

**Tan Sue Wen**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.59</b>
<b>Previous Target Price:</b>	<b>RM 1.91</b>
<b>Target Price:</b>	<b>RM 1.98</b> <span style="color: green;">↑</span>
<b>Upside/Downside:</b>	<b>24.5%</b>

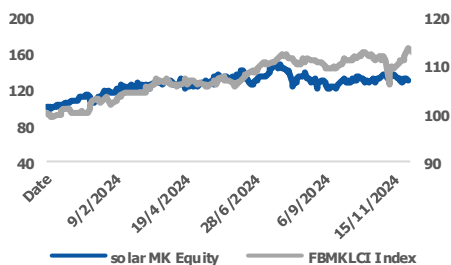
**Stock information**

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)	721.8
Market Cap (RM' m)	1,147.7
52-Week Price Range (RM)	1.2-1.83
Beta (x)	0.9
Free float (%)	52.9
3M Average Volume (m)	1.7
3M Average Value (RM' m)	2.7

**Top 3 Shareholders (%)**

Atlantic Blue Hlds Sdn Bhd	21.2
Lim Chin Siu	7.2
Employees Provident Fund Board	7.0

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-3.0	0.0	30.3
Relative (%)	-2.5	3.9	17.7

## Solarvest Holdings Berhad

### Acquiring a Stake in SIW Manufacturing

#### Summary

- **Solarvest is acquiring a 30% stake in SIW Manufacturing for RM36.0m, with a profit guarantee of RM30.0m for up to two financial years.**
- **We expect the acquisition to be immediately earnings accretive and have revised our earnings forecasts by +1.2%/+5.0% for FY25F-FY26F.**
- **Maintain BUY recommendation with a revised target price of RM1.98, based on SOP valuation.**

#### Company Update

- **Acquisition details.** Solarvest entered into a Share Sale Agreement (SSA) to acquire 30.0% stake in SIW Manufacturing Sdn Bhd for RM36.0m. SIW Manufacturing is a Singapore-based company principally involved in the manufacturing of waste gas abatement machines and gas system-related modules and components for the semiconductor industry. The deal is targeted to be completed upon the payment of the first tranche payment, which is scheduled by Dec 2024. The acquisition includes an Aggregated Profit Guarantee of RM14.0m for FY25F and RM16.0m for FY26F. The financing structure will be a combination of sources. Assuming 80% of the acquisition is financed through external borrowings, this is expected to increase the Group's FY25F net gearing from 0.17x to 0.26x.
- **Rationale of the acquisition.** The acquisition will allow Solarvest to expand its footprint in clean energy and diversify its revenue streams. Based on SIW Manufacturing's FY23 net profit of RM13.0m, Solarvest's acquisition of a 30.0% stake translates into a historical P/E of 9.2x. In comparison, the profit guarantees would translate into a forward P/E of 8.6x/7.5x for FY24F/FY25F respectively. We believe the acquisition deemed to be fair, considering the strong historical financial track record of having delivered two-year CAGR of 105.3% in net profit and double-digit margins.
- **Earnings revision.** We have raised our FY25F/FY26F earnings by +1.2%/+5.0%, assuming associate contribution of 30.0% stake from the profit guarantee of RM14.0m/RM16.0m for FY25F/FY26F respectively.
- **Valuation.** We maintain our **BUY** recommendation with a revised TP of **RM1.98** (from RM1.91) based on sum-of-parts (SOP). 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.
- **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
<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	-8.8	-12.0
Associates & JV	0.0	0.0	0.0	1.1	4.8
<b>Pre-tax Profit</b>	<b>11.0</b>	<b>27.7</b>	<b>47.2</b>	<b>73.1</b>	<b>90.2</b>
Tax	-3.6	-7.5	-13.1	-22.9	-28.2
<b>Profit After Tax</b>	<b>7.4</b>	<b>20.2</b>	<b>34.1</b>	<b>50.3</b>	<b>62.1</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>48.8</b>	<b>60.6</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>48.8</b>	<b>60.6</b>

**Key Ratios**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	157.4	54.3	31.3	21.2	17.2
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%	11.1%	11.2%
PAT margin	4.2%	5.5%	6.9%	7.6%	7.7%
NP margin	3.9%	5.4%	6.6%	7.4%	7.5%
Core NP margin	4.4%	4.6%	6.1%	7.4%	7.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	3.9%	10.0%	13.9%	17.1%	17.4%
ROA	2.7%	4.1%	6.3%	7.0%	6.7%
Net gearing	Net Cash	16.4%	25.7%	48.2%	44.4%

**Valuation**

Sum of Parts (SOP)	Equity Value (RM' m)	Valuation method
EPCC	1469.1	35x FY26F PER
Solar assets	247.4	DCF, WACC = 6.7%
Proceeds from warrants/ESOS	185.9	
SOP Value	1902.4	
Enlarged share base (m share)	962.1	
<b>Fair Value (RM)</b>	<b>1.98</b>	

Source: Company, Apex Securities

**Balance Sheet**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	56.3	72.6	112.9	108.1	180.4
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>373.5</b>	<b>506.3</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	36.9	50.2
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>190.4</b>	<b>256.3</b>
Long-term Debt	2.6	87.5	163.8	208.9	284.5
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>225.3</b>	<b>300.9</b>
Shareholder's equity	172.9	193.3	230.8	279.6	340.2
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>285.4</b>	<b>347.5</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>73.1</b>	<b>90.2</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	-22.9	-28.2
<b>Operating cash flow</b>	<b>-65.0</b>	<b>56.5</b>	<b>30.8</b>	<b>39.3</b>	<b>68.5</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	72.4	89.0
<b>Financing cash flow</b>	<b>26.4</b>	<b>89.3</b>	<b>54.3</b>	<b>72.4</b>	<b>89.0</b>
<b>Net cash flow</b>	<b>-45.1</b>	<b>8.9</b>	<b>23.8</b>	<b>-4.8</b>	<b>72.3</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	55.7
<b>Ending cash</b>	<b>28.0</b>	<b>36.8</b>	<b>60.5</b>	<b>55.7</b>	<b>128.0</b>

**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

**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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