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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 1.66
Previous Target Price:	RM 2.00
Target Price:	RM 2.03 <span style="color: green;">↑</span>
Capital Upside/Downside:	22.3%
Dividend Yield (%):	0.0%
<b>Total Upside/Downside:</b>	<b>22.3%</b>

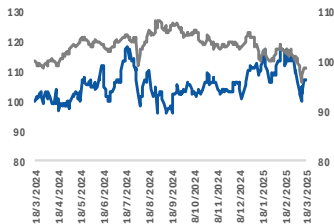
**Stock information**

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0215 / SOLARMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	737.9
Market Cap (RM' m)	1,224.8
52-Week Price Range (RM)	1.83-1.44
Beta (x)	0.8
Free float (%)	51.1
3M Average Volume (m)	2.1
3M Average Value (RM' m)	3.5

**Top 3 Shareholders (%)**

Atlantic Blue Hlds Sdn Bhd	20.7
Lim Chin Siu	7.1
Tan Chyi Boon	6.6

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-4.6	3.7	7.1
Relative (%)	-0.8	8.8	8.4

# Solarvest Holdings Berhad

## Secures 60MWac Solar PPA with TNB

### Executive Summary

- **60%-owned subsidiary entered into a 21-year PPA with TNB to supply electricity from a 60MWac solar facility, with COD expected by early Oct 2027.**
- **We view this PPA positively, as it aligns with Solarvest's goal of achieving 30% recurring income (3% as of 9MFY25) of its annual revenue, in line with its 5-year strategic roadmap.**
- **Maintain BUY recommendation with a higher target price of RM2.03 (from RM2.00), based on a sum-of-parts (SOP) valuation, and appraised with a three-star ESG rating.**

**Secures 60MWac PPA.** SLVEST's 60%-owned subsidiary, Nextree Synergy, entered into a 21-year Power Purchase Agreement (PPA) with Tenaga Nasional Berhad (TNB) to supply electricity from a 60MWac solar facility. The plant is expected to reach COD by early Oct 2027 (Q2FY28).

**Our Take.** By applying the rule of thumb of RM2.2m/MWac, based on solar module prices hovering at a historic low of USD0.09/watt, the estimated potential capex for the 60MWac plant is c.RM130m. Assuming an 80:20 debt-to-equity financing structure, and with industry estimates placing bid tariffs between 13 sen/kWh to 16 sen/kWh, the project is expected to deliver a high-single-digit IRR. We expect the project to generate RM2-3m/year in PATMI for the Group. As of 31 Dec 2024, Solarvest's gearing ratio stands at 0.69x, we do not foresee any major issues in securing financing.

**Outlook.** We view this PPA positively, as it aligns with Solarvest's goal of achieving 30% recurring income (3% as of 9MFY25) of its annual revenue, as outlined in its 5-year strategic roadmap. To hit the 1GWac target in solar assets (up from the current c.300MWac), solar farms will remain a key driver in scaling this target. Over the near-term, we expect a portion of this to come from the LSS5+ program, given the tight bid submission window. With RM950m available under the Sukuk Wakalah Programme which is able to finance up to c.400MWac of solar farm projects (assuming land lease), we believe solar farm expansion remains achievable.

**Earnings revision.** Earnings forecast remains unchanged, with contribution expected to begin in Q2FY28, outside the forecasted period.

**Valuation.** We maintain our **BUY** recommendation with a higher **TP** of **RM2.03** (from RM2.00), reflecting 60% of the 60MWac solar project, based on sum-of-parts (SOP) valuation and appraised with three-star ESG rating. We believe Solarvest is well-positioned to benefit from government RE initiatives, leverage its unique in-house solar financing, and capitalise on its status as Malaysia's largest solar EPCC player.

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

### Earnings Summary

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	175.8	365.5	497.0	658.1	808.7
EBITDA	16.5	35.9	62.5	92.7	112.1
Pre-tax profit	11.0	27.7	47.2	74.8	92.5
Net profit	6.9	19.7	32.6	50.7	64.2
Core net profit	6.6	15.9	34.9	50.7	64.2
Core EPS (sen)	0.9	2.2	4.8	7.0	8.8
P/E (x)	18.9	76.2	34.7	23.8	18.8
P/B (x)	6.9	6.1	5.1	4.2	3.4
EV/EBITDA (x)	76.7	32.9	18.5	11.3	9.2
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net Gearing (%)	Net Cash	16.4%	25.7%	58.1%	51.0%

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	-9.0	-11.9
Associates & JV	0.0	0.0	0.0	2.9	6.9
<b>Pre-tax Profit</b>	<b>11.0</b>	<b>27.7</b>	<b>47.2</b>	<b>74.8</b>	<b>92.5</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>52.2</b>	<b>65.7</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>50.7</b>	<b>64.2</b>
Exceptionals	0.3	3.8	-2.2	0.0	0.0
<b>Core Net Profit</b>	<b>6.6</b>	<b>15.9</b>	<b>34.9</b>	<b>50.7</b>	<b>64.2</b>

### Key Ratios

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	0.9	2.2	4.8	7.0	8.8
P/E(x)	181.9	76.2	34.7	23.8	18.8
P/B(x)	6.9	6.1	5.1	4.2	3.4
EV/EBITDA(x)	76.7	32.9	18.5	11.3	9.2
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%	4.3%	7.0%	7.7%	7.9%
ROE(%)	3.8%	8.0%	14.8%	17.7%	18.2%
ROA (%)	2.6%	3.3%	6.7%	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	1388.26	35x FY26F PER
Associates	69.00	10x FY26F PER
Solar assets	275.61	Ke=9.6%
Proceeds from warrant s/ ESOS	190.53	
SOP Value	1923.39	
Enlarged share base (m share)	946.50	
<b>Fair Value (RM)</b>	<b>2.03</b>	
ESG premium/ discount	0.0%	
<b>Implied Fair Value (RM)</b>	<b>2.03</b>	

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
<b>Total Current Assets</b>	<b>221.1</b>	<b>300.1</b>	<b>296.9</b>	<b>348.2</b>	<b>476.6</b>
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
<b>Total Non-Current Assets</b>	<b>32.5</b>	<b>174.2</b>	<b>223.5</b>	<b>378.9</b>	<b>449.8</b>
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
<b>Total Current Liabilities</b>	<b>52.3</b>	<b>165.0</b>	<b>105.0</b>	<b>191.0</b>	<b>255.8</b>
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
<b>Total Non-Current Liabilities</b>	<b>25.6</b>	<b>111.9</b>	<b>180.3</b>	<b>248.8</b>	<b>317.6</b>
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
<b>Total Equity</b>	<b>175.6</b>	<b>197.4</b>	<b>235.2</b>	<b>287.4</b>	<b>353.1</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>74.8</b>	<b>92.5</b>
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	-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>41.2</b>	<b>72.1</b>
Capex	-6.1	-137.0	-53.3	-116.5	-85.2
Others	-0.4	0.1	-8.0	-51.3	0.0
<b>Investing cash flow</b>	<b>-6.5</b>	<b>###</b>	<b>-61.3</b>	<b>-167.8</b>	<b>-85.2</b>
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	26.4	89.3	54.3	96.5	80.9
<b>Financing cash flow</b>	<b>26.4</b>	<b>89.3</b>	<b>54.3</b>	<b>96.5</b>	<b>80.9</b>
<b>Net cash flow</b>	<b>-45.1</b>	<b>8.9</b>	<b>23.8</b>	<b>-30.0</b>	<b>67.8</b>
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
<b>Ending cash</b>	<b>28.1</b>	<b>36.9</b>	<b>60.6</b>	<b>30.5</b>	<b>98.3</b>

## 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 <sup>3</sup> in the previous year to 0.0036m <sup>3</sup> .
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 MCCG'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.