Solarvest Holdings (SOLAR MK)

Transforming Into A Formidable Green Power Producer By 2030

Highlights

- We raised FY29 net profit forecasts by 29%, capturing RM5b orderbook against a backdrop of 300-500MW CRESS wins and 20-25% LSS6 EPCC market share.
- Net profit will gradually peak at RM200m in FY29, driving ROE to an impressive 15.5% (FY26: 10%). This underscores Solarvest's management prowess in driving earnings growth over time.
- We lift our target price to RM5.30/ share, ahead of the market. This captures: a) a RM4.60/share valuation for EPCC business; and b) a RM0.70/share valuation for 500MW CRESS asset ownership. Our blue-sky fair value is RM7.50/share assuming 2GW CRESS ownership. Maintain BUY; target price: RM5.30.

Analysis

- **500MW CRESS; raised FY28 net profit by 26%.** Solarvest Holdings (Solarvest) looks to double orderbook from RM2.5b to RM5b in the near term. This comes on the back of the CRESS Acceleration Package announced in September, with a potential 300-500MW CRESS contract win in 4Q26/1Q27 as well as Large Scale Solar 6 (LSS6) wins. Importantly, we believe the group is also well positioned to win an additional 300-500MW of CRESS contracts from other DC players, lifting base case RM5b orderbook to RM7b (blue sky).
- **Earnings to peak in FY29.** Based on its RM5b orderbook and an 8% net margin assumption, we raise FY29 net profit forecasts by 26% (from RM160m to RM200m), as we spread the RM5b base case orderbook over FY28-29. We now project a three-year earnings CAGR of 36% (FY27-29). Sizeable landbank access is a key advantage to all solar players and we believe Solarvest is well ahead of the curve in terms of strategic landbanking activity.
- **Fair value of RM5.30; blue-sky RM7.30.** In tandem with the increase in earnings, we raised our fair value to RM5.30/share. We transition from PER to SOTP valuation to capture the intrinsic value of CRESS power assets. Essentially, sizeable power asset ownership pivots Solarvest into a green independent power producer (IPP) in the long run. This underpins long-term earnings visibility, and cashflow prowess will pave the way for lush dividend payouts. Our SOTP methodology captures: a) RM4.60/share for RE EPCC orderbook; and b) RM0.70/share for long-term CRESS power assets. We assume Solarvest can win 500MW CRESS contracts in the near term. Our blue-sky fair value for Solarvest is RM7.30/share, assuming 2GW of power generation assets. See our fair value analysis overleaf.

Key Financials

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F	2029F
Net turnover	536.8	757.1	1,312.5	1,977.4	2,510.2
EBITDA	97.0	141.3	191.2	255.7	322.3
Operating profit	83.7	126.0	173.1	233.9	296.9
Net profit (rep./act.)	51.9	79.8	112.7	156.2	200.9
Net profit (adj.)	51.9	79.8	112.7	156.2	200.9
EPS	7.0	9.4	11.8	16.3	21.0
PE (x)	75.4	56.5	45.0	32.4	25.2
P/B (x)	9.5	6.2	5.4	4.6	3.9
EV/EBITDA (x)	42.5	35.5	26.2	19.1	14.6
Dividend yield (%)	-	-	-	-	-
Net margin (%)	9.7	10.5	8.6	7.9	8.0
Net debt/(cash) to equity (%)	48.9	(6.5)	(7.1)	(16.0)	(27.7)
Interest cover (x)	5.7	4.6	4.9	6.3	7.5
ROE (%)	12.5	9.7	12.0	14.3	15.5
Consensus net profit			111.5	159.1	203.7
UOBKH/Consensus (x)			1.01	0.98	0.99

Source: Solarvest, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM4.31
Target Price	RM5.30
Upside	23.0%
Previous TP	RM4.20

Stock Data

Sector	Industrials
Bloomberg ticker	SOLAR MK
Shares issued (m)	952.3
Market cap (RMm)	4,223.3
Market cap (US$m)	1,041.0
3-mth avg daily t'over (US$m)	5.5

Price Performance (%)

52-week high/low				RM4.57RM1.82
1mth	3mth	6mth	1yr	YTD
(4.0)	43.7	57.9	39.9	30.6

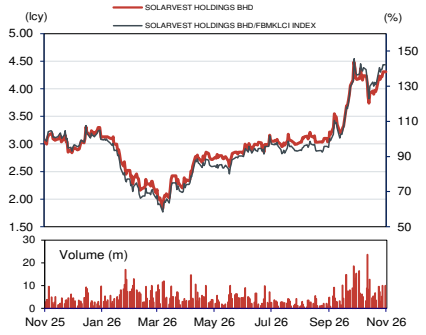
Major Shareholders (%)

Atlantic Blue Holdings	16.7
Lim Chin Siu	5.7
Eastspring Investments	5.3

Balance Sheet Metrics

FY27F NAV/Share (RM)	1.0
FY27F Net Debt/Share (RM)	0.1

Price Chart



Source: Bloomberg

Company Description

A renewable energy EPCC, operation and maintenance and asset ownership company.

Solarvest Fair Value Of RM5.30/share; Based On 500MW CRESS Win

	Potential CRESS Win	Fair Value (RM/share)	Key Assumptions
Bear Case	300MW	RM5.00	• 300MW brownfield CRESS yields an estimated net profit of RM27m annually.
Base Case	500MW	RM5.30	• We value Solarvest's EPCC business at mean 22x PER; • We value brownfield CRESS power purchase agreement (PPA) at 28x PER • Equity stake in CRESS assets is 50% • 500MW brownfield CRESS contract yields an estimated net profit of RM45m annually.
Scenario 1	1GW	RM6.00	• 1GW brownfield CRESS contract yields an estimated net profit of RM90m annually.
Scenario 2	1.5GW	RM6.60	• 1.5GW brownfield CRESS contract yields an estimated net profit of RM135m annually.
Blue Sky	2GW	RM7.30	• 2GW brownfield CRESS contract yields an estimated net profit of RM180m annually.

Source: UOB Kay Hian

- **Asset monetisation beyond 2030, long-term catalyst for the stock.** The Brookfield joint venture aims to secure 1.5GW of CRESS contracts over 3-5 years, with boost sizeable power generation assets to be eventually monetised either through a trade sale or listing exercise. CRESS assets are expected to generate healthy profits, cashflow and eventually, dividends. As such, asset monetisation is positive for Solarvest. We estimate a 1.5GW CRESS asset may generation healthy net profit of RM135m and Solarvest's 50% stake will lift FY29 net profit by 35%.

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-derived target price of RM5.30.** At our target price, the stock would trade at 25x FY29 EPS. This is +0.5SD above the stock's five-year mean PER of 22x. We believe Solarvest's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth.

Earnings Revision/Risk

- Raised FY28-FY29 net profit forecasts by 17% and 26% respectively. This assumes a total orderbook of RM5b, based on 300-500MW CRESS win and LSS6.

Share Price Catalyst

- **Key re-rating catalysts** for the stock include: a) a stronger ringgit to offset rising solar PV costs, b) cost discipline to drive sustainable profit margins, c) pioneer CRESS contract wins, and d) eventual monetisation of solar assets either via listing or trade sale.

Environment, Social, Governance (ESG) Updates

Environmental

- Solarvest installed solar PV systems with a cumulative capacity of 1,164MWp for its customers as of FY26, resulting in an impressive estimated reduction of 1,100,482 tonnes of carbon dioxide emissions.

Social

- In FY26, the group allocated RM130,099 to community programmes that benefitted 4,636 individuals, across education, donations, and sponsorships.

Governance

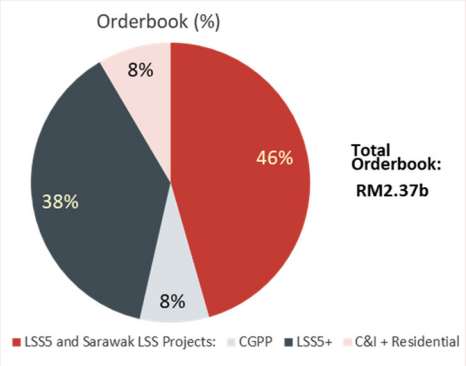
- The board comprises nine members consisting of six Independent Directors and three Non-Independent Directors. Meanwhile, women comprise 33% (three directors) of the board.

Fair Value Of RM5.30/share

	Equity Value (RMm)	% SOTP
Solar EPCC Segment		
-Based on orderbook of RM5b; RM200m net profit in FY29	4,416	88%
CRESS Assets		
- Based on 500MW CRESS win; 50% equity stake	630	12%
Total Equity Value	5,046	
Target price (RM)	**5.30**	

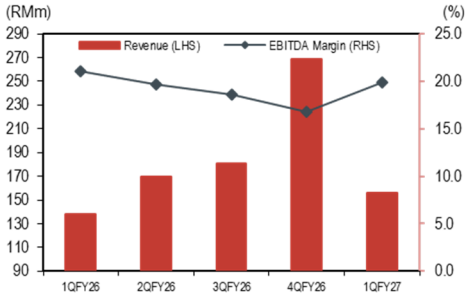
Source: UOB Kay Hian

Current Orderbook



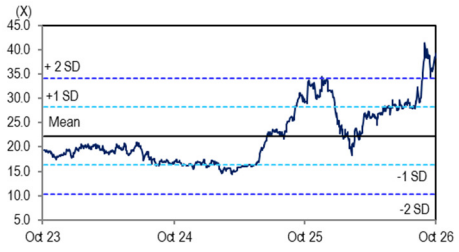
Source: Solarvest, UOB Kay Hian

Revenue And Margins Trend



Source: Solarvest, UOB Kay Hian

Solarvest Three-year PE Band



Source: Bloomberg, Solarvest, UOB Kay Hian

Profit & Loss

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net turnover	**757**	**1,313**	**1,977**	**2,510**
EBITDA	141	191	256	322
Deprec. & amort.	(15)	(18)	(22)	(25)
EBIT	126	173	234	297
Associate contributions	9	14	17	19
Net interest income/(expense)	(9)	(7)	(4)	(1)
Pre-tax profit	**117**	**166**	**230**	**296**
Tax	(35)	(50)	(69)	(89)
Minorities	(2)	(3)	(5)	(6)
Net profit	**80**	**113**	**156**	**201**
Net profit (adj.)	80	113	156	201

Balance Sheet

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Fixed assets	324	385	462	537
Other LT assets	225	225	225	225
Cash/ST investment	195	193	295	472
Other current assets	851	991	1,058	1,077
Total assets	**1,595**	**1,794**	**2,040**	**2,311**
ST debt	66	63	60	57
Other current liabilities	315	412	504	574
LT debt	346	335	331	328
Other LT liabilities	36	36	36	36
Shareholders' equity	823	936	1,092	1,293
Minority interest	9	12	17	23
Total liabilities & equity	**1,595**	**1,794**	**2,040**	**2,311**

Cash Flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	**91**	**91**	**208**	**284**
Pre-tax profit	117	166	230	296
Tax	(31)	(50)	(69)	(89)
Deprec. & amort.	15	18	22	25
Associates	-	-	-	-
Working capital changes	(98)	(43)	25	51
Other operating cashflows	86	-	-	-
Investing	**(200)**	**(79)**	**(99)**	**(100)**
Capex (growth)	(80)	(79)	(99)	(100)
Investments	0	-	-	-
Proceeds from sale of assets	(32)	-	-	-
Others	**447**	**(66)**	**(7)**	**(6)**
Financing	1	-	-	-
Dividend payments	377	-	-	-
Proceeds from borrowings	83	(14)	(7)	(6)
Loan repayment	(14)	(51)	-	-
Net cash inflow (outflow)	**337**	**(53)**	**102**	**178**
Beginning cash & cash equivalent	**87**	**425**	**371**	**473**
Changes due to forex impact	0	-	-	-
Ending cash & cash equivalent	**425**	**371**	**473**	**651**

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	18.7	14.6	12.9	12.8
Pre-tax margin	15.5	12.6	11.6	11.8
Net margin	10.5	8.6	7.9	8.0
ROA	5.0	6.3	7.7	8.7
ROE	9.7	12.0	14.3	15.5
Growth				
Turnover				
EBITDA	41.0	73.4	50.7	26.9
Pre-tax profit	45.7	35.3	33.7	26.0
Net profit	58.1	41.5	38.7	28.6
Net profit (adj.)	53.7	41.2	38.7	28.6
EPS	53.7	41.2	38.7	28.6
Leverage	53.7	41.2	38.7	28.6
Debt to total capital				
Debt to equity				
Net debt/(cash) to equity	0.4	0.3	0.3	0.2
Interest cover	0.5	0.4	0.4	0.3

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