Solarvest Holdings

Secures RM1.1bn LSS5+ EPCC Contract

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OUTPERFORM ↔

Price :	**RM2.36**
Target Price :	**RM3.21** ↓

SLVEST has secured its second LSS5+ EPCC contract worth RM1.1bn for a 470MWac solar project. This is SLVEST's largest EPCC contract since listed which we welcome as it propels its total LSS5+ EPCC wins to an estimated market share of c.25%. Near-term job flow momentum is expected to remain driven by the LSS5+ pipeline of an estimated RM4bn in EPCC opportunities that could further nudge its market share to 30% or better. On industry margin concerns, we believe that solar panel cost will improve further as weak raw materials prices eventually get reflected. For now, we choose to reflect a more conservative margin on this project, resulting in 7% earnings trim in FY27. Maintain Outperform with TP of RM3.21 (from RM3.45) based on our sum of parts valuation.

RM1.1bn EPCC Contract (LSS5+). SLVEST's wholly-owned subsidiary, Atlantic Blue Sdn. Bhd., has entered into a RM1.1bn Engineering, Procurement, Construction and Commissioning (EPCC) contract with Malakoff Silver Solar Sdn. Bhd. to develop a 470MWac solar photovoltaic plant and its interconnection facilities under the LSS5+ programme in Larut and Matang, Perak (where SLVEST holds a 20% effective stake). The project is targeted for completion by 29 February 2028, with solar panel delivery and installation expected in FY2028. This marks its second EPCC job win under the LSS5+ programme.

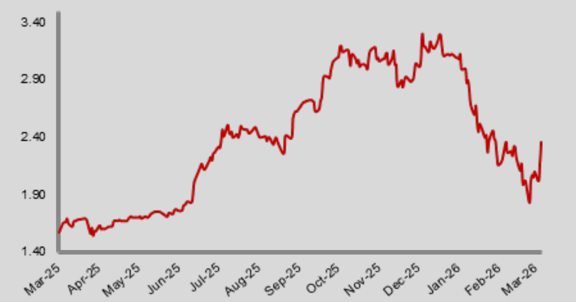
Our Take. The project appears to be priced relatively lower at c.RM2.3m/MWac compared to the typical c.RM3.0m/MWac. At this pricing level, we conservatively assume a gross profit margin of c.6%, translating into cumulative GP of c.RM64m over FY26-FY28F, equivalent to c.36% of our FY26F GP forecast. Following this contract win, SLVEST's unbilled order book is estimated to increase to RM2.7bn (79% LSS, 13% CGPP, with the remainder from C&I), representing c.4.9x FY25 revenue.

Outlook. SLVEST's LSS5+ EPCC market share is estimated to rise to c.25% after this award. We expect near-term order book replenishment to remain driven by the LSS5+ pipeline, with an estimated RM4bn in EPCC opportunities still unallocated. Solar panel prices remain a key factor, having stabilised at c.USD0.11/W (see Exhibit 2). However, we note that upstream raw material prices, particularly polysilicon (c.-22% YTD on average) and wafers (c.-24% YTD on average), have continued to decline on a weekly basis and have yet to be fully reflected in end-product pricing, which could suggest a further downtrend in panel prices going forward.

Earnings revision. We have lowered our margin assumptions for FY27F for this LSS5+ project to reflect a more conservative view on project margins. This results in a 7% cut to our FY27F earnings forecasts, with no impact on FY26F, as the majority of earnings are expected to be recognised in FY27F, in line with the S-curve recognition profile.

Valuations. We derive a lower **TP of RM3.21** (from RM3.45) based on our sum-of-parts (SoP) valuation (see Exhibit 1). For solar EPCC work, we employ 30x PER on FY27F earnings, while for manufacturing business, we accord valuations of 10x-16x earnings. For other assets, we continue to employ DCF at a discount rate of 5.5% to 5.6% for its LSS4, LSS5, LSS5+, CGPP, and Powervest assets (see Exhibit 1). Our **TP has a 5% premium given its 4-star ESG rating. Maintain** OUTPERFORM.

Share Price Performance



KLCI	1,721.70
YTD KLCI chg	2.5%
YTD stock price chg	-16.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SOLAR MK EQUITY
Market Cap (RM m)	2,638.5
Shares Outstanding	952.5
52-week range (H)	3.39
52-week range (L)	1.60
3-mth avg. daily vol.	6,325,550
Free Float	51%
Beta	0.9

Major Shareholders

Atlantic Blue Holdings Sdn Bhd	17.7%
Urusharta Jamaah Sdn Bhd	6.5%
Lim Chin Siu	6.4%

Summary Earnings Table

FYE Mar (RM m)	2025A	2026F	2027F
Turnover	536.8	839.6	1,586.6
Operating Profit	83.7	120.3	239.4
Profit Before Tax	74.2	96.4	124.7
Net Profit	**53.3**	**79.0**	**102.3**
Core Net Profit	**51.9**	**79.0**	**102.3**
Consensus (NP)		75.8	98.6
Earnings Revision			-6.8%
Core EPS (sen)	7.7	9.9	11.6
Core EPS Growth (%)	61.0	52.1	29.5
NDPS (sen)	1.0	0.0	0.0
NTA per Share (RM)	0.5	0.8	0.9
PER (x)	35.8	27.8	23.8
PBV (x)	6.1	3.4	3.1
Net Gearing (x)	0.3	(0.2)	(0.0)
Net Div. Yield (%)	0.4	0.0	0.0

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.

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, (iii) escalation in project costs, (iv) stress on balance sheet from Brookfield venture, where project funding will be decided on project-by-project basis, with borrowings, internal funding, sukuk issuance, and cash calls being options.

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

Business/Asset	Value (RM m)	Basis
EPCC	2109.2	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%
LSS5	39.9	DCF with a discount rate of 5.5%
LSS5+	40.5	DCF with a discount rate of 5.5%
CGPP	23.6	DCF with a discount rate of 5.6%
Brunei	135.6	DCF with a discount rate of 5.6%
Powervest	12.1	DCF with a discount rate of 5.6%
Sarawak Asset	30.4	DCF with discount rate of 5.5%
Brookfield (developer portion)	194.1	
Asset Valuation	**2,712.8**	
Proceeds from exercise of warrants/ESOS/placement	385.0	158.5m outstanding warrants @ RM1.00 and 58.7m outstanding ESOS @ weighted average price of RM0.79 and including this private placement
	3,097.7	
Enlarged share base (m shares)	1,012.4	Including 158.5m shares from warrant exercise, 58.7m shares from ESOS exercise and 40.2m new shares from earlier private placement and 84.7m from later placement
Fully-diluted TP before ESG (RM/share)	3.06	
ESG premium (RM/share)	0.16	5% based on a 4-star rating
TP after ESG (RM/share)	**3.21**	

Source: Kenanga Research

Exhibit 2: Solar Module Prices

Module Type (TOPCon Bifacial)	USD/w					
	Week11	Week12	Week13	Week14	Week15	YTD (%)
182mm, 72 cells (580-590w)	0.11	0.11	0.11	0.11	0.11	13%
210mm, 60 cells (630-655w)	0.12	0.11	0.11	0.11	0.11	16%
210mm, 60 cells (700-725w)	0.12	0.11	0.11	0.11	0.11	16%
210R, 60 cells (610-635w)	0.12	0.12	0.12	0.12	0.12	N/A

Source: Kenanga Research
Note: Prices are presented in USD/W. RMB-denominated module prices have been converted into USD using the RMB/USD exchange rate on a weekly basis.

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																	
CHEEDING HOLDINGS BHD	OP	0.710	0.700	-1.4%	566.1	Y	03/2026	4.3	5.3	30.8%	23.5%	16.6	13.5	6.3	48.6%	1.1	1.5%
KJTS GROUP BHD	OP	0.910	1.37	50.5%	628.5	Y	12/2026	3.2	4.0	24.2%	23.9%	28.2	22.8	2.8	12.1%	0.6	0.7%
PEKAT GROUP BHD	OP	1.55	1.72	11.0%	1,096.0	Y	12/2026	8.5	9.2	22.4%	7.3%	18.1	16.9	2.8	18.6%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.30	1.94	49.2%	657.3	Y	06/2026	6.3	7.5	21.3%	18.8%	20.6	17.3	3.2	17.4%	1.1	0.8%
SOLARVEST HOLDINGS BHD	OP	2.77	3.45	24.5%	2,638.5	Y	03/2026	10.3	13.3	51.9%	29.5%	26.9	20.8	5.4	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.175	0.470	168.6%	175.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	13.5	8.8	2.2	19.1%	0.0	0.0%
SECTOR AGGREGATE					**5,761.5**					**26.8%**	**22.8%**	**24.6**	**20.0**	**3.8**	**23.1%**		**0.5%**

Source: Kenanga Research

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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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