

SOLARVEST HOLDINGS

(SOLAR MK, SOLA.KL)

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Margin dipped in 2QFY26

Company Report

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03-2036 2305*Rationale for report: Company Results***HOLD**

(Maintained)

Price	RM3.13
Target Price	RM2.87
52-week High/Low	RM3.25/RM1.52

Key Changes

Target Price	●
EPS	●

YE to Mar	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	536.8	724.9	1,020.2	1,213.5
Core net profit (RM mil)	51.9	72.6	103.4	122.9
FD Core EPS (sen)	6.6	7.2	10.1	11.9
FD Core EPS growth (%)	51.1	8.0	42.4	18.9
Consensus Net Profit (RM mil)		75.8	98.6	131.5
DPS (sen)	0.0	0.0	0.0	0.0
FD PE (x)	47.6	43.5	31.0	26.2
EV/EBITDA (x)	31.7	32.5	25.1	21.2
Div yield (%)	0.0	0.0	0.0	0.0
ROE (%)	17.7	18.2	21.2	20.5
Net Gearing (%)	55.6	56.0	53.8	44.1

Stock and Financial Data

Shares Outstanding (million)	938.7
Market Cap (RMmil)	2,938.1
Book Value (RM/Share)	0.53
P/BV (x)	5.9
ROE (%)	17.7
Net Gearing (%)	55.3

Major Shareholders	Atlantic Blue Holdings (20.2%) LTH (3.3%)
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Free Float	78.4
Avg Daily Value (RMmil)	10.4

Price performance	3mth	6mth	12mth
Absolute (%)	+0.7	+87.7	+95.7
Relative (%)	+23.9	+77.5	+92.6

Investment Highlights

We believe that Solarvest's PE is expensive at 31x fully diluted FY27F earnings. We have raised Solarvest's share base by 10% to 938.7mil shares to account for the placement of 84.7mil new shares. Although the group's unbilled order book of RM1.3bil is at a record high, we think that operating profit margins may be squeezed by the rising cost of solar panels and potential imposition of the 6% sales tax in 2026F. Hence, we maintain HOLD on Solarvest with a target price of RM2.87/share.

- **HOLD with a higher TP of RM2.87/share vs. RM2.40/share previously.** Our TP of RM2.87/share is based on a CY27F PE of 25x, which is one SD above the five-year PE of 23x. This is to account for the group's 30% market share in the solar EPCC industry in Malaysia.
- **Solarvest's 1HFY26 net profit was 10% above our forecast but within consensus.** Solarvest exceeded our expectations due to a stronger-than-order book. We have raised Solarvest's FY26F net profit by 10.3% and FY27F net earnings by 13.8% to account for this. The group's unbilled order book is expected to rise to RM2bil by the end of this year on the back of contracts for LSS 5+ projects.
- **Earnings would be driven by LSS 5 and CGPP (corporate green power programme) projects.** About 42% of Solarvest's order book are estimated to be LSS 5 projects while another 35% are CGPP. The balance 23% are rooftop solar projects for residential, commercial and industrial customers.
- **EBITDA margin of the EPCC division dipped to 17.5% in 2QFY26 from 18.1% in 1QFY26.** We attribute this to higher costs of wages and solar panels. According to Bloomberg, the price of polysilicon, which is used to make solar panels, has increased by more than 30% since the middle of July 2025.
- **Higher sales of electricity in 2QFY26.** EBITDA of the RE generation division expanded to RM7.6mil in 2QFY26 from RM6.9mil in 1QFY26 due to increased sales volume of electricity. Comparing 1HFY26 against 1HFY25, EBITDA rose by 28.4% to RM14.5mil due to the commissioning of the 67.3MWp LSS 4 projects in Selangor and Perak.



Company profile

Solarvest is involved in solar EPCC activities and sale of electricity.

About 75% of Solarvest's FY25 EBIT came from the solar EPCC division while another 20% came from the sale of electricity unit. O&M (Operations and maintenance) and investment holding division accounted for the balance 5% of EBIT.

Solarvest's solar EPCC customers include corporates such as LBS Bina and Petronas. The group sells electricity to Tenaga Nasional (TNB) from its LSS (large scale solar) assets.

Solarvest's operations are mainly in Malaysia. The group also has presence in Brunei, the Philippines and Taiwan.

Solarvest's competitive advantage lies in its established track record and size. Due to its proven track record in completing and delivering projects on time, the group's chances of securing solar EPCC projects are positive.

Investment thesis and catalysts

We have a HOLD on Solarvest as its FY27F fully diluted PE of 31x is expensive.

Share price catalysts are stronger-than-expected earnings and award of EPCC projects.

Valuation methodology

We applied a fully diluted CY27F PE of 25x to arrive at Solarvest's target price of RM2.87. The PE of 25x is one SD above the five-year average of 23x. This is to account for the group's 30% market share in the solar EPCC industry in Malaysia.

Risk factors

As Solarvest depends on the Government's RE schemes such as LSS and CGPP to secure projects, the group would be affected if the government no longer introduces such initiatives.

Another key risk is a rise in the cost of solar panels as this accounts for more than 70% of production costs.

EXHIBIT 1: VALUATIONS

Target PE (x)	25
CY27F fully diluted EPS	11.5 (from 10.4 sen)
ESG premium	-
12-month target price	2.87 (from RM2.40)

EXHIBIT 2: EARNINGS SUMMARY

	1HFY25	1HFY26	YoY	1QFY26	2QFY26	QoQ
Revenue	176.6	307.2	74.0%	137.7	169.5	23.0%
Cost of sales	(121.3)	(218.8)	80.3%	(97.3)	(121.5)	24.9%
Gross profit	55.2	88.4	60.1%	40.5	48.0	18.6%
Other income	1.8	2.6	45.9%	0.9	1.7	88.0%
Admin expenses	(24.4)	(32.9)	34.8%	(14.6)	(18.2)	24.6%
Sales and distribution expenses	(1.4)	(2.6)	85.9%	(1.3)	(1.3)	-1.1%
EBIT	31.3	55.6	77.9%	25.4	30.2	18.6%
Finance costs	(5.1)	(8.0)	58.7%	(4.0)	(4.0)	-0.6%
Share of profits in associate	0.0	1.3	>100	0.7	0.7	-3.3%
Pre-tax profit	26.2	48.9	86.6%	22.1	26.8	21.4%
Taxation	(8.4)	(13.3)	58.0%	(5.8)	(7.4)	27.6%
Minority interest	(0.8)	(1.0)	32.0%	(0.4)	(0.6)	71.4%
Net profit	17.0	34.6	>100	15.9	18.7	18.0%
	176.6	307.2	74.0%	137.7	169.5	23.0%
EPS	(121.3)	(218.8)	80.3%	(97.3)	(121.5)	24.9%
FD EPS	55.2	88.4	60.1%	40.5	48.0	18.6%
Gross DPS	1.8	2.6	45.9%	0.9	1.7	88.0%
Effect tax rate	(24.4)	(32.9)	34.8%	(14.6)	(18.2)	24.6%
GP margin	(1.4)	(2.6)	85.9%	(1.3)	(1.3)	-1.1%

Source: Bursa Announcement

EXHIBIT 3: CHANGE IN EARNINGS

RMmil	FY26F			FY27F			FY28F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	656.0	724.9	10.5	891.6	1020.2	14.4	978.8	1213.5	24.0
Net earnings	65.8	72.6	10.3	90.9	103.4	13.8	100.5	122.9	22.3

EXHIBIT 4: ESG MATRIX

	Assessment	Parameters	Weightage	Rating					Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*				GHG emissions increased by 34% to 1,690.1 tCO2e in FY25
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*	*	*	*	Solar EPCC and asset player
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*	*	*	Zero coal exposure
4	Electricity consumption	Electricity consumption	25%	*	*	*			332,844 kWh in FY25 vs. 281,377 kWh in FY24
Weighted score for environmental assessment			100%	*	*	*	*		
1	Worker's welfare	Learning and development hours	33%	*	*	*			Average training hours of 34 for men (FY24: 24) and 17 for women (FY24: 16) in FY25
2	Customer satisfaction rate	Customer satisfaction rate of 90%	33%	*	*	*	*		Customer satisfaction rate of 92.6% in FY25 vs. 86% in FY24
3	Staff turnover rate	% turnover rate	33%	*	*	*			Rose to 17% in FY25 from 16% in FY24
Weighted score for social assessment			100%	*	*	*			
1	Related party transactions	Value of RPTs	40%	*	*	*			RM231.1mil in FY25 vs. RM2.4mil in FY24, comprising mainly transactions with joint ventures
2	Women in workforce	% in workforce	30%	*	*	*			33% of workforce were women in FY25 (FY24: 32%)
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM4.1mil in FY25 vs. RM4.4mil in FY24
Weighted score for governance assessment			100%	*	*	*			
	Environmental score		50%	*	*	*	*		
	Social score		30%	*	*	*			
	Governance score		20%	*	*	*			
	Overall ESG Score		100%	*	*	*			

Source: AmlInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	497.0	536.8	724.9	1,020.2	1,213.5
EBITDA	59.7	91.5	123.1	166.9	198.2
Depreciation/Amortisation	(7.5)	(13.3)	(15.7)	(16.8)	(21.9)
Operating income (EBIT)	52.3	78.1	107.4	150.1	176.3
Other income & associates	2.8	8.1	6.5	8.2	9.5
Net interest	(7.9)	(12.1)	(12.2)	(12.4)	(12.5)
Exceptional items	-	-	-	-	-
Pretax profit	47.2	74.2	101.6	146.0	173.3
Taxation	(13.1)	(20.8)	(27.4)	(40.9)	(48.5)
Minorities/pref dividends	(1.4)	(1.4)	(1.5)	(1.7)	(1.9)
Net profit	32.6	51.9	72.6	103.4	122.9
Balance Sheet (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	215.7	273.1	327.4	403.7	481.8
Intangible assets	-	0.4	-	-	-
Other long-term assets	7.8	79.0	73.1	73.1	73.1
Total non-current assets	223.5	352.6	400.5	476.8	554.9
Cash & equivalent	112.9	138.1	123.1	108.3	141.9
Stock	13.6	17.4	33.8	47.5	56.5
Trade debtors	83.9	250.1	357.5	503.1	598.4
Other current assets	86.5	269.6	269.6	269.6	269.6
Total current assets	296.9	675.2	784.0	928.5	1,066.4
Trade creditors	62.2	153.6	210.6	296.8	353.9
Short-term borrowings	9.5	142.5	142.5	142.5	142.5
Other current liabilities	33.2	168.8	168.8	168.8	168.8
Total current liabilities	105.0	465.0	521.9	608.1	665.3
Long-term borrowings	163.8	181.2	208.3	239.6	275.5
Other long-term liabilities	16.5	18.8	18.8	18.8	18.8
Total long-term liabilities	180.3	200.0	227.1	258.4	294.3
Shareholders' funds	230.8	357.4	430.0	533.4	656.4
Minority interests	4.4	5.4	5.4	5.4	5.4
BV/share (RM)	0.34	0.50	0.46	0.57	0.71
Cash Flow (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	47.2	74.2	101.6	146.0	173.3
Depreciation	7.5	13.3	15.7	16.8	21.9
Net change in working capital	(45.2)	(94.2)	(98.0)	(116.5)	(97.4)
Others	21.3	(80.7)	4.8	5.8	6.8
Cash flow from operations	30.8	(87.4)	24.2	52.1	104.7
Capital expenditure	(53.3)	(74.4)	(70.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	0.0	0.1	0.1	0.1	0.1
Others	(8.0)	(22.8)	3.5	3.5	3.5
Cash flow from investing	(61.3)	(97.0)	(66.4)	(96.4)	(96.4)
Debt raised/(repaid)	68.1	148.1	27.2	31.3	35.9
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	(13.8)	62.6	37.3	(2.2)	(11.1)
Cash flow from financing	54.3	210.7	64.5	29.1	24.9
Net cash flow	23.8	26.3	22.3	(15.2)	33.1
Net cash/(debt) b/f	36.8	60.5	87.2	109.9	95.1
Forex	(0.0)	0.4	0.4	0.4	0.4
Net cash/(debt) c/f	60.5	87.2	109.9	95.1	128.7
Key Ratios (YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	36.0	8.0	35.0	40.7	19.0
EBITDA growth (%)	74.1	53.1	34.6	35.6	18.8
Pretax margin (%)	9.5	13.8	14.0	14.3	14.3
Net profit margin (%)	6.6	9.7	10.0	10.1	10.1
Interest cover (x)	-7.6	-7.5	-10.1	-13.5	-15.9
Effective tax rate (%)	27.8	28.1	27.0	28.0	28.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Debtors turnover (days)	62	170	180	180	180
Stock turnover (days)	12	16	17	17	17
Creditors turnover (days)	57	145	150	150	150

Source: Company, Aminvestment Bank Bhd estimates

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