

14 June 2024

# Solarvest Holdings

## Acquiring Office and Retail Space

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SLVEST is acquiring office space and rooftop retail unit in Bangsar South, with a combined built-up area of 39,375 sq ft for RM48.7m cash, to set up its new headquarters. We believe SLVEST is paying a fair price for these units. We maintain our forecasts, TP of RM1.91 and OUTPERFORM rating.

SLVEST is acquiring office space and rooftop retail unit with a total built up area of 39,375 sq ft (Exhibit 1) at Solarvest Tower which is located in Bangsar South from **CHGP (Not Rated)** for RM48.7m cash, translating to RM1.2k per sq ft (psf). The proposed acquisition is expected to be completed in 2HCY24.

SLVEST is currently leasing office space in Petaling Jaya for its headquarters and operational activities. With the proposed acquisition, SLVEST will be able to establish a new headquarters in Bangsar South, securing a permanent business premise. As of 23 May 2024, Solarvest Tower is approximately 40% completed, and is expected to be fully completed by March 2028.

We believe SLVEST is securing a fair deal given the market price for office and retail spaces in Bangsar South range between RM1.1k-RM1.4k psf, according to listings on iProperty. The acquisition will increase its net debt and gearing of RM99.2m and 0.4x as of 4QFY24 to RM147.9m and 0.6x, respectively, which we believe is still manageable for the group.

**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 2). 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	1,608.79
YTD KLCI chg	10.6%
YTD stock price chg	28.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SOLAR MK Equity
Market Cap (RM m)	1,160.3
Shares Outstanding	694.8
52-week range (H)	1.69
52-week range (L)	1.02
3-mth avg. daily vol.	2,762,769
Free Float	45%
Beta	0.9

### 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
Operating Profit	54.7	75.0	96.5
Profit Before Tax	46.7	67.7	84.9
<b>Net Profit</b>	<b>33.6</b>	<b>52.5</b>	<b>65.2</b>
<b>Core Net Profit</b>	<b>32.3</b>	<b>52.5</b>	<b>65.2</b>
Consensus (NP)	-	46.7	58.3
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: Details of Proposed Acquisition**

Properties	Proposed Use	Built-up Area (sq ft)	Purchase Consideration (RM'000)
Level 26 (together with 84 parking bays)	Office Space	10,096	14,350
Level 27	Office Space	4,069	3,930
Level 29	Office Space	4,069	3,930
Level 28 (together with 116 parking bays)	Office Space	12,411	16,120
Level 31 (rooftop retail unit)	Cafeteria (rooftop retail unit)	8,730	10,400
<b>Total</b>		<b>39,375</b>	<b>48,730</b>

Source: Kenanga Research

**Exhibit 2: Sum-of-Parts (SoP) Valuation**

Business/Asset	Value (RM m)	Basis
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	0.92	NR	N.A.	593.4	Y	12/2024	2.7	3.5	26.8%	31.4%	34.1	25.6	N.A.	N.A.	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.32	1.51	14.4%	552.5	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	1.66	1.91	15.1%	1,153.2	Y	03/2025	6.8	8.5	62.5%	24.2%	24.2	19.5	4.2	19.5%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.77	NR	N.A.	396.4	Y	03/2025	3.6	4.7	41.1%	32.7%	22.6	17.0	N.A.	N.A.	0.0	0.0%
<b>Sector Aggregate</b>					<b>2,695.4</b>					<b>39.2%</b>	<b>35.1%</b>	<b>29.7</b>	<b>21.8</b>	<b>5.7</b>	<b>17.2%</b>		<b>0.0%</b>

Source: Kenanga Research

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

**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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