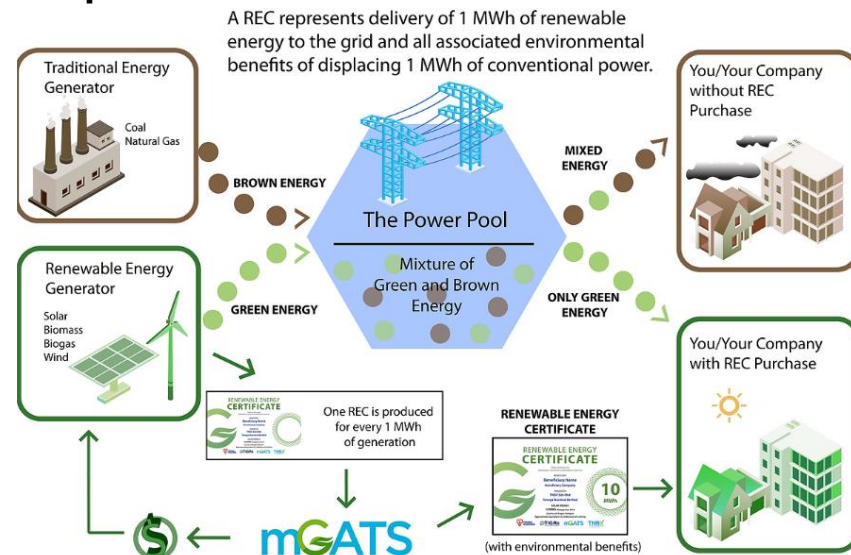
Cross-border RE trade flow



Source: The Edge

- Renewable Energy Certificates (RECs).** RECs are market instruments representing 1.0MWh of renewable energy generated and delivered to the grid. This mechanism enables REC owners to certify that the electricity consumed is from renewable sources, aligning with best practices to reduce carbon footprints. In April 2024, the government introduced the Green Electricity Tariff (GET), offering quotas of up to 6,600GWh at rates of 10 sen/kWh for low-voltage users and 20 sen/kWh for medium and high-voltage users. Subscribers receive Malaysia RECs (mREC), and the GET is applied on top of normal tariff rates. Despite the absence of direct financial benefits, subscription levels reached up to 41.0% as of 19 Jun 2024, indicating strong demand from corporate consumers. In May 2024, the government launched commercial trading of RECs through the Malaysia Green Attribute Trading System operated by TENAGA. At the present stage, RECs cannot be transferred abroad, aligning with Malaysia's focus on promoting domestic RE utilisation and sustainability.

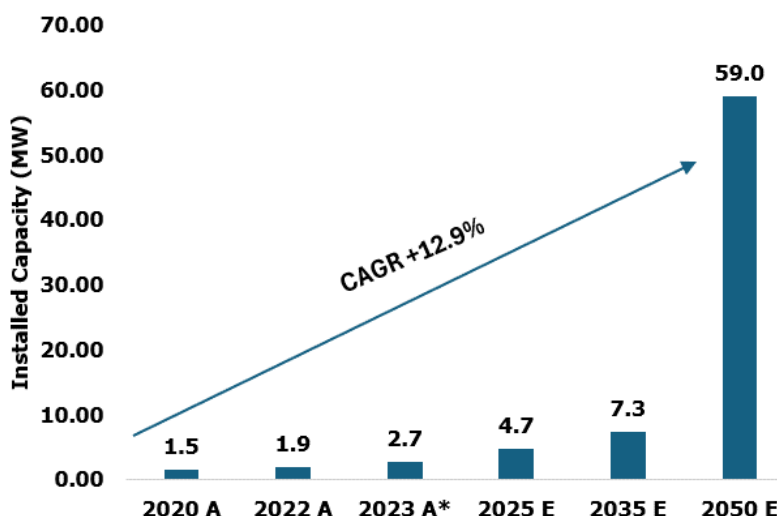
REC process flow



Source: TNBX

- Solar power shining brighter.** Combining MyRER’s goals of 2.7GW and 7.3GW with NETR’s projection of 59.0GW, Malaysia’s solar capacity is expected to grow by 12.9% annually from 2025. This underscores the requirement for Malaysia government to allocate at least 2.2GW/year in solar energy to support the shift towards a greener economy. We reckon the LSS programme and similar large-scale initiatives will be rolled out gradually, serving as a crucial arm to achieve nation’s RE goals. The new added category of floating solar with a quota of up to 500.0MW under LSS5 further signify government’s commitment to expanding solar PV deployment.

Malaysia Historical and Target Solar Installed Capacity



Source: MyRER, NETR, Apex Securities

2023 A* as at [Aug 2023](#).

Investment Highlights

- Proxy to government’s RE initiatives.** We see Solarvest as a frontrunner poised to benefit from government RE initiatives. This is backed by (i) established track record of having completed 1.2GW the highest number of installed solar PV systems among peers (ii) active participation in government projects, such as utility-scale solar and green hydrogen initiatives, solar-powered electric bus charging stations in Kuching, and the installation of solar systems at over 300 PETRONAS stations nationwide (iii) consistently secured c.20.0% of EPCC jobs from LSS1, LSS2, and LSS4 projects, and (iv) commands c.40.0% market share in C&I rooftop solar. We believe these achievements enhance Solarvest’s bidding success rate and solidify its position as a leading contender for future RE initiatives.
- Building a Solar Empire.** Since listing, Solarvest has been aggressively expanding RE portfolio to achieve recurring income of 30.0% of the annual revenue by 2027. YTD, Solarvest RE portfolio totaling to 199.0MW which comprise (i) 87.2MW 80% asset ownership from Powervest Programme, (ii) 67.3MW solar plants under LSS4, (iii) 43.5MW solar assets under CGPP and (iv) 1.0MW solar power plant from REPPA. We anticipate this segment would further improve by RM29.8m and RM41.1m in FY25F and FY26F respectively from RM12.0m in FY24E upon projects completion.

- **Made possible with maximum flexibility.** One of the uniqueness of Solarvest is their in-house solar financing *Powervest*, to facilitate solar PV adoption from C&I customers. Under the programme, Solarvest would partly or fully finance all of the Solar PV systems with offering zero upfront cost and free of maintenance as key selling points. To date, Solarvest has secured 109.0MW of asset development under the program. This strategic approach not only helps establish a long-term recurring income base but also enable the Group to leverage onto its solar assets for cash liquidity as required.
- **CGPP kick starting.** We anticipate CGPP construction works would kick start in the near-term, with expected agreements to be finalised in the 3Q2024. Currently, Solarvest is in tendering process for 443.4MW, which could yield c.RM1.0bn of EPCC job flows. From an asset ownership perspective, we expect that CGPP will also bring better margins, as players are free to choose their own offtakers, allowing for better pricing compared to the LSS auction mechanism. We gathered Solarvest's tariff ranged between 25-27 sen which is decently higher than LSS4 bids range 18-20sen/kWh for installations between 30.0MW to 50.0MW. Along with reduction of solar module prices, we believe CGPP could generate high single digit IRR.
- **Next wave of orders replenishment from LSS5.** The recent roll out of fifth cycle bidding process for 2.0GW LSS5 represents another catalyst for order replenishment to industry players. We reckon LSS5 could potentially generate RM5.0bn in contract value would keep EPCC players busy until year 2026. We anticipated announcement of winners will release as early as end-2024 as LSS COD is set by end-2026. Based on track records, Solarvest success capturing an average c.20.0% EPCC jobs from LSS1, 2 and 4, we expect similar win rates for LSS5 as well.
- **RE remains a favourable theme in Malaysia.** Solar power plays a pivotal role in achieving net zero greenhouse gas emissions by 2050. In order to achieve 59.0GW, government has consistently roll out various initiatives such as the 2.0GW LSS5, 0.4GW NEM, SolarIS, SolarBoleh, GITA, and among others, driving accelerated installation of solar panels across Malaysia. Recently, a pilot auction of 100.0MW of RE, requiring 450.0MW of solar generation capacity along with 1.5GW of battery storage (75.0% load factor), highlights the importance of solar energy. We believe Solarvest is well-positioned among RE players to benefit from the promising outlook.

Financial Highlights

- Solarvest registered a 34.8% yoy increase in revenue to RM496.6m in FY24E. Core profit escalated 77.8% yoy to RM29.8m, mainly driven by i) Higher contribution from core-business mainly involved of LSS projects (+26.1% yoy), ii) improvement in electricity sales (+571.1% yoy), iii) better contribution from clean energy ecosystem +(903.3% yoy) and iv) downturn of solar panel prices (reckon at c.40.0% of material cost). Solarvest currently sitting in a healthy financial position, holding a net gearing ratio of 0.30x, cash equivalent RM103.3m and an available MTNs aggregate limit of RM940.0m signify sufficient resource to funds its capex, especially the rollout of LSS5 solar projects.
- Moving forward, we forecast Solarvest's core net profit to see further improvement towards RM50.8m/RM60.3m in FY25F/FY26F, mainly driven by orderbook replenishment from: i) the in-tender 443.4MW CGPP, which could yield c.RM1.0bn of EPCC jobs, ii) 2.0GW quotas from LSS5, potentially yielding RM5.8bn of EPCC

jobs, iii) ongoing efforts to maintain RM200.0m in revenue from C&I segments, and iv) an overseas tender book standing at 2.0GW. Our expectations for core profit margins are 7.7% and 7.5% for FY25F and FY26F respectively, as we factor in the normalization of solar module costs (approximately 40.0% of Solarvest's material costs) and a slight dip in margins due to contributions from LSS5.

Valuation & Recommendation

- We initiate coverage on Solarvest Holdings Berhad with a **BUY** recommendation and a target price of RM1.95 based on Sum-of-Parts (SOP) valuation. We pegged 35.0x P/E multiple to the EPCC contribution slight discount with two-year historical mean average, while the solar assets value is derived from DCF methodology (key assumptions include WACC @ 6.7%).
- Our bullish stance stems from several key factors (i) direct proxy to Malaysia's RE target under the NETR, (ii) solid track record, having completed 1.2GW of projects, which is the highest among peers, (iii) efforts in building a solar empire to generate diversified revenue streams, (iv) uniqueness of in-house solar financing program **Powervest**, which fosters the adoption of solar PV in the C&I sectors, (v) consistent capture of an average 20.0% market share of EPCC jobs from LSS 1, 2 and 4 (vi) robust tender book, currently standing at 6.1GW (Malaysia 4.0GW and Overseas 2.0GW) and (vii) benefit from normalising of solar module prices.

Peers Comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM 'm)	P/E (x)			Gross DY (%)	Revenue RM 'm	Net Income RM 'm
					FY24	FY25F	FY26F			
Solarvest Holdings Bhd	MAIN	Mar	1.61	1128.4	34.4	23.0	19.2	0.00	492.6	33.6
Samaiden Group Bhd	MAIN	Jun	1.27	531.5	40.0	21.2	15.9	0.00	215.2	13.4
Sunview Group Bhd	MAIN	Mar	0.77	396.4	41.0	15.4	12.8	0.00	465.9	9.6
Pekat Group Bhd	MAIN	Dec	0.84	538.5	38.0	20.9	20.9	1.20	238.4	14.3
Avg ex-Solarvest Holdings Berhad					38.3	20.1	17.2	0.3	353.0	17.7

Source: Bloomberg, Apex Securities

Key Risks

- **Fluctuation in solar module costs.** Solar PV modules and inverters are the biggest cost drivers in a solar PV project, making up about 40.0% of total cost. Should ASP of solar modules prices rise, Solarvest's margins will be dampened.
- **Heavy reliance on government initiatives.** Potential policy changes, reduced subsidies or incentives, alterations in feed-in tariffs, regulatory hurdles, and market distortions may impact rollout of future RE initiatives under government initiatives.
- **Intense market competition.** Low barriers to entry may attract new entrants into the industry, and thereby potentially resulting further margin erosion to existing players due to stiffer competition.

Financial Highlights

Income Statement

FYE Mar (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Revenue	175.8	365.5	492.6	658.2	808.8
Gross Profit	34.9	65.0	98.5	138.9	170.8
EBITDA	16.5	35.9	62.0	92.8	112.3
Depreciation & Amortisation	-3.3	-4.1	-7.4	-11.8	-14.6
EBIT	13.1	31.8	54.7	81.0	97.6
Net Finance Income/ (Cost)	-2.1	-4.1	-7.9	-8.6	-11.5
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	11.0	27.7	46.7	72.4	86.1
Tax	-3.6	-7.5	-13.1	-22.7	-26.9
Profit After Tax	7.4	20.2	33.6	49.8	59.2
Minority Interest	0.5	0.5	1.0	1.1	1.1
Net Profit	6.9	19.7	32.6	48.7	58.2
Exceptionals	-0.3	-3.8	-4.8	0.0	0.0
Core Net Profit	7.7	17.0	29.8	50.8	60.3

Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24E	FY25F	FY26F
EBITDA margin	9.4%	9.8%	12.6%	14.1%	13.9%
EBIT margin	7.5%	8.7%	11.1%	12.3%	12.1%
PBT margin	6.3%	7.6%	9.5%	11.0%	10.6%
PAT margin	4.2%	5.5%	6.8%	7.6%	7.3%
NP margin	3.9%	5.4%	6.6%	7.4%	7.2%
Core NP margin	4.4%	4.6%	6.1%	7.7%	7.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	3.9%	10.0%	13.9%	17.1%	16.9%
ROA	2.7%	4.1%	6.3%	7.0%	6.6%
Net gearing	Net Cash	16.4%	29.9%	54.5%	53.1%

Valuation

Sum of Parts (SOP)	Equity Value (RM' m)	Valuation method
EPCC	1397.5	35x FY26F PER
Solar assets	247.0	DCF, WACC = 6.7%
Proceeds from exercise of warrants/ESOS	201.1	
SOP Value	1845.6	
Enlarged share base (m share)	948.5	
Fair Value (RM)	1.95	

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Cash	56.3	72.6	103.2	84.1	137.5
Receivables	88.9	109.8	99.8	119.9	143.9
Inventories	10.9	21.0	10.2	18.3	25.6
Other current assets	65.0	96.7	68.8	118.9	145.5
Total Current Assets	221.1	300.1	281.9	341.2	452.5
PPE	26.5	168.6	219.2	334.6	415.7
Other non-current assets	6.0	5.7	16.6	16.6	16.8
Total Non-current assets	32.5	174.2	235.8	351.1	432.6
Short-term Debt	4.2	17.3	9.9	35.9	48.0
Payables	40.6	108.2	68.3	88.3	127.6
Other Current Liabilities	7.5	39.4	25.0	64.0	77.3
Total Current Liabilities	52.3	165.0	103.2	188.2	252.9
Long-term Debt	2.6	87.5	163.4	203.3	272.0
Other non-current liabilities	23.0	24.4	16.4	16.4	16.4
Total Non-current Liabilities	25.6	111.9	179.8	219.6	288.4
Shareholder's equity	172.9	193.3	230.4	279.1	337.3
Minority interest	2.7	4.1	4.3	5.4	6.4
Total Equity	175.6	197.4	234.8	284.5	343.7

Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24E	FY25F	FY26F
Pre-tax profit	11.0	27.7	46.7	72.4	86.1
Depreciation	3.3	4.1	7.4	11.8	14.6
Changes in working capital	-73.3	27.2	-11.4	-19.4	-5.6
Others	-6.1	-2.5	-6.0	-22.7	-26.9
Operating cash flow	-65.0	56.5	36.7	42.1	68.3
Net capex	-6.1	-137.0	-51.5	-127.1	-95.8
Others	-0.4	0.1	-10.8	0.0	0.0
Investing cash flow	-6.5	-136.9	-62.3	-127.1	-95.8
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	26.4	89.3	52.0	65.8	80.9
Financing cash flow	26.4	89.3	52.0	65.8	80.9
Net cash flow	-45.1	8.9	26.5	-19.1	53.4
Forex	-0.1	-0.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	73.2	28.0	36.8	63.3	44.1
Ending cash	28.0	36.8	63.3	44.1	97.5

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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