

26 February 2025

BM Greentech

Solar Gains Traction as Key Driver

By Nigel Ng / nigel@kenanga.com.my

BMGREEN's 9MFY25 results beat expectations driven by stronger boiler projects margins and lower input costs. While boiler segment growth stays flat with planters holding back capex, the solar segment is set to drive future earnings, capitalising on Malaysia's renewable energy transition. We raise our FY25-26F earnings by 22-26%, lift our TP by 21% to RM1.64 (from RM1.36) and upgrade our call to MARKET PERFORM from UNDERPERFORM.

Above expectations. Its 9MFY25 net profit of RM36.7m beat expectations, coming in at 89% and 88% of our full-year forecast and full-year consensus estimate. The key variance against our forecast came largely from the stronger-than-expected margins at its boiler manufacturing and solar segments.

YoY, its 9MFY25 revenue rose 19% underpinned by strong billings across the board, i.e. (i) boiler manufacturing (+6%), (ii) water treatment projects (+14%), and (iii) the solar energy segment (+279%) boosted by contribution from newly acquired PXH. Notably, its core net profit surged steeper by 68% which we believe was due to higher-margin boiler projects and lower input cost, particularly hot-rolled coil (-13% YoY).

QoQ, likewise, its 3QFY25 core net profit grew 20% driven by margin expansion in its boiler manufacturing segment (+6 ppts).

Outlook. The prospects for BMGREEN's boiler manufacturing segment are unfavourable as planters are holding back from replacing or upgrading boilers amidst flattish CPO prices for other priorities, i.e. replanting of older trees. On a brighter note, its solar energy segment is riding on a new wave of investment in renewable energy (RE) generation assets underpinned by the government's commitment towards RE making up 70% of total generation mix by 2050, as outlined in the National Energy Transition Roadmap (NETR).

Forecasts. We raise our FY25-26F earnings by 22- 26% to reflect higher PBT margins in the boiler manufacturing (15%-16%) and solar energy (8%-10%) segments.

Valuations. Consequently, we raise our TP by 21% to RM1.64 (from RM1.36) based on SoP valuation, ascribing 13x FY26F PER for its bioenergy services division (consistent with the average historical forward PER of boiler makers) and valuing at 30x FY26F PER its EPCC segment (in-line with the average historical 1-year forward PER of the solar EPCC sector). There is no change to our TP based on ESG given 3-star rating as appraised by us (see Page 4).

Investment case. We like BMGREEN for: (i) the long-term trend of investment and upgrading of palm oil milling assets driven by the growing ESG awareness among palm oil millers, (ii) its strong customer base with reputable names in the industry such as KL Kepong, Wilmar, Sime Darby, Boustead and Tradewinds, and (iii) its traction in rooftop solar EPCC jobs. However, over the immediate term, amidst flattish CPO prices, planters are likely to cut back on their capex including the replacement and upgrading of boilers. Upgrade to **MARKET PERFORM** from **UNDERPERFORM**.

Risks to our call include: (i) palm oil millers restarting their capex plans on a sharp rise in CPO prices, (ii) lower input cost, and (iii) operations in regional markets gain traction.

MARKET PERFORM ↑

Price: RM1.75
Target Price: RM1.64 ↑

Expected Capital Gain: -RM0.11 -6.3%
Expected Divd. Yield: +RM0.018 +1.0%
Expected Total Gain: -RM0.092 -5.3%

KLCI Index 1,568.03

Stock Information

Bloomberg Ticker	BMGREEN MK Equity
Bursa Code	0168
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	687.8
Market Cap (RM m)	1,203.6
Par value per share (RM)	N.A.
52-week range (H)	2.15
52-week range (L)	0.91
Free Float	32%
Beta	0.8
3-mth avg. daily vol.	543,991

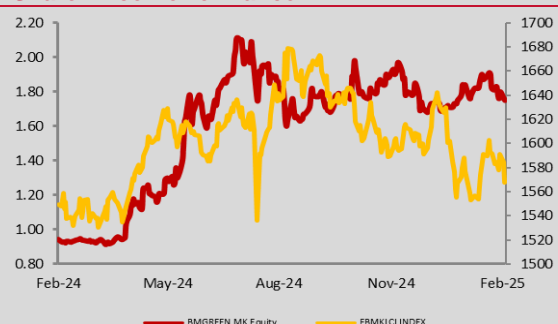
Major Shareholders

QL Resources Bhd	52.8%
Leong Yew Cheong	3.1%
Gan Chih Soon	3.0%

Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Turnover	440.3	588.8	699.3
EBIT	47.6	74.2	89.1
PBT	47.9	74.4	89.3
Net Profit	33.6	50.2	58.4
Consensus (NP)	-	41.9	52.7
Earnings Revision (%)	-	+22.1	+25.5
Core EPS (sen)	6.5	8.0	9.3
Core EPS Growth (%)	138.9	23.0	14.8
NDPS (sen)	1.8	1.8	1.8
BVPS (RM)	0.5	0.5	0.6
PER (x)	26.8	21.8	18.7
PBV (x)	3.5	3.6	3.1
Net Gearing (x)	(0.2)	(0.2)	(0.2)
Net Div. Yield (%)	1.0	1.0	1.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-3.8%	3.6%	85.2%
Relative (%)	-3.5%	6.4%	83.9%

26 February 2025

Results Highlights

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Mar (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Turnover	154.2	137.1	12.5%	102.3	50.8%	383.6	321.6	19.3%
EBIT	20.9	18.8	11.1%	9.4	121.5%	52.4	31.4	66.8%
PBT/(LBT)	20.7	18.7	10.3%	9.4	120.3%	52.1	31.3	66.6%
Taxation	-4.3	-5.3	18.8%	-2.9	-49.3%	-14.1	-8.2	-72.5%
Minority Interest	-0.7	-0.4	-56.9%	-0.7	0.6%	-1.2	-1.2	2.0%
Net Profit	15.7	13.0	20.5%	5.8	170.0%	36.7	21.8	68.3%
EPS (sen)	3.0	2.5	20.5%	1.1	170.0%	7.1	4.2	68.3%
EBIT margin	13.6%	13.7%		9.2%		13.7%	9.8%	
PBT margin	13.4%	13.7%		9.2%		13.6%	9.7%	
NP margin	10.2%	9.5%		5.7%		9.6%	6.8%	
Effective tax rate	-20.9%	-28.3%		-30.8%		-27.1%	-26.2%	

Source: Company, Kenanga Research

Geographical Segments

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
Revenue (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Malaysia	101.2	79.0	28.1%	57.9	74.9%	229.9	153.4	49.9%
Others	53.1	58.1	-8.7%	44.5	19.4%	153.6	168.2	-8.7%
Total	154.2	137.1	12.5%	102.3	50.8%	383.6	321.6	19.3%

Source: Company, Kenanga Research

Revenue Segments

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
Revenue (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Boiler Manufacturing	75.6	85.9	-12.0%	71.5	5.7%	226.0	247.5	-8.7%
Water Treatment cum Biogas Capture	16.5	15.8	4.1%	14.4	14.4%	41.9	36.0	16.3%
Solar Energy	62.2	35.4	75.5%	16.4	278.7%	115.7	38.1	203.5%
Total	154.2	137.1	12.5%	102.3	50.8%	383.6	321.6	19.3%
PBT (RM m)								
Boiler Manufacturing	15.2	12.3	23.5%	4.7	226.4%	35.9	21.8	64.8%
Water Treatment cum Biogas Capture	2.3	1.5	49.9%	2.2	6.6%	4.3	4.1	4.4%
Solar Energy	3.1	4.9	-35.7%	2.6	-22.7%	12.0	5.5	119.4%
Total	20.7	18.7	10.3%	9.4	120.3%	52.1	31.3	66.5%
PBT Margin								
Boiler Manufacturing	20.2%	14.4%		6.5%		15.9%	8.8%	
Water Treatment cum Biogas Capture	14.0%	9.7%		15.0%		10.2%	11.3%	
Solar Energy	5.0%	13.8%		15.6%		10.4%	14.4%	
Total	13.4%	13.7%		9.2%		13.6%	9.7%	

Source: Company, Kenanga Research

26 February 2025

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

Business/Asset	Value (RM m)	Basis
Bioenergy services (boilers & water treatment)	534.9	13x FY26F PER
Solar EPCC	550.4	30x FY26F PER
Asset Valuation	1,085.3	
Proceeds from exercise of warrants	323.3	171.9m outstanding warrants @ RM1.88
	1,408.6	
Enlarged share base (m shares)	859.7	Including 81.5m new shares issued to the vendor of PXH, 90.3m new shares to QL and 171.9m shares from warrant exercise
TP (RM/share)	1.64	

Source: Kenanga Research

26 February 2025

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.
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	0.975	1.20	23.1%	1,066.3	Y	05/2025	5.8	9.1	-15.2%	58.5%	16.9	10.7	1.7	10.5%	2.0	2.1%
BM GREENTECH BHD	UP	1.75	1.36	-22.3%	1,203.6	Y	03/2025	9.9	11.3	51.5%	14.7%	17.7	15.5	3.4	19.6%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	MP	1.17	1.21	3.4%	329.3	Y	12/2025	12.1	12.8	31.2%	5.6%	9.7	9.1	1.2	12.4%	7.0	6.0%
HPP HOLDINGS BHD	UP	0.400	0.270	-32.5%	155.4	Y	05/2025	0.9	2.0	-14.6%	125.7%	44.4	19.7	1.2	2.8%	1.5	3.8%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.645	0.450	-30.2%	346.6	Y	12/2024	2.0	4.4	158.5%	125.5%	32.7	14.5	0.3	1.0%	2.0	3.1%
SCIENTEX BHD	MP	3.69	4.15	12.5%	5,742.6	Y	07/2025	37.5	40.5	8.1%	7.9%	9.8	9.1	1.3	13.9%	13.0	3.5%
SLP RESOURCES BHD	OP	0.860	1.00	16.3%	272.6	Y	12/2025	5.0	5.3	12.1%	7.0%	17.4	16.2	1.4	8.3%	4.8	5.6%
TECHBOND GROUP BHD	OP	0.355	0.540	52.1%	264.3	Y	06/2025	3.7	4.8	17.2%	28.8%	9.6	7.4	1.0	10.8%	1.3	3.5%
THONG GUAN INDUSTRIES BHD	OP	1.42	2.58	81.7%	570.3	Y	12/2024	20.8	23.4	2.5%	12.7%	6.8	6.1	0.6	8.6%	5.5	3.9%
Sector Aggregate					9,951.1					20.6%	15.0%	11.5	10.0	1.2	10.6%		3.6%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	☆		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Product Quality & Safety	★	★	★		
	Waste Management	★	★	★		
	Digitalization & Innovation	★	★	★		
	Material/Resource Management	★	★	★		
	Supply Chain Management	★	★			
	Energy Efficiency	★	★	★	★	
OVERALL		★	★	★		

☆ 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%

**** The Expected Total Return might contain rounding discrepancy.**

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

This report has been prepared by Kenanga Investment Bank Berhad pursuant to the Research Incentive Program under Bursa Research Incentive Scheme (“Bursa RISE”) administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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 E-mail: research@kenanga.com.my

The reports will be made available on <https://www.bursamarketplace.com/>

