

Solarvest Holdings

Wins RM401m Margin-Accretive LSS5 Deal

By Nigel Ng | nigel@kenanga.com.my

SLVEST has clinched its first LSS5 win from TENAGA, securing a RM401m EPCC job for a 500MWac solar plant in Kedah. This contract differs from usual EPCC job as major solar equipment procurement is not scoped in, thus commanding healthier PAT margin of >10%, doubling the typical 5% for LSS deals. Awarded slightly ahead of expectation but within our RM1.2b job wins target for FY26, this deal pushes SLVEST's order book to a record RM1.3b. We maintain our forecasts but lift our TP by 33% to RM2.65 (from RM1.99) after rolling forward the valuation base year. Maintain **OUTPERFORM** call.

Best-ever margin for LSS project. SLVEST has secured a RM401m EPCC contract from TNB Kula Muda Solar Sdn Bhd to develop a 500MWac solar power plant under LSS5 in Bukit Selambau, Kedah. While the award price seems lower than the usual RM2m-2.5m per MWac, the catch is that major equipment procurement- typically low-margin - has been stripped out. Since LSS1, TENAGA has procured its own solar panels, leveraging its scale for better pricing and payment terms to maximise project value. As a result, this project is expected to achieve a strong PAT margin of >10%, doubling the typical 5% for LSS deals. Completion is targeted by July 2027.

Record-high order book. We are positive on the deal particularly on the non-procurement front as panel prices have bottomed out following the shutdown of Chinese manufacturers struggling with negative cash flow. Meanwhile, solar EPCC players may face procurement risks for LSS5 projects. Awarded slightly ahead of expectations, this marks SLVEST's first LSS5 contract win, aligning with our FY26 job wins target of RM1.2b. The deal also pushes its order book to a record RM1.3b (LSS: 80%, C&I: 10%), securing workload visibility for at least the next 18 months.

Outlook. In the immediate term, we expect a strong influx of job opportunities driven by the 2GW LSS5 rollout with a completion deadline by end-2026 and an additional 500MW quota under the NEM initiative. Based on our estimates, we expect SLVEST to stand a strong chance to secure at ~30% of the total PV system EPCC jobs under LSS5, which we estimate at RM5b, translating to RM1.5b.

Forecasts. We maintain our forecast as the RM1.2b order wins for FY26 have already been factored in, with our FY27F core net profit at RM84m.

Valuations. However, we raise our TP by 33% to RM2.65 (from RM1.91) as we roll forward our valuation base year to FY27F, based on SoP valuation, ascribing 30x FY27F 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 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 : **RM1.65**
Target Price : **RM2.65** ↑

Share Price Performance



KLCI	1,527.81
YTD KLCI chg	-7.0%
YTD stock price chg	-2.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SOLAR MK Equity
Market Cap (RM m)	1,217.3
Shares Outstanding	737.8
52-week range (H)	1.83
52-week range (L)	1.44
3-mth avg. daily vol.	2,000,959
Free Float	54%
Beta	0.8

Major Shareholders

Atlantic Blue Holdings Sdn Bhd	20.7%
Lim Chin Siu	7.1%
Tan Chyi Boon	6.6%

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
Net Profit	33.6	52.5	65.2
Core Net Profit	32.3	52.5	65.2
Consensus (NP)	-	49.1	65.2
Earnings Revision	-	-	-
Core EPS (sen)	4.8	7.7	9.9
Core EPS Growth (%)	63.6	69.4	29.1
NDPS (sen)	-	-	-
NTA per Share (RM)	0.4	0.4	0.5
PER (x)	34.3	21.5	16.6
PBV (x)	4.7	3.9	3.0
Net Gearing (x)	0.4	0.3	-
Net Div. Yield (%)	-	-	-

19 March 2025

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

Business/Asset	Value (RM m)	Basis
EPCC	1,836.4	30x FY27F PER
Kee Ming Electrical Manufacturing	33.6	16x FY27F PER
SIW Manufacturing	31.8	10x FY27F 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%
Asset Valuation	2,137.7	
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
	2,342.6	
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)	2.53	
ESG premium (RM/share)	0.13	5% based on a 4-star rating
TP after ESG (RM/share)	2.65	

Source: Kenanga Research

19 March 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																	
PEKAT GROUP BHD*	NR	1.10	NR	N.A.	709.5	Y	12/2025	5.6	6.6	64.5%	17.3%	19.6	16.7	3.4	N.A.	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.10	1.51	37.3%	462.2	Y	06/2025	5.3	5.9	50.0%	12.5%	20.8	18.5	4.4	22.7%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.65	2.65	60.6%	1,217.3	Y	03/2025	7.1	9.2	69.0%	29.1%	23.2	17.9	4.2	20.3%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.40	NR	N.A.	227.1	Y	03/2025	1.3	2.3	21.8%	77.3%	21.1	12.9	N.A.	N.A.	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.290	0.600	106.9%	290.2	Y	09/2025	2.1	2.6	12.0%	28.6%	14.1	11.0	3.7	30.3%	0.0	0.0%
Sector Aggregate					2,906.3					43.5%	33.0%	19.8	15.4	3.9			0.0%

Source: Kenanga Research

*Note that Pekat & Sunview numbers based on Bloomberg consensus

Stock ESG Ratings:

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

*****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 E-mail: research@kenanga.com.my

