AmInvestment Bank

Company Report

SOLARVEST HOLDINGS

(SOLAR MK EQUITY, SOLA.KL)

22 May 2025

Increase in receivables turnover

HOLD

(Maintained)

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Rationale for report: Company Results

Price	**RM1.70**
Target Price	**RM1.81**
52-week High/Low	RM1.83/RM1.44

Key Changes

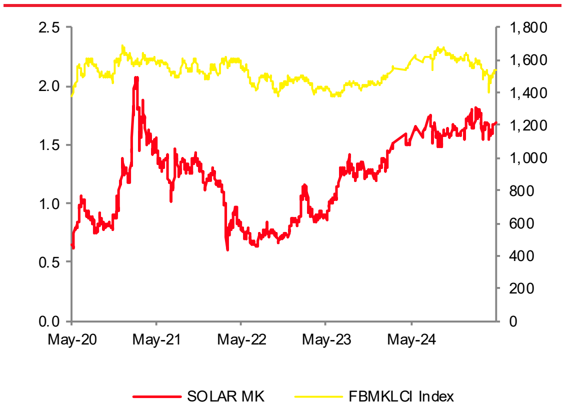
Target Price	
EPS	

YE to Mar	**FY25**	**FY26F**	**FY27F**	**FY28F**
Revenue (RM mil)	536.8	630.7	715.8	794.6
Core net profit (RM mil)	51.9	60.5	67.1	75.1
FD Core EPS (sen)	6.7	7.7	8.5	9.4
FD Core EPS growth (%)	59.2	16.4	11.0	12.0
Consensus Net Profit (RM mil)	48.5	65.4	74.1	-
DPS (sen)	0.0	0.0	0.0	0.0
FD PE (x)	25.4	22.1	20.0	18.0
EV/EBITDA (x)	17.7	16.3	15.8	14.2
Div yield (%)	0.0	0.0	0.0	0.0
ROE (%)	17.7	15.4	14.7	14.2
Net Gearing (%)	55.3	53.4	57.4	53.8

Stock and Financial Data

Shares Outstanding (million)	688.6
Market Cap (RMmil)	1,170.6
Book Value (RM/Share)	0.53
P/BV (x)	3.2
ROE (%)	17.7
Net Gearing (%)	55.3
Major Shareholders	Atlantic Blue Holdings (21.6%) AIA (3%)
Free Float	78.4
Avg Daily Value (RMmil)	3.3

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	-0.0	+0.6	+7.0
Relative (%)	+0.8	+5.9	+11.4



Investment Highlights

Solarvest Holdings ended FY25 with a record net profit of RM51.9mil. The 61% surge in profitability was driven mainly by EPCC contracts for the CGPP projects, bulk of which were recognised in 2HFY25. In Solarvest's balance sheet, receivables turnover climbed to 174 days in FY25 from 62 days in FY24. We believe that a few customers have been slow in making payments. We would be concerned if the receivables turnover continues to rise in the next few quarters. Net gearing rose to 55.3% from 42.9%. Solarvest is currently trading at a demanding fully diluted FY26F PE of 22.1x. Hence, we maintain HOLD on the group with a target price of RM1.91/share.

- **HOLD with a higher TP of RM1.91/share (vs. RM1.70/share previously).** Our TP of RM1.91/share is based on a CY26F PE of 23x, which is the five-year average. We have raised Solarvest's FY26F net profit by 9.6% to account for higher EPCC EBIT margin and earnings from the "sale of electricity" division. The "sale of electricity division" is expected to enjoy stronger recurring income not only from the LSS 4 assets but also from PPAs with corporate customers.

- **Solarvest's FY25 net profit of RM51.9mil was 10% above our forecast and 7% above consensus.** Solarvest exceeded our expectations due to a stronger-than-expected EBIT margin in the EPCC division and earnings from the sale of electricity division. Solarvest's order book stood at RM1.2bil as at end-March 2025 vs. RM877mil as at end-December 2024.

- **EBITDA of the EPCC division soared by 58.8% YoY to RM70.7mil in FY25 even though revenue only grew by 2.2%.** Apart from CGPP contracts in 2HFY25, EPCC earnings were aided by commercial and industrial contracts, which command higher profit margins. EBITDA margin of the EPCC division rose to 15.4% in FY25 from 9.9% in FY24.

- **EBITDA of the sale of electricity division surged to RM22.6mil in FY25 from RM7mil in FY24.** This was due to the commencement of Solarvest's LSS 4 assets. The group owns three LSS assets in Selangor and Perak with a total capacity of 67.3MWp.

Company profile

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

About 70% of Solarvest's FY24 EBIT came from the solar EPCC division while another 12% came from the sale of electricity unit. O&M (Operations and maintenance) and investment holding division accounted for the balance 18% of EBIT.

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

Solarvest's operations are mainly in Malaysia. The group also has presence in 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 FY26F fully diluted PE of 22.1x is expensive.

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

Valuation methodology

We applied a fully diluted CY26F PE of 23x to arrive at Solarvest's target price of RM1.91. The PE of 23x is the average in the past five years.

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. Currently, cost of solar panels is low as there is a glut in China.

EXHIBIT 1: VALUATIONS

Target PE (x)	23
CY26F EPS	8.3
ESG premium	-
12-month target price	1.91

EXHIBIT 2: EARNINGS SUMMARY

	FY24	FY25	YoY	3QFY25	4QFY25	QoQ
Revenue	**492.6**	**536.8**	9.0%	**135.4**	**224.9**	66.1%
Cost of sales	(394.1)	(387.3)	-1.7%	(97.9)	(168.1)	71.7%
Gross profit	98.5	149.5		37.5	56.8	
Other income	2.7	5.5		1.0	2.7	
Admin expenses	(43.9)	(67.2)		(14.2)	(28.6)	
Sales and distribution expenses	(2.6)	(4.1)		(1.5)	(1.2)	
EBIT	54.7	83.7	53.0%	22.8	29.6	29.7%
Finance costs	(7.9)	(12.1)		(2.7)	(4.3)	
Share of profits in associate	(0.0)	2.6		(0.1)	2.6	
Pre-tax profit	46.7	74.2	58.7%	20.0	27.9	39.4%
Taxation	(13.1)	(20.8)		(4.7)	(7.8)	
Minority interest	(1.3)	(1.4)		(1.0)	0.4	
Net profit	32.3	51.9	61.0%	14.4	20.5	42.8%
EPS	4.8	7.4		2.0	2.8	
FD EPS	4.5	6.6		1.8	2.5	
Gross DPS	-	-		-	-	
Effect tax rate	28.1%	28.1%		23.3%	27.8%	
GP margin	20.0%	27.9%		27.7%	25.3%	

Source: Solarvest

EXHIBIT 3: CHANGE IN EARNINGS

RMmil	FY26F			FY27F			FY28F		
	Old	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	696.1	630.7	-9.4	798.7	715.8	-10.4	794.6	794.6	-
Net earnings	55.2	60.5	9.6	58.0	67.1	15.7	75.1	75.1	-

EXHIBIT 4: ESG MATRIX

	Assessment	Parameters	Weightage	Rating					Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*	*			Emissions of 296.8 tCO2e for Scope 1 and 213 tCO2e for Scope 2 in FY24
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	Energy consumption	Energy consumption	25%	*	*	*			Consumed 5,044 GJ in FY24
Weighted score for environmental assessment			**100%**	*	*	*	*		
1	Workers welfare	Learning and development hours	33%	*	*	*			Average training hours of 24 for men and 16 for women in FY24
2	Customer satisfaction rate	Customer sattisfaction rate of 90%	33%	*	*	*			Customer satsifaction rate of 86% in FY24
3	Staff turnover rate	% turnover rate	33%	*	*	*			Dropped to 16% in FY24 from 34% in FY23
Weighted score for social assessment			**100%**	*	*	*			
1	Related party transactions	Value of RPTs	40%	*	*	*			RM8.9mil in FY24
2	Women in workforce	% in workforce	30%	*	*	*			32% of workforce were women in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM4.1mil in FY24
Weighted score for governance assessment			**100%**	*	*	*			
	Environmental score		50%	*	*	*	*		
	Social score		30%	*	*	*			
	Governance score		20%	*	*	*			
	Overall ESG Score		**100%**	*	*	*			

Source: AmInvestment Bank

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	497.0	536.8	630.7	715.8	794.6
EBITDA	59.7	90.8	107.4	117.1	133.0
Depreciation/Amortisation	(7.5)	(12.5)	(15.1)	(16.0)	(21.1)
Operating income (EBIT)	52.3	78.3	92.4	101.2	112.0
Other income & associates	2.8	8.0	6.0	6.7	7.4
Net interest	(7.9)	(12.1)	(12.2)	(12.4)	(12.5)
Exceptional items	-	-	-	-	-
Pretax profit	**47.2**	**74.2**	**86.1**	**95.5**	**106.9**
Taxation	(13.1)	(20.8)	(24.1)	(26.7)	(29.9)
Minorities/pref dividends	(1.4)	(1.4)	(1.5)	(1.7)	(1.9)
Net profit	**32.6**	**51.9**	**60.5**	**67.1**	**75.1**

Balance Sheet (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	215.7	246.3	301.3	403.7	482.6
Intangible assets	-	0.4	-	-	-
Other long-term assets	7.8	104.6	98.7	98.7	98.7
Total non-current assets	**223.5**	**351.4**	**400.0**	**502.4**	**581.3**
Cash & equivalent	112.9	138.1	139.4	115.5	128.2
Stock	13.6	17.4	29.4	33.3	37.0
Trade debtors	83.9	255.2	311.0	353.0	391.8
Other current assets	86.5	268.6	268.6	268.6	268.6
Total current assets	**296.9**	**679.3**	**748.4**	**770.4**	**825.6**
Trade creditors	62.2	153.6	183.6	209.9	233.2
Short-term borrowings	9.5	141.9	141.9	141.9	141.9
Other current liabilities	33.2	173.2	173.2	173.2	173.2
Total current liabilities	**105.0**	**468.7**	**498.8**	**525.1**	**548.3**
Long-term borrowings	163.8	180.5	207.6	238.7	274.5
Other long-term liabilities	16.5	18.7	18.7	18.7	18.7
Total long-term liabilities	**180.3**	**199.2**	**226.2**	**257.4**	**293.2**
Shareholders' funds	**230.8**	**357.4**	**417.9**	**485.0**	**560.1**
Minority interests	4.4	5.4	5.4	5.4	5.4
BV/share (RM)	0.34	0.53	0.61	0.71	0.82

Cash Flow (RMmil, YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	47.2	74.2	86.1	95.5	106.9
Depreciation	7.5	12.5	15.1	16.0	21.1
Net change in working capital	(45.2)	(273.6)	(65.9)	(50.2)	(52.7)
Others	21.3	72.7	49.9	(12.9)	5.0
Cash flow from operations	**30.8**	**(114.2)**	**85.2**	**48.4**	**80.3**
Capital expenditure	(53.3)	(50.2)	(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)	(21.5)	3.5	3.5	3.5
Cash flow from investing	**(61.3)**	**(71.5)**	**(66.4)**	**(96.4)**	**(96.4)**
Debt raised/(repaid)	68.1	149.1	27.1	31.1	35.8
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)	63.7	(6.7)	(6.7)	(6.7)
Cash flow from financing	**54.3**	**212.8**	**20.4**	**24.5**	**29.1**
Net cash flow	**23.8**	**27.1**	**39.2**	**(23.5)**	**13.0**
Net cash/(debt) b/f	**36.8**	**60.5**	**87.3**	**126.2**	**102.3**
Forex	**(0.0)**	**(0.3)**	**(0.3)**	**(0.3)**	**(0.3)**
Net cash/(debt) c/f	**60.5**	**87.3**	**126.2**	**102.3**	**115.0**

Key Ratios (YE 31 Mar)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	36.0	8.0	17.5	13.5	11.0
EBITDA growth (%)	74.1	52.0	18.3	9.1	13.6
Pretax margin (%)	9.5	13.8	13.7	13.3	13.5
Net profit margin (%)	6.6	9.7	9.6	9.4	9.5
Interest cover (x)	-7.6	-7.5	-8.8	-9.5	-10.7
Effective tax rate (%)	27.8	28.1	28.0	28.0	28.0
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Debtors turnover (days)	62	174	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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