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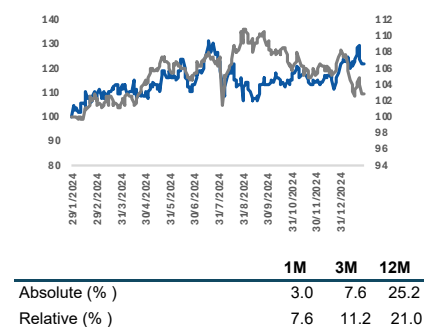
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Recommendation:	BUY
Current Price:	RM 1.69
Previous Target Price:	RM 1.98
Target Price:	RM 2.00 ↑
Capital Upside/Downside:	18.3%
Dividend Yield (%):	0.0%
Total Upside/Downside:	18.3%

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0215 / SOLAR MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	723.9
Market Cap (RM' m)	1,223.4
52-Week Price Range (RM)	1.83-1.36
Beta (x)	0.8
Free float (%)	53.0
3M Average Volume (m)	1.8
3M Average Value (RM' m)	3.0

Top 3 Shareholders	(%)
Atlantic Blue Hlds Sdn Bhd	21.1
Lim Chin Siu	7.2
Tan Chyi Boon	6.7

Share Price Performance



Solarvest Holdings Berhad

Acquiring a Stake in Kee Ming Electrical

Executive Summary

- Solarvest is acquiring a 30% stake in KMESB for RM15.3m, with a profit guarantee of RM6m/RM7m/RM7m for up to three financial years.
- We expect the acquisition to be earnings accretive and have revised our earnings forecasts by +2.1%/+5.9% for FY25F-FY26F.
- Maintain BUY recommendation with a revised target price of RM2.00, based on a sum-of-parts (SOP) valuation, and appraised with a three-star ESG rating.

Acquisition details. Solarvest has entered into a Share Sale Agreement (SSA) with Mr. Liew Kar Hoe and Mr. Liew Kar Wai to acquire 30.0% equity interest in Kee Ming Electrical Sdn Bhd (KMESB) for a cash consideration of RM15.3m. KMESB engages in the provision of mechanical and electrical engineering solutions. The acquisition is expected to be completed in 1QCY25 and includes a profit guarantee of RM6m for FY25, RM7m for FY26 and RM7m for FY27 (Figure 1). Acquisition will be funded through a combination of internally generated funds and debt financing. Assuming that 80% of the acquisition is financed via external borrowings, the Group's FY25F net gearing is projected to increase from 0.26x to 0.58x, which is still deemed manageable in our view.

Figure 1: Profit Guarantees for KMESB

FYE Mar	Minimum PAT (RM'm)	Implied P/E multiple
2025	6.0	8.5x
2026	7.0	7.3x
2027	7.0	7.3x

Source: Company

Our Take. We are positive on the acquisition as it will allow Solarvest to diversify its earnings stream. Based on KMESB's FY24 net profit of RM6.1m, Solarvest's acquisition of a 30.0% stake translates into a historical P/E of 8.4x. Meanwhile, the profit guarantees would translate into a forward P/E of 8.5x/7.3x/7.3x for FY25F/FY26F/FY27F respectively. Based on our rough estimate, KMESB's unbilled orderbook is c.RM100m, representing 2.6x the KMESB's FY24 revenue (Figure 2). In light of KMESB's strong historical financial performance, including a two-year CAGR of 43% in net profit and double-digit margins, we consider the acquisition to be fair and well-justified, particularly in comparison of peers that are trading at c.13x forward P/E.

Figure 2: Estimates unbilled orderbook for KMESB

No Ongoing Projects	Unbilled Orderbook (RM'm)	Completion Date
1 Proposal to build a warehouse located in Pulau Pinang.	72.68	Oct-25
2 Application for the proposal to construct a 4-storey factory building in Perak.	19.28	Dec-25
3 Electrical proposal for a landed strata housing development in Selangor.	8.07	Dec-26
	100.03	

Source: Company

Earnings revision. We have raised our FY25F/FY26F core earnings higher by +2.1%/+5.9%, assuming that the acquisition is completed by the end of Feb 2025 and associate contribution of 30% stake from the profit guarantee of RM6m/RM7m for FY25F/FY26F respectively.

Valuation. Following the earnings revision, we maintain our **BUY** recommendation with a revised TP of **RM2.00** (from RM1.98) based on sum-of-parts (SOP) and appraised with three-star ESG rating. 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. Increase 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	-9.0	-11.9
Associates & JV	0.0	0.0	0.0	2.9	6.9
Pre-tax Profit	11.0	27.7	47.2	74.8	92.5
Tax	-3.6	-7.5	-13.1	-22.6	-26.8
Profit After Tax	7.4	20.2	34.1	52.2	65.7
Minority Interest	0.5	0.5	1.4	1.5	1.5
Net Profit	6.9	19.7	32.6	50.7	64.2
Exceptionals	0.3	-3.8	-5.3	0.0	0.0
Core Net Profit	6.6	23.4	37.9	50.7	64.2

Key Ratios

FYE Sep	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	0.9	3.2	5.2	7.0	8.9
P/E (x)	184.0	52.2	32.3	24.1	19.1
P/B (x)	7.0	6.2	5.2	4.3	3.5
EV/EBITDA (x)	77.5	33.3	18.7	11.5	9.4
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
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%	11.4%	11.4%
PAT margin (%)	4.2%	5.5%	6.9%	7.9%	8.1%
NP margin (%)	3.9%	5.4%	6.6%	7.7%	7.9%
CNP margin (%)	3.8%	6.4%	7.6%	7.7%	7.9%
ROE (%)	3.8%	11.9%	16.1%	17.7%	18.2%
ROA (%)	2.6%	4.9%	7.3%	7.0%	6.9%
Gearing (%)	3.9%	53.1%	73.7%	86.9%	93.7%
Net gearing (%)	Net Cash	16.4%	25.7%	58.1%	51.0%

Valuations	Equity Value (RM' m)	Valuation method
EPCC	1389.07	35x FY26F PER
Associates	69.00	10x FY26F PER
Solar assets	247.38	Ke = 9.6%
Proceeds from warrants/ESOS	190.53	
SOP Value	1895.98	
Enlarged share base (m share)	946.50	
Fair Value (RM)	2.00	
ESG premium/discount	0.0%	
Implied Fair Value (RM)	2.00	

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	56.3	72.6	112.9	82.9	150.7
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	348.3	476.6
Fixed Assets	26.5	168.6	215.7	320.4	391.0
Intangibles	0.2	0.1	0.0	0.0	0.0
Other non-current assets	5.9	5.6	7.8	58.5	58.7
Total Non-Current Assets	32.5	174.2	223.5	378.9	449.8
Short-term debt	4.2	17.3	9.5	37.5	49.6
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	191.0	255.7
Long-term debt	2.6	87.5	163.8	212.4	281.1
Other non-current liabilities	23.0	24.4	16.5	36.5	36.5
Total Non-Current Liabilities	25.6	111.9	180.3	248.8	317.6
Shareholder's equity	172.9	193.3	230.8	281.5	345.7
Minority interest	2.7	4.1	4.4	5.9	7.3
Total Equity	175.6	197.4	235.2	287.4	353.1

Cash Flow

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	11.0	27.7	47.2	74.8	92.5
Depreciation & amortisation	-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	0.6	5.7	8.7	1.0	2.4
Operating cash flow	-65.0	56.5	30.8	41.2	72.1
Capex	-6.1	-137.0	-53.3	-116.5	-85.2
Others	-0.4	0.1	-8.0	-51.3	0.0
Investing cash flow	-6.5	-136.9	-61.3	-167.8	-85.2
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	26.4	89.3	54.3	96.5	80.9
Financing cash flow	26.4	89.3	54.3	96.5	80.9
Net cash flow	-45.1	8.9	23.8	-30.0	67.8
Forex	0.0	0.0	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	60.5	30.5
Ending cash	28.1	36.9	60.6	30.5	98.3

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Emission intensity ratios were reduced to 0.60x from 0.64x in 2024 for Scope 1, and to 0.43x from 0.65x for Scope 2.
Waste & Effluent	★★★	3R (Reduce, Reuse, Recycle) initiative was implemented, with 3R bins placed in each office.
Energy	★★	Energy consumption increased by 27% in fuel for FY24, while electricity consumption was reduced by 11.6%.
Water	★★★	Water consumption intensity decreased by 43.8%, from 0.0064m ³ in the previous year to 0.0036m ³ .
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★★	Female representation stands at 19.7% in the workforce and 30% at the management level, meeting the MCGG's recommendation of 30% female directors on the Board.
Human Rights	★★★	Enforces strict policies against human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★	A total of 6,474 hours of training have been conducted. No fatalities, with a reduction in the total recordable incident rate (TRIR) to 0, from 1 case last year.
Labour Practices	★★★	Adheres to all relevant labor laws.

Governance

CSR Strategy	★★★	Actively engaged with communities, contributing RM58,494 to various initiatives.
Management	★★★	Among the board members, 30% (2 out of 6) were female, while 60% (6 out of 10) were independent directors.
Stakeholders	★★★	Regularly organizes corporate events and holds an annual general meeting (AGM) for investors.

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.