

04 June 2024

# Solarvest Holdings

## Potential Funding Needs for LSS5 Assets

By Nigel Ng | [nigel@kenanga.com.my](mailto:nigel@kenanga.com.my)

Another private placement exercise may be in store for SLVEST to fund potential LSS5 assets. While we are mindful about the potential earnings dilution, recurring incomes from solar assets could strengthen its earnings visibility and stability. Meanwhile, it guided for PV system EPCC jobs under Corporate Green Power Programme (CGPP) to hit the market this month. We maintain our forecasts, TP of RM1.91 and OUTPERFORM rating.

We came away from SLVEST's post-results briefing feeling optimistic on its outlook. The key takeaways are as follows:

1. We understand that another private placement exercise may be in store for SLVEST to fund potential LSS5 assets. We understand that SLVEST is eyeing a much bigger installed capacity under LSS5. While we are mindful about the potential earnings dilution from the new shares, we take comfort that the new equity will go into funding assets that will generate recurring incomes, strengthening SLVEST's earnings visibility and stability over the long term. Meanwhile, SLVEST guided for full contribution from its LSS4 assets (67.3MWp) to come in FY25.
2. SLVEST said that the award of PV system EPCC jobs under the CGPP is likely to happen this month. Recall, we project SLVEST to secure at least 30% or RM720m of a total RM2.4b worth of jobs under this initiative. Currently, its outstanding order book stands at RM242m (LSS: 3%, Rooftop: 97%) while its outstanding tender book stands at 6.1GWp (Malaysia: 66%, Regional: 34%).
3. SLVEST shared that sales of renewable energy certificates (RECs) contributed significantly to its bottom line in FY24 (a large part of "other profits" that made up 17% of group PBT). There is a strong demand for RECs from corporations stemming from the Scope 2 emission reduction initiative. Also, data centres, in order to achieve the "green" status, could potentially become buyers for RECs. SLVEST's RECs are competitively priced at USD5-6/MW, compared to USD10/MW of TNB's Green Electricity Tariff (GET).

**Forecasts.** Maintained.

**Valuations.** We also maintain our TP of RM1.91 based on SoP valuation, ascribing 30x FY26F PER for its EPCC segment (in-line with the average historical 1-year forward PER of the solar EPCC sector) and DCF at a discount rate of 5.5% to 5.6% for its LSS4, CGPP, and Powervest assets (see Exhibit 1). Note that our TP reflects a 5% premium given a 4-star ESG as appraised by us (see Page 4).

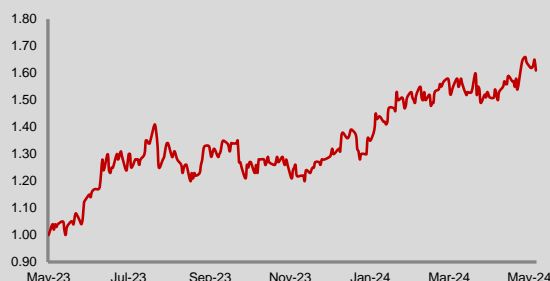
**Investment case.** We like SLVEST for: (i) the bright outlook of the RE market in Malaysia, underpinned by the government's strong commitment towards RE, the export potential of RE and improved commercial viability of solar power projects on falling solar panel prices, (ii) its strong market position, execution track record, clientele and value proposition of its PV system financing programme, and (iii) its strong earnings visibility backed by a sizeable outstanding order and tender books, and recurring incomes from a growing portfolio of solar assets. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) the government dials back on RE policy, (ii) influx of new players in the solar EPCC space, intensifying competition, and (iii) escalation in project costs.

**OUTPERFORM** ↔

Price : **RM1.61**  
Target Price : **RM1.91** ↔

### Share Price Performance



KLCI	1,596.68
YTD KLCI chg	9.8%
YTD stock price chg	23.8%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SOLAR MK Equity
Market Cap (RM m)	1,115.2
Shares Outstanding	692.7
52-week range (H)	1.68
52-week range (L)	0.99
3-mth avg. daily vol.	2,765,170
Free Float	45%
Beta	1.1

### Major Shareholders

Atlantic Blue Holdings Sdn Bhd	22.0%
Lim Chin Siu	9.0%
Tan Chyi Boon	8.4%

### Summary Earnings Table

FYE Mar (RM m)	2024A	2025F	2026F
Turnover	492.6	543.4	726.2
EBIT	54.7	75.0	96.5
PBT	46.7	67.7	84.9
<b>Net Profit</b>	<b>33.6</b>	<b>52.5</b>	<b>65.2</b>
<b>Core PATAMI</b>	<b>32.3</b>	<b>52.5</b>	<b>65.2</b>
Consensus (NP)	-	46.1	56.8
Earnings Revision	-	-	-
Core EPS (sen)	4.8	7.4	9.2
Core EPS Growth (%)	63.6	62.7	24.3
NDPS (sen)	-	-	-
NTA per Share (RM)	0.4	0.4	0.5
PER (x)	33.5	21.8	17.5
PBV (x)	4.6	3.8	3.0
Net Gearing (x)	0.4	0.3	-
Net Div. Yield (%)	-	-	-

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**Exhibit 1: Sum-of-Parts (SoP) Valuation**

<b>Business/Asset</b>	<b>Value (RM m)</b>	<b>Basis</b>
EPCC	1,250.1	30x FY26F PER
LSS4	61.9	DCF with a discount rate of 5.5%
CGPP	38.3	DCF with a discount rate of 5.6%
Powervest	135.6	DCF with a discount rate of 5.6%
<b>Asset Valuation</b>	<b>1,486.0</b>	
Proceeds from exercise of warrants/ESOS	205.0	158.5m outstanding warrants @ RM1.00 and 58.7m outstanding ESOS @ weighted average price of RM0.79
	1,691.0	
Enlarged share base (m shares)	927.7	Including 158.5m shares from warrant exercise, 58.7m shares from ESOS exercise and 40.2m new shares from the latest private placement
Fully-diluted TP before ESG (RM/share)	1.82	
ESG premium (RM/share)	0.09	5% based on a 4-star rating
<b>TP after ESG (RM/share)</b>	<b>1.91</b>	

Source: Kenanga Research

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
PEKAT GROUP BHD*	NR	0.80	NR	N.A.	516.0	Y	03/2024	2.7	3.5	26.8%	31.0%	29.6	22.2	N.A.	N.A.	0.0	0.0%
SAMAIDEN GROUP BHD	MP	1.32	1.51	14.4%	551.9	Y	06/2024	3.5	5.3	26.4%	51.9%	37.9	25.0	5.3	14.9%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.61	1.91	18.6%	1,115.2	Y	03/2025	6.8	8.5	62.5%	24.2%	23.5	18.9	4.1	19.5%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.65	NR	N.A.	334.6	Y	03/2024	3.6	4.7	41.1%	33.0%	16.7	11.4	N.A.	N.A.	0.0	0.0%
<b>Sector Aggregate</b>					<b>2,517.7</b>					<b>39.2%</b>	<b>35.0%</b>	<b>26.9</b>	<b>19.4</b>	<b>136.5</b>	<b>14.8%</b>		<b>0.0%</b>

Source: Kenanga Research

\*Note that Pekat &amp; Sunview numbers based on Bloomberg consensus

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**Stock ESG Ratings:**

	Criterion	Rating			
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	★
	Community Investment	★	★	★	★
	Workers Safety & Wellbeing	★	★	★	★
	Corporate Governance	★	★	★	
	Anti-Corruption Policy	★	★	★	
	Emissions Management	★	★	★	
<b>SPECIFIC</b>	Transition to Renewables	★	★	★	★
	Reliable Energy & Fair Tariff	★	★	★	★
	Effluent/Waste Management	★	★	★	
	Ethical Practices	★	★	★	★
	Supply Chain Management	★	★	★	
	Customer Satisfaction	★	★	★	★
<b>OVERALL</b>		★	★	★	★

☆ denotes half-star  
★ -10% discount to TP  
★★ -5% discount to TP  
★★★ TP unchanged  
★★★★ +5% premium to TP  
★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)