

04 December 2024

# Solarvest Holdings

## Buying Gas Abatement Firm for RM36m

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SLVEST is acquiring a 30% stake in waste gas abatement manufacturer SIW Manufacturing Sdn Bhd (SIW) from two individuals for RM36m cash, translating into FY24F (Dec) and FY25F PERs of 8.6x and 7.5x based on a net profit guarantee of RM14m and RM16m over the two respective years. We are positive on the acquisition that provides synergy and is accretive to earnings. We raise our FY25-26F earnings by 1-5%, respectively, lift our TP by 2% to RM1.95 (from RM1.91) while maintaining our **OUTPERFORM** call.

SLVEST is acquiring a 30% equity stake in SIW from two non-related individuals, who respectively own 80 and 20% of SIW, for RM36m cash. SIW is primarily engaged in the manufacturing of waste gas abatement machine and gas system related modules and components for semiconductor industry. The acquisition comes with a net profit guarantee of RM14m and RM16m for FY24 and FY25, respectively, and is expected to be finalised by 31 December 2024.

The deal values the asset at 8.6x and 7.5x FY24F and FY25F PERs based on the profit guarantee, which are at a discount to the forward PER of the manufacturing sector of 10x.

The acquisition will raise SLVEST's net debt and gearing of RM91.4m and 0.3x as at end-2QFY25 to RM127.4m and 0.4x, respectively, which are still highly manageable.

We view the acquisition positively as it will strengthen the group's core RE business by expanding its presence in complementary sectors with significant growth potential. The key synergy lies in leveraging SIW's ESG-focused customer base and its unique value proposition through patented technologies. SIW's semiconductor clients focus on "greening" their products by reducing harmful emissions through waste gas abatement machines. This acquisition enables SLVEST to capitalize on its existing customer relationships, offering rooftop solar system installations and renewable energy certificates (RECs), thereby supporting these clients in offsetting their carbon emissions and advancing their sustainability initiatives.

**Forecasts.** We raise our FY25-26F earnings by 1% and 5%, respectively, to reflect the earnings enhancement from the acquisition.

**Valuations.** We also lift our TP by 2% to RM1.95 (from 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), 10x FY26F PER for its newly acquired SIW Manufacturing Sdn Bhd, 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).

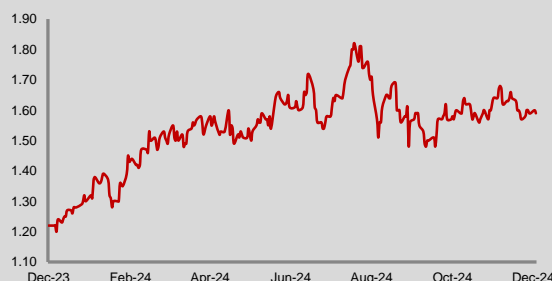
**Investment case.** We like SLVEST for: (i) the bright outlook of the RE market in Malaysia, underpinned by the government's strong commitment towards RE, the export potential of RE and improved commercial viability of solar power projects on falling solar panel prices, (ii) its dominant market position with a market share of over 30% in the solar EPCC space, and (iii) its strong earnings visibility backed by a sizeable outstanding order and tender books, and recurring income 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 : RM1.59  
Target Price : RM1.95 ↑

### Share Price Performance



KLCI	1,606.96
YTD KLCI chg	10.5%
YTD stock price chg	22.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SOLAR MK Equity
Market Cap (RM m)	1,147.7
Shares Outstanding	721.8
52-week range (H)	1.83
52-week range (L)	1.20
3-mth avg. daily vol.	1,717,671
Free Float	53%
Beta	0.9

### Major Shareholders

Atlantic Blue Holdings Sdn Bhd	21.2%
Lim Chin Siu	7.2%
Employees Provident Fund	7.0%

### 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>52.8</b>	<b>68.4</b>
<b>Core Net Profit</b>	<b>32.3</b>	<b>52.8</b>	<b>68.4</b>
Consensus (NP)	-	46.7	59.6
Earnings Revision	-	+0.7%	+4.9%
Core EPS (sen)	4.8	7.4	9.6
Core EPS Growth (%)	63.6	63.8	29.5
NDPS (sen)	-	-	-
NTA per Share (RM)	0.4	0.4	0.5
PER (x)	33.0	21.4	16.5
PBV (x)	4.5	3.7	2.9
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	1,345.5	30x FY26F PER
SIW Manufacturing	3.2	10x 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>1,517.8</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
	1,722.8	
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)	1.86	
ESG premium (RM/share)	0.09	5% based on a 4-star rating
<b>TP after ESG (RM/share)</b>	<b>1.95</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	0.91	NR	N.A.	583.7	Y	12/2024	2.6	4.8	24.5%	82.1%	34.8	18.9	5.3	N.A.	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.17	1.51	29.1%	489.8	Y	06/2025	5.3	5.9	50.0%	12.5%	22.1	19.7	4.7	22.7%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.59	1.95	22.6%	1,147.7	Y	03/2025	6.8	8.5	63.8%	29.5%	23.2	18.7	4.0	19.5%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.44	NR	N.A.	247.0	Y	03/2025	1.7	2.5	21.8%	52.4%	24.2	16.7	N.A.	N.A.	0.0	0.0%
<b>Sector Aggregate</b>					<b>2,221.2</b>					<b>46.1%</b>	<b>41.4%</b>	<b>26.7</b>	<b>19.1</b>	<b>4.7</b>	<b>0.2</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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