

28 February 2025

# Swift Energy Technology

## More in the Pipeline, Undervalued Play

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SET's soft 1QFY25 results was per expectation due to the monsoon season. Looking ahead, a stronger 2HFY25 performance is expected, driven by its Ex solar PV systems. We remain bullish, expecting robust order win momentum to push its orderbook to a record high. The recent price dip presents an attractive entry point with the stock trading at just 11x FY26F earnings, well below the solar sector's 30x PER. We reaffirm our forecasts, and TP of RM0.60, which implies a potential double bagger. Maintain **OUTPERFORM** call.

**Stronger 2H.** Its 1QFY25 core net profit of RM3.3m came in at only 16% of our full-year forecast whereas the soft 1HFY25 was no surprise given monsoon seasonality. With a busier 2H ahead driven by Ex-solar PV system demand from regional peers ramping up net-zero commitments, we see the results as largely on track.

**YoY,** its 1QFY25 revenue rose 21%, driven by stronger sales of power distribution systems, particularly in the utilities industry. However, its core net profit only grew 18% due to 2 pts GP margin squeeze as fewer Ex solar PV system deliveries, its highest-margin product, dented profitability.

**QoQ,** its 1QFY25 revenue dropped 17% dragged by weaker oil and gas contributions amid monsoon season disruptions. Similarly, its core net profit fell steeper by 37%, reflecting a similar trend seen YoY, with GP margin contracting (-8 pts) on lower deliveries of Ex solar PV system.

**Outlook.** As the only certified player in Ex solar PV systems in ASEAN, SET is strategically positioned to ride the region's growing focus on renewable energy within the oil and gas upcycle. Regional giants (PTTEP, PTSC, Pertamina) are ramping up aggressively driven by favourable crude oil prices with net-zero commitment by 2050 guaranteeing continued green investments, making SET a key ASEAN player in driving energy innovation. Locally, Petronas is at the forefront of this transition, adopting RE in new fixed-structure platforms and committing RM2b annually to net-zero initiatives since 2022. Despite concerns over CAPEX reductions, investment in clean energy is expected to persist. In addition, the brownfield segment presents significant potential. Based on our estimates, the total potential market size for brownfield projects is valued at least RM868m across Malaysia and Thailand.

**Forecasts.** Maintained.

**Valuations.** We maintain our TP of RM0.60 based on SoP valuation, valuing its solar related business at 30x FY26F PER, in-line with the average historical 1-year forward PER of the solar EPCC sector and its non-solar business at 16x FY26F PER, in-line with the M&E players (HEGROUP, PWRWELL and MNHLDG) (see Exhibit 1). There is no adjustment to our TP for ESG on a 3-star rating as appraised by us (see Page 4).

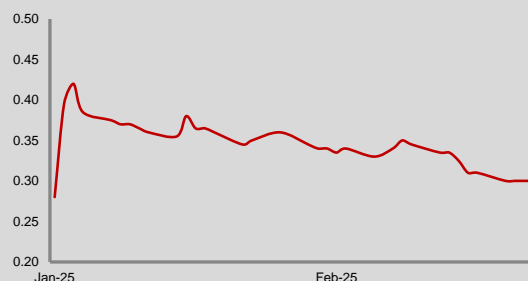
**Investment thesis.** We like SET for: (i) being the only Ex solar PV player in ASEAN and one of only six globally, distinguished by its comprehensive product offerings, (ii) capitalising on global net zero commitments in O&G industry, and (iii) proxy to Wilmar's expansion plan. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) its dependency on global RE policy, (ii) slowdown in O&G and grain product industries, and (iii) non-renewal of product certifications such as ATEX and IECEx.

**OUTPERFORM** ↔

Price : **RM0.30**  
Target Price : **RM0.60** ↔

### Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	N.A.

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SET MK EQUITY
Market Cap (RM m)	300.2
Shares Outstanding	1,000.8
52-week range (H)	0.43
52-week range (L)	0.30
3-mth avg. daily vol.	N.A.
Free Float	30%
Beta	N.A.

### Major Shareholders

Blueprint Capital	31.6%
Tan Bin Chee	27.8%
Chin Saw Yong	10.6%

### Summary Earnings Table

FYE Sep (RM m)	2024A	2025F	2026F
Turnover	110.7	140.2	165.4
EBIT	22.1	28.1	35.8
PBT	20.9	27.1	34.8
<b>Net Profit</b>	<b>17.0</b>	<b>20.6</b>	<b>26.5</b>
<b>Core PATAMI</b>	<b>18.4</b>	<b>20.6</b>	<b>26.5</b>
Consensus (NP)	-	-	-
Earnings Revision	-	-	-
Core EPS (sen)	1.8	2.1	2.6
Core EPS Growth (%)	39.6	12.2	28.6
NDPS (sen)	0.0	0.0	0.0
NTA per Share (RM)	0.1	0.1	0.1
PER (x)	16.4	14.6	11.3
PBV (x)	5.2	3.8	2.8
Net Gearing (x)	0.2	(0.0)	(0.2)
Net Div. Yield (%)	-	-	-

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### Results Highlights

FYE Sep (RM m)	1Q25	4Q24	QoQ	1Q24	YoY	1Q25	1Q24	YoY
Revenue	24.4	29.3	-17%	20.2	21%	24.4	20.2	21%
COGS	-14.7	-15.2	-3%	-11.8	25%	-14.7	-11.8	25%
<b>GP</b>	<b>9.7</b>	<b>14.1</b>	<b>-31%</b>	<b>8.4</b>	<b>15%</b>	<b>9.7</b>	<b>8.4</b>	<b>15%</b>
Other Income	1.5	0.1	2007%	0.3	350%	1.5	0.3	350%
Selling and distribution expenses	-0.3	-0.7	-58%	-0.1	190%	-0.3	-0.1	190%
Admin expenses	-5.9	-5.0	18%	-4.8	24%	-5.9	-4.8	24%
Other expenses	-1.1	-1.2	-3%	-0.4	173%	-1.1	-0.4	173%
Net impairment losses on financial assets	0.0	-0.4	N.A.	0.0	N.A.	0.0	0.0	N.A.
<b>EBIT</b>	<b>3.9</b>	<b>6.9</b>	<b>-44%</b>	<b>3.5</b>	<b>11%</b>	<b>3.9</b>	<b>3.5</b>	<b>11%</b>
Finance costs	0.0	0.1	-76%	0.0	-11%	0.0	0.0	-11%
Share of profit of an associate	-0.3	-0.4	-17%	-0.1	330%	-0.3	-0.1	330%
<b>PBT</b>	<b>3.6</b>	<b>6.6</b>	<b>-46%</b>	<b>3.4</b>	<b>4%</b>	<b>3.6</b>	<b>3.4</b>	<b>4%</b>
Tax	-0.7	-1.3	-45%	-0.7	8%	-0.7	-0.7	8%
Non-controlling Interests	-0.4	0.2	-336%	0.0	N.A.	-0.4	0.0	N.A.
<b>Net Profit</b>	<b>2.9</b>	<b>5.4</b>	<b>-46%</b>	<b>2.8</b>	<b>4%</b>	<b>2.9</b>	<b>2.8</b>	<b>4%</b>
<b>Core Net Profit</b>	<b>3.3</b>	<b>5.2</b>	<b>-37%</b>	<b>2.8</b>	<b>18%</b>	<b>3.3</b>	<b>2.8</b>	<b>18%</b>
GP Margin	40%	48%		42%		40%	42%	
Operating Margin	16%	24%		17%		16%	17%	
PBT Margin	15%	23%		17%		15%	17%	
Net Margin	12%	18%		14%		12%	14%	
Core Net Margin	13%	18%		14%		13%	14%	
Effective Tax Rate	20%	19%		19%		20%	19%	

Source: Company, Kenanga Research

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

Business/Asset	Value (RM m)	Basis
Solar	359.3	30x FY26F PER
Non-solar	236.7	16x FY26F PER
<b>Asset Valuation</b>	<b>595.7</b>	
No of shares (m shares)	1,000.8	
<b>TP (RM/share)</b>	<b>0.60</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	1.25	NR	N.A.	806.2	Y	12/2025	5.3	6.4	56.4%	19.9%	23.6	19.5	3.9	N.A.	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.23	1.51	22.8%	516.6	Y	06/2025	5.3	5.9	50.0%	12.5%	23.3	20.7	4.9	22.7%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.75	1.99	13.7%	1,277.8	Y	03/2025	7.1	9.2	69.0%	29.1%	24.6	19.0	4.4	20.3%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.42	NR	N.A.	235.6	Y	03/2025	1.7	2.5	21.8%	52.4%	23.1	16.0	N.A.	N.A.	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.300	0.600	100.0%	300.2	Y	09/2025	2.1	2.6	12.0%	28.6%	14.6	11.3	3.8	30.3%	0.0	0.0%
<b>Sector Aggregate</b>					<b>3,136.4</b>					<b>41.8%</b>	<b>28.5%</b>	<b>21.8</b>	<b>17.3</b>	<b>4.3</b>			<b>0.0%</b>

Source: Kenanga Research

\*Note that Sunview & Pekat 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	★	★	☆	
	Product Quality & Certification	★	★	★	
	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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