Solarvest Holdings (SOLAR MK)

2QFY27: Higher Earnings Base; Expect 2HFY27 To Be Strong

Highlights

- 2QFY27 core net profit rose to RM26.3m (+40% yoy; +38% qoq), driven by progress billing from utility-scale EPCC job as well as higher RE generation and O&M contributions. 2QFY27 net margin normalised to 10%, well within expectations.
- 1HFY27 net profit accounts for 39% of our full-year earnings, and is deemed in line as we expect higher progress billing in 2HFY27.
- We expect a potential 300-500MW CRESS contract win in 4Q26/1Q27. Maintain BUY with an SOTP-based target price of RM5.30.

2QFY27 Results

Year to 31 Mar (RMm)	2QFY27	qoq%	yoy%	1HFY27	yoy%
Revenue	**255.2**	**63.6**	**50.6**	**411.1**	**33.8**
Gross profit	57.6	25.7	20.0	103.4	16.9
EBITDA	40.4	30.5	20.8	72.3	15.8
EBITDA Margin (%)	15.8	(4.0)ppt	(3.9)ppt	17.6	(2.7)ppt
Profit before tax	33.5	33.3	24.9	57.9	18.5
Core Net profit	**26.3**	**38.1**	**40.2**	**44.3**	**27.9**
Segmental Revenue (RMm)	**2QFY27**	**qoq%**	**yoy%**	**1HFY27**	**yoy%**
EPCC of Clean Energy Solutions	260.6	61.8	33.8	421.6	10.7
Renewable Energy (RE) Generation	11.5	19.9	43.4	21.1	34.8
O&M of RE System	6.5	34.8	82.8	11.3	51.1
Others	(23.4)	20.2	(36.5)	(43.0)	(55.6)
Total	**255.2**	**63.6**	**50.6**	**411.1**	**33.8**

Source: Solarvest, UOB Kay Hian

Analysis

- **1HFY27 earnings in line; a stronger 2HFY27 finish.** Solarvest Holdings (Solarvest) recorded a core net profit of RM26.3m (+40% yoy; +38% qoq) in 2QFY27. This was attributed to: a) strong engineering, procurement, construction, and commissioning (EPCC) segment contributions (+34% yoy; +62% qoq); and b) higher contributions from its corporate green power projects (CGPP) assets. This brings 1HFY27 core net profit to RM44.3m (+28% yoy). We deem the results to be in line with expectation, as we expect higher progress billing for utility-scale EPCC jobs in 2HFY27. Net profit margin is also expected to normalise to 9-10% for FY27.

Key Financials

Year to 31 Mar (RMm)	2025	2026	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)	50.0	37.4	29.8	21.5	16.7
P/B (x)	6.3	4.1	3.6	3.1	2.6
EV/EBITDA (x)	28.8	23.4	17.2	12.4	9.3
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	n.a	n.a	111.5	160.8	207.9
UOBKH/Consensus (x)	n.a	n.a	1.01	0.97	0.97

Source: Solarvest, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	RM3.51
Target Price	RM5.30
Upside	51.0%

Stock Data

Sector	Industrials
Bloomberg ticker	SOLAR MK
Shares issued (m)	952.3
Market cap (RMm)	3,439.7
Market cap (US$m)	840.2
3-mth avg daily t'over (US$m)	6.3

Price Performance (%)

52-week high/low				RM4.57RM1.82
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(10.5)	12.5	26.7	14.3	6.4

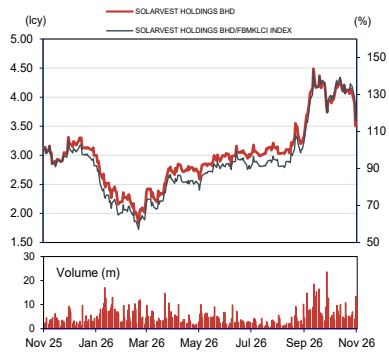
Major Shareholders (%)

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.

- **Growing recurring earnings, accounting for 28% of EBITDA.** 1HFY27 saw the RE generation segment revenue rise 35% yoy, making up 5% of the group's revenue. Importantly, this segment contributed 28% and 15% of the group's 1HFY27 EBITDA and PBT respectively. Solarvest continues to reap recurring revenue contributions from its LSS4 and Powervest assets, generating a stable revenue stream of RM3m-4m each quarter. This is expected to drive a total revenue contribution of ~RM50m once its 119MWp Powervest assets come online in the next 12-18 months. To recap, Solarvest is targeting a recurring income base of 30% of earnings, driven by solar farm ownership (LSS and CGPP) and C&I rooftop power purchase agreements (PPA).
- **Core net profit margin normalised to 10%.** In 2QFY27, core net profit margin normalised to 10% (-0.8ppt yoy; -1.9ppt qoq) due to a higher earnings contribution mix from LSS5 project delivery under the EPCC segment. We expect Solarvest to maintain a stable net profit margin run rate of 9-10% in FY27, having secured up to 2GW of solar modules at a competitive price (our estimate: US$0.10-0.11/W).
- **RM2.2b orderbook; doubling to a record RM5b with CRESS win.** Solarvest aims to grow its orderbook from RM2.184b (9% residential and C&I + 91% utility-scale) 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 data centre (DC) players, lifting our base-case RM5b orderbook to RM7b (blue sky).

Valuation/Recommendation

- **Maintain BUY with an 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. 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 in CRESS contracts in the near term and believe the group's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth.

Earnings Revision/Risk

- No changes to earnings.

Share Price Catalyst

- **Asset monetisation beyond 2030, long-term catalyst for the stock.** The Brookfield JV aims to secure 1.5GW of CRESS contracts over 3-5 years, with the boosted 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 a healthy net profit of RM135m and Solarvest's 50% stake will lift FY29 net profit by 35%

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

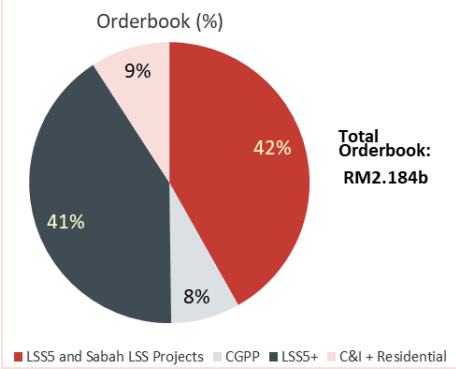
- The board comprises nine members consisting of six Independent Directors and three Non-Independent Directors. Meanwhile, women comprise 33% (three directors) of the board.

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**	

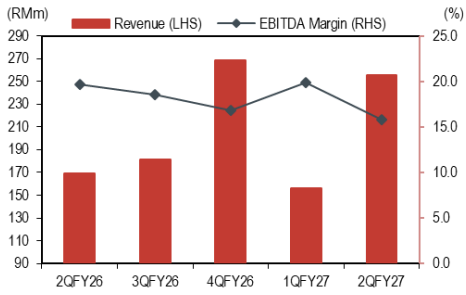
Source: UOB Kay Hian

Current Orderbook



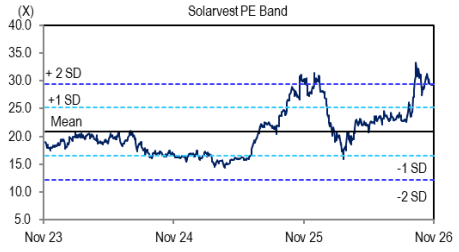
Source: Solarvest, UOB Kay Hian

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	41.0	73.4	50.7	26.9
EBITDA	45.7	35.3	33.7	26.0
Pre-tax profit	58.1	41.5	38.7	28.6
Net profit	53.7	41.2	38.7	28.6
Net profit (adj.)	53.7	41.2	38.7	28.6
EPS	41.0	73.4	50.7	26.9
Leverage				
Debt to total capital	0.4	0.3	0.3	0.2
Debt to equity	0.5	0.4	0.4	0.3
Net debt/(cash) to equity	(0.1)	(0.1)	(0.2)	(0.3)
Interest cover	4.6	4.9	6.3	7.5

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