

Tan Sue Wen

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Recommendation:	BUY
Current Price:	RM 1.56
Previous Target Price:	RM 1.94
Target Price:	↔ RM 1.94
Upside/Downside:	24.4%

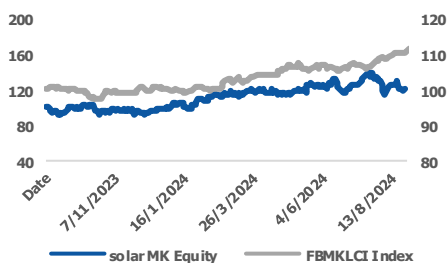
Stock information

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)	705.8
Market Cap (RM' m)	1,101.1
52-Week Price Range (RM)	1.18-1.83
Beta (x)	0.9
Free float (%)	53.2
3M Average Volume (m)	3.2
3M Average Value (RM' m)	5.2

Top 3 Shareholders (%)

Atlantic Blue Hlds Sdn Bhd	21.6
Lim Chin Siu	7.4
Employees Provident Fund Board	7.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-9.3	-5.5	19.1
Relative (%)	-12.9	-9.7	3.0

Solarvest Holdings Berhad

Result in line with expectations

Summary







- **Solarvest reported 1QFY25 core net profit of RM8.1m (-20.1% qoq, +8.4% yoy). We deem the results to be within expectations, constituting 16.8%/17.4% of ours/consensus full-year forecasts.**
- **We anticipate stronger quarters ahead, with the Group tendering for c.RM1bn in potential CGPP work orders.**
- **Maintained our BUY recommendation with an unchanged target price of RM1.94 based on the Sum-of-Parts (SOP) valuation.**

Results Review

- **Within expectations.** Solarvest's 1QFY25 core net profit of RM8.1m was within expectations, despite representing only 16.8% of our FY25F earnings forecast and 17.4% of consensus estimates. We anticipate performance to pick up in coming quarters, supported by potential job awards from the upcoming CGPP programme.
- **QoQ.** Core net profit fell -20.1% qoq, mainly due to weaker PBT contributions from the power supply segment (-51.4% qoq) and others segment (-89.3% qoq), which includes the trade of RECs and project development. Despite this, core profit margin improved to 11.2% from 10.5%, led by better margins in C&I projects as all LSS4 projects reached the tail-end of project cycle.
- **YoY/YTD.** Core net profit increased by +8.4% yoy, thanks to significantly better PBT from the power supply (+408.13% yoy) and a turnaround in others segment to RM0.7m (vs 1QFY24: -RM0.1m). Net margins also improved substantially to 11.2% from 5.2%, driven by the above-mentioned factors.
- **Industry Highlights.** To achieve 70% RE installed capacity, the government is required to consistently roll out an average of 2.2GW/pa of RE capacity. Coupled with the 2GW LSS5, 800MW CGPP, and 400MW NEM along with the recent introduction of CRESS, we estimate these initiatives could create c.RM8bn in job opportunities for EPCC players, including Solarvest, potentially keeping the Group busy until 2028.
- **Outlook.** The Group currently holds an unbilled order book of RM469m, expected to be recognised progressively over FY25F-FY26F. Going forward, we foresee more project awards from CGPP with tenders c.RM1bn in contract value. This is likely to be followed by contributions from the 2GW LSS5, with shortlisted winners expected to be announced in 4Q24. Together with the mentioned solar initiatives, and a robust overseas project pipeline >2GW, this will further cement future orderbook replenishment outlook.
- **Earnings revision.** No changes to our forecasts, as results are deemed in-line with expectations.
- **Valuation.** Maintain **BUY** recommendation and TP of RM1.94, based on Sum-of-Parts (SOP) valuation.

- **Risk.** Reversal in solar module costs. Heavy reliance on government initiatives. Intense market competition.

Figure 1: Results Comparison

FYE Mar (RM m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY25	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	72.7	143.4	(49.3)	96.9	(25.0)	72.7	143.4	(49.3)		Revenue declined due to the completion of LSS4
EBITDA	16.7	11.9	39.7	18.2	(8.4)	16.7	11.9	39.7		
Pre-tax profit	11.3	9.4	19.6	12.4	(8.9)	11.3	9.4	19.6		
Net profit	8.4	6.6	26.8	8.8	(4.7)	8.4	6.6	26.8		
Core net profit	8.1	7.5	8.4	10.2	(20.1)	8.1	7.5	8.4		
Core EPS (sen)	0.2	0.2	8.4	0.3	(20.1)	0.2	0.2	8.4		
EBITDA margin (%)	22.9	8.3		18.8		22.9	8.3			Improved margins driven by a more favorable project
PBT margin (%)	15.5	6.6		12.8		15.5	6.6			
Core PATMI margin (%)	11.2	5.2		10.5		11.2	5.2			

Source: Company, Apex Securities

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	48.2	57.7

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%	7.3%	7.1%
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	193.5	
SOP Value	1838.7	
Enlarged share base (m share)	952.3	
Fair Value (RM)	1.94	

Source: Company, Apex Securities

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	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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