

**Tan Sue Wen**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.58</b>
<b>Previous Target Price:</b>	<b>RM 1.91</b>
<b>Target Price:</b>	<b>RM 1.91</b>
<b>Upside/Downside:</b>	<b>20.9%</b>

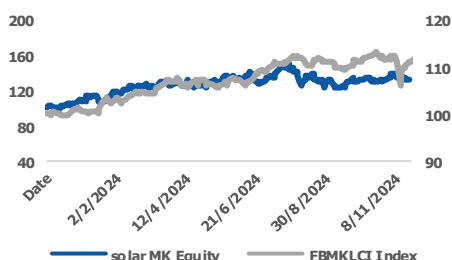
**Stock information**

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)	720.5
Market Cap (RM' m)	1,138.3
52-Week Price Range (RM)	1.2-1.83
Beta (x)	0.8
Free float (%)	52.8
3M Average Volume (m)	1.8
3M Average Value (RM' m)	2.8

**Top 3 Shareholders (%)**

Atlantic Blue Hlds Sdn Bhd	21.2
Employees Provident Fund Board	7.3
Lim Chin Siu	7.3

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-1.3	1.3	25.4
Relative (%)	0.0	3.7	14.1

## Solarvest Holdings Berhad

### Earnings moderated, but margins expanded

#### Summary

- **Solarvest's 6MFY25 core net profit of RM17.1m deemed to meet expectations, despite accounting for only 35.5% of our forecast of RM48.2m and 36.7% of the consensus FY25F earnings forecast of RM46.7m.**
- **We anticipate stronger quarters ahead, with earnings growth emanating from commencement of CGPP projects from 3QFY25 onwards.**
- **Maintained our BUY recommendation with an unchanged target price of RM1.91 based on the Sum-of-Parts (SOP) valuation.**

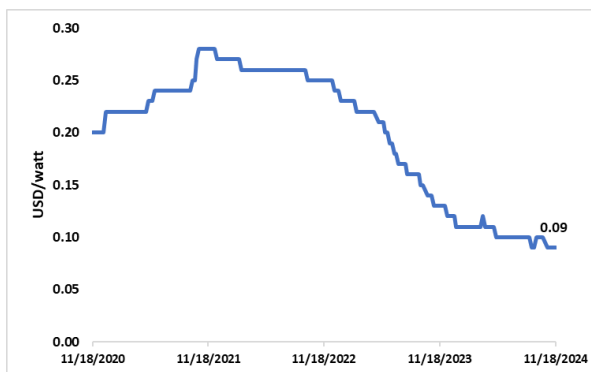
#### Results Review

- **Within expectations.** Solarvest's 6MFY25 core net profit (CNP) of RM17.1m accounted for only 35.5% of our CNP forecast of RM48.2m and 36.7% of consensus FY25F CNP forecast of RM46.7m. We deemed the results to be within expectations, as we anticipate stronger performance in the coming quarters, with earnings emanating from commencement of CGPP projects from 3QFY25 onwards.
- **QoQ.** 2QFY25 CNP rose 11.0% qoq to RM9.0m, in tandem with a 43.0% qoq increase in revenue. The stronger bottom line was primarily driven by growth in the EPCC segment (PBT +55.6% qoq), supported by commencement of some large-scale projects under CGPP. PBT margin improved 0.5%-pts, reflecting a more favorable project mix, with higher proportion of higher-margin C&I projects.
- **YoY/YTD.** CNP rose by 22.8% yoy to RM17.1m, primarily driven by: (i) higher contributions from new LSS4 assets in the power supply division (+68.5% yoy, +163.5% YTD), (ii) cost savings from lower solar modules costs (-41.2% yoy to 0.17 sen/w as of Sept 24), and (iii) the tail-end completion of LSS4 projects which yields lower margins. As a result, the Group's 2QFY25 CNP margin improved to 8.7% from 5.2% in 2QFY24.
- **Outlook.** Over the near term, we expect the Group to secure additional orders from CGPP projects, with an estimated orderbook replenishment of RM750.0m (YTD: RM359.3m). This is likely to be followed by the 2GW LSS5 projects, with shortlisted winners expected to be announced soon. Together with the Government's consistent rollout of ~2.2GW/pa and a robust overseas project pipeline >2GW, solidifies the outlook for future order book replenishment. Currently Solarvest's unbilled order book stands at RM961.0m, equivalent to 1.9x its FY24 revenue of RM497.0m.
- In terms of cost, China's recent announcement to adjust or cancel export tax rebates for various products, including solar PV products (reducing rebates from 13% to 9%), raises concerns about potential increases in overseas prices. We await further clarification in upcoming post-results briefing.
- **Earnings revision.** No change to our earnings forecasts.

- **Valuation.** Maintain **BUY** recommendation and TP of **RM1.91**, based on Sum-of-Parts (SOP) valuation. We believe Solarvest is well-positioned to benefit from government RE initiatives, its unique in-house solar financing, and its status as Malaysia's largest solar EPCC player.
- **Risks.** Escalation in solar module costs. Heavy reliance on government initiatives. Intense market competition.







### Solar module price trend

As of 18<sup>th</sup> Nov, solar module prices experienced a further decline, dropping to USD 0.09/watt from USD 0.10/watt in the previous month.








Source: Bloomberg, Apex Securities

Figure 1: Results Comparison






FYE Mar (RM m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	6MFY25	6MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	103.9	139.9	(25.7)	72.7	43.0	176.6	283.3	(0.4)		QoQ Revenue declined due to the completion of LSS4 projects.
EBITDA	17.5	12.8	36.7	16.7	4.8	34.1	24.7	0.4		
Pre-tax profit	14.9	9.8	52.5	11.3	32.5	26.2	19.2	0.4		
Net profit	9.5	7.2	32.1	8.4	13.3	17.8	13.7	0.3		
Core net profit	9.0	7.3	22.8	8.1	11.0	17.1	14.8	0.2		
Core EPS (sen)	1.1	0.9	22.8	1.0	11.0	2.2	1.9	0.2		
EBITDA margin (%)	16.8	9.1		22.9		19.3	8.7			Improved margins due to benefit of lower prices for solar panels.
PBT margin (%)	14.4	7.0		15.5		14.8	6.8			
Core PATMI margin (%)	8.7	5.2		11.2		9.7	5.2			

Source: Company, Apex Securities

Figure 2 & 3: Revenue, PBT Breakdowns & Margins

FYE Mar (RM m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	6MFY25	6MFY24	YoY (%)	5 Quarters Trend	Comments
<b>Revenue Breakdown</b>										
EPCC	114.1	158.7	(28.1)	71.6	59.3	185.8	313.4	(40.7)		QoQ lower revenue due to absent recognition of large-scale solar projects.
O&M	4.4	1.9	135.1	2.5	79.9	6.9	4.0	70.8		
Power Supply	7.0	1.8	293.3	6.6	6.9	13.6	2.5	444.2		
Others	5.2	0.6		4.6		9.8	1.0			
Adjustment	(26.8)	(23.1)		(12.6)		(39.4)	(37.6)			
<b>Total</b>	<b>103.9</b>	<b>139.9</b>	<b>(25.7)</b>	<b>72.7</b>	<b>43.0</b>	<b>176.6</b>	<b>283.3</b>	<b>(37.7)</b>		

Source: Company, Apex Securities

<b>Profit Before Tax (PBT) Breakdown</b>										
EPCC	13.2	8.8	51.0	8.5	55.6	21.7	17.7	23.2		Improved margins driven by project mix, lower solar panel prices, and COD solar assets.
O&M	0.5	0.3	44.5	0.5	(4.0)	1.0	1.0	2.8		
Power Supply	2.0	1.2	68.5	2.3	(14.7)	4.3	1.6	163.5		
Others	(1.5)	0.2		0.7		(0.8)	0.2			
Adjustment	0.7	(0.7)	(197.0)	(0.7)	(200.0)	-	(1.2)			
<b>Total</b>	<b>14.9</b>	<b>9.8</b>	<b>52.5</b>	<b>11.3</b>	<b>32.5</b>	<b>26.2</b>	<b>19.2</b>	<b>36.4</b>		

<b>PBT margin (%)</b>										
EPCC	11.6%	5.5%		11.9%		11.7%	5.6%			
O&M	11.0%	17.8%		20.5%		14.4%	23.9%			
Power Supply	28.1%	65.7%		35.2%		31.6%	65.2%			
Others	-28.5%	40.2%		14.3%		-8.4%	17.2%			
Adjustment										
<b>Total</b>	<b>14.4%</b>	<b>7.0%</b>		<b>15.5%</b>		<b>14.8%</b>	<b>6.8%</b>			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>175.8</b>	<b>365.5</b>	<b>497.0</b>	<b>658.1</b>	<b>808.7</b>
<b>Gross Profit</b>	<b>34.9</b>	<b>65.0</b>	<b>99.2</b>	<b>138.8</b>	<b>170.7</b>
<b>EBITDA</b>	<b>16.5</b>	<b>35.9</b>	<b>62.5</b>	<b>92.7</b>	<b>112.1</b>
Depreciation & Amortisation	-3.3	-4.1	-7.4	-11.8	-14.6
<b>EBIT</b>	<b>13.1</b>	<b>31.8</b>	<b>55.1</b>	<b>80.9</b>	<b>97.5</b>
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
<b>Pre-tax Profit</b>	<b>11.0</b>	<b>27.7</b>	<b>47.2</b>	<b>72.3</b>	<b>86.0</b>
Tax	-3.6	-7.5	-13.1	-22.6	-26.8
<b>Profit After Tax</b>	<b>7.4</b>	<b>20.2</b>	<b>34.1</b>	<b>49.7</b>	<b>59.2</b>
Minority Interest	0.5	0.5	1.4	1.5	1.5
<b>Net Profit</b>	<b>6.9</b>	<b>19.7</b>	<b>32.6</b>	<b>48.2</b>	<b>57.7</b>
Exceptionals	-0.3	-3.8	-5.3	0.0	0.0
<b>Core Net Profit</b>	<b>7.7</b>	<b>17.0</b>	<b>30.2</b>	<b>48.2</b>	<b>57.7</b>

**Key Ratios**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	162.4	56.0	32.3	22.1	18.6
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	185.9	
SOP Value	1831.1	
Enlarged share base (m share)	962.1	
<b>Fair Value (RM)</b>	<b>1.91</b>	

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
<b>Total Current Assets</b>	<b>221.1</b>	<b>300.1</b>	<b>296.9</b>	<b>366.3</b>	<b>488.2</b>
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
<b>Total Non-current assets</b>	<b>32.5</b>	<b>174.2</b>	<b>223.5</b>	<b>327.6</b>	<b>398.5</b>
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
<b>Total Current Liabilities</b>	<b>52.3</b>	<b>165.0</b>	<b>105.0</b>	<b>189.4</b>	<b>254.1</b>
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
<b>Total Non-current Liabilities</b>	<b>25.6</b>	<b>111.9</b>	<b>180.3</b>	<b>219.7</b>	<b>288.5</b>
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
<b>Total Equity</b>	<b>175.6</b>	<b>197.4</b>	<b>235.2</b>	<b>284.9</b>	<b>344.0</b>

**Cash Flow**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>11.0</b>	<b>27.7</b>	<b>47.2</b>	<b>72.3</b>	<b>86.0</b>
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
<b>Operating cash flow</b>	<b>-65.0</b>	<b>56.5</b>	<b>30.8</b>	<b>38.7</b>	<b>65.6</b>
Net capex	-6.1	-137.0	-53.3	-116.5	-85.2
Others	-0.4	0.1	-8.0	0.0	0.0
<b>Investing cash flow</b>	<b>-6.5</b>	<b>-136.9</b>	<b>-61.3</b>	<b>-116.5</b>	<b>-85.2</b>
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	26.4	89.3	54.3	65.8	80.9
<b>Financing cash flow</b>	<b>26.4</b>	<b>89.3</b>	<b>54.3</b>	<b>65.8</b>	<b>80.9</b>
<b>Net cash flow</b>	<b>-45.1</b>	<b>8.9</b>	<b>23.8</b>	<b>-11.9</b>	<b>61.2</b>
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
<b>Ending cash</b>	<b>28.0</b>	<b>36.8</b>	<b>60.5</b>	<b>48.6</b>	<b>109.8</b>

### APEX SECURITIES BERHAD – CONTACT LIST

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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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