

Tan Sue Wen

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Recommendation:	BUY
Current Price:	RM 1.61
Previous Target Price:	RM 1.95
Target Price:	RM 1.94
Upside/Downside:	20.5%

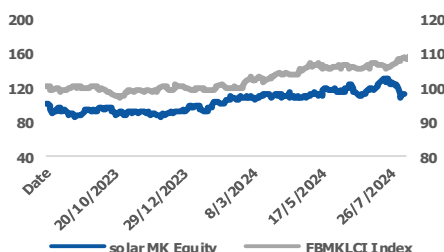
Stock information

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)	703.9
Market Cap (RM' m)	1,133.3
52-Week Price Range (RM)	1.18-1.83
Beta (x)	1.0
Free float (%)	46.1
3M Average Volume (m)	3.4
3M Average Value (RM' m)	5.6

Top 3 Shareholders (%)

Atlantic Blue Hlds Sdn Bhd	22.8
Lim Chin Siu	7.4
Employees Provident Fund Board	7.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-5.3	1.3	20.1
Relative (%)	-3.9	1.6	9.7

Solarvest Holdings Berhad

Beefing up CGPP segment

Summary

- **Secured five CGPAs with two global semiconductor leaders and a leading data center service provider under CGPP totaling 59.98 MW.**
- **We expect most job flows to come from 800.0MW of CGPP, potentially adding close to RM1.0bn to its order book.**
- **Upgraded to BUY recommendation with an unchanged target price of RM1.95 based on Sum-of-Parts (SOP) valuation.**

Company Update

- **CGPP win.** On 9th Aug 24, Solarvest secured five Corporate Green Power Agreements (CGPAs) with two global semiconductor leaders and a leading data center service provider under the CGPP, collectively for the offtake of 59.98MW of solar energy.
- **CGPP details.** To recap, Solarvest secured three solar assets totaling 89.7MW under three different consortiums since Aug 23. This translates to 43.5MW after factoring in effective stake ownership. Targeted tariff ranges between 25-28sen/kWh, which is significantly higher compared to the LSS4 rate of 18-20sen/kWh. The plants are expected to begin construction promptly to meet the tight COD deadline set for the end of CY25.
- **Strong financial backing.** We estimate capex for the plants to be RM66.0m factoring in the effective stake, expected to be financed through a mix of internal funds and equity. On Apr 24, Solarvest proposed a private placement of 6.0% of its base shares, with up to 50.0% of the proceeds allocated to its three CGPP plants. For the equity portion, Solarvest holds RM51.2m in net cash, with a gross gearing ratio of 0.23x (excluding project financing) as of 31st Mar 24, which remains at a manageable level.
- **More jobs in the pipeline.** Over the near term, we expect most job flows to come from 800.0MW of CGPP. Solarvest is tendering for more than half of this capacity, potentially adding close to RM1.0bn to its order book. The Group's tender book stands at 6.1GW (66.0% in Malaysia, 34.0% regionally), including the upcoming 2.0GW LSS5 and an additional 450.0MW under the NEM, which will keep Solarvest busy until 2028. Outstanding orderbook stood at RM242.0m as of 31st Mar 24.
- **Valuation.** Following the recent share price retracement, valuations are turning more attractive and we upgrade our rating to **BUY** on Solarvest, with target price of RM1.94, based on Sum-of-Parts (SOP) valuation. While our earnings estimates remain unchanged, our target price was adjusted to reflect dilution from the warrant and ESOS exercises. We favour Solarvest as a frontrunner poised to benefit from government RE initiatives and its unique in-house solar financing. We believe Solarvest is well-positioned among RE players to capitalise on long-term growth potential from the NETR.
- **Risk.** Reversal in solar module costs. Heavy reliance on government initiatives. Intense market competition.

Financial Highlights
Income Statement

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	175.8	365.5	497.0	658.1	808.7
Gross Profit	34.9	65.0	99.2	138.8	170.7
EBITDA	16.5	35.9	62.5	92.7	112.1
Depreciation & Amortisation	-3.3	-4.1	-7.4	-11.8	-14.6
EBIT	13.1	31.8	55.1	80.9	97.5
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	47.2	72.3	86.0
Tax	-3.6	-7.5	-13.1	-22.6	-26.8
Profit After Tax	7.4	20.2	34.1	49.7	59.2
Minority Interest	0.5	0.5	1.4	1.5	1.5
Net Profit	6.9	19.7	32.6	48.2	57.7
Exceptionals	-0.3	-3.8	-5.3	0.0	0.0
Core Net Profit	7.7	17.0	30.2	51.2	60.6

Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24	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%	6.9%	7.6%	7.3%
NP margin	3.9%	5.4%	6.6%	7.3%	7.1%
Core NP margin	4.4%	4.6%	6.1%	7.8%	7.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	3.9%	10.0%	13.9%	16.9%	16.8%
ROA	2.7%	4.1%	6.3%	6.9%	6.5%
Net gearing	Net Cash	16.4%	25.7%	48.5%	45.9%

Valuation

Sum of Parts (SOP)	Equity Value (RM' m)	Valuation method
EPCC	1397.8	35x FY26F PER
Solar assets	247.4	DCF, WACC = 6.7%
Proceeds from warrants/ESOS	193.6	
SOP Value	1838.8	
Enlarged share base (m share)	952.4	
Fair Value (RM)	1.94	

Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	56.3	72.6	112.9	101.0	162.2
Receivables	88.9	109.8	99.8	120.8	144.9
Inventories	10.9	21.0	13.6	24.4	34.2
Other current assets	65.0	96.7	70.6	120.2	146.8
Total Current Assets	221.1	300.1	296.9	366.3	488.2
PPE	26.5	168.6	215.7	320.4	391.0
Other non-current assets	6.0	5.7	7.8	7.2	7.4
Total Non-current assets	32.5	174.2	223.5	327.6	398.5
Short-term Debt	4.2	17.3	9.5	35.9	48.0
Payables	40.6	108.2	67.1	88.3	127.6
Other Current Liabilities	7.5	39.4	28.3	65.2	78.5
Total Current Liabilities	52.3	165.0	105.0	189.4	254.1
Long-term Debt	2.6	87.5	163.8	203.3	272.0
Other non-current liabilities	23.0	24.4	16.5	16.5	16.5
Total Non-current Liabilities	25.6	111.9	180.3	219.7	288.5
Shareholder's equity	172.9	193.3	230.8	279.0	336.7
Minority interest	2.7	4.1	4.4	5.9	7.3
Total Equity	175.6	197.4	235.2	284.9	344.0

Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	11.0	27.7	47.2	72.3	86.0
Depreciation	3.3	4.1	7.4	11.8	14.6
Changes in working capital	-73.3	27.2	-17.8	-22.7	-8.2
Others	-6.1	-2.5	-6.0	-22.6	-26.8
Operating cash flow	-65.0	56.5	30.8	38.7	65.6
Net capex	-6.1	-137.0	-53.3	-116.5	-85.2
Others	-0.4	0.1	-8.0	0.0	0.0
Investing cash flow	-6.5	-136.9	-61.3	-116.5	-85.2
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	26.4	89.3	54.3	65.8	80.9
Financing cash flow	26.4	89.3	54.3	65.8	80.9
Net cash flow	-45.1	8.9	23.8	-11.9	61.2
Forex	-0.1	-0.1	-0.1	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	73.2	28.0	36.8	60.5	48.6
Ending cash	28.0	36.8	60.5	48.6	109.8

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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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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