

Tan Sue Wen

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Recommendation:	BUY
Current Price:	RM 1.56
Previous Target Price:	N/A
Target Price:	RM 1.95
Upside/Downside:	25.0%

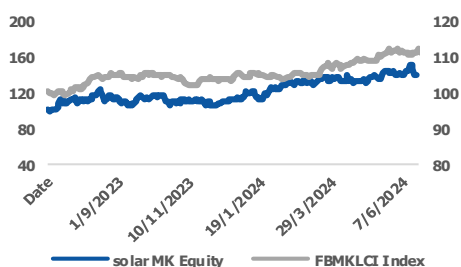
Stock information

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)	1,091.7
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 (%)	-4.3	-0.6	38.9
Relative (%)	-2.6	-4.0	21.4

Solarvest Holdings Berhad

Strengthening Regional Collaboration

Summary

- Collaboration eye **1.0GW** of fresh renewables in Taiwan and Malaysia.
- Currently, holding nearly **2.0 GW** in regional tender amounts, with Taiwan being the second highest.
- We maintain our **BUY** recommendation with an unchanged target price of **RM1.95** by pegging by Sum-of-Parts (SOP) valuation.

Company Update

- **Collaboration details.** On 24 June 2024, Solarvest announced a partnership with GreenRock Energy, a Taiwanese RE player to develop 1.0GW of green energy projects in Taiwan and Malaysia over the next five years. This collaboration includes large-scale agrivoltaic and aquavoltaic projects in Taiwan, targeting a total capacity of 500.0MW. GreenRock Energy specialises in renewable energy generation, battery storage, and trading systems.
- **GreenRock Energy.** We gather that GreenRock Energy has successfully developed 250.0MW of energy storage projects in Taiwan by 2022. In April 2024, GreenRock was further appointed to build a 94.0MW battery energy storage installation in southern Taiwan, valued at AUD2.3m, marking the second-largest project historically.
- **Our view.** Based on the last CGPP's Competitive Bidding Program guidelines, EC strongly encourages solar plants to include a Battery Energy Storage System (BESS) that can support at least one hour of full export capacity. Also, the implementation of TNB 400.0MW BESS pilot project addresses the intermittency issues of RE, further heightening the importance of BESS and setting a precedent for future solar-storage projects. Coupled with the continuing decline in battery storage prices, with the latest update in March at RMB0.43/kWh (-2.3% mom), this trend further supports TNB's efforts in integrating energy storage into the grid in Malaysia.
- We are favorable towards this development as it lays a foundation for future bidding processes and leverages the Taiwanese company's expertise in battery storage systems, aligning with the nation's long-term NETR goals. Channel checks indicate that to achieving NETR's goal of 59.0GW of solar energy by 2050, the development requires approximately 29.5GW of BESS, presenting a substantial market opportunity for Solarvest. As of 4QFY24, the Group's regional tenders stood at 2.0GW, with Taiwan being the second-largest after Indonesia.
- **Valuation.** As this development will take five years to realise, we made no changes to our earnings forecast. We maintained our **BUY** recommendation on Solarvest with a target price of RM1.95.
- **Risk.** Fluctuation in solar module costs. Heavy reliance on government initiatives. Intense market 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)	949.1	
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
<p>Head Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p> <p>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team:</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</p>

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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