

SUNVIEW

(SUNVIEW MK EQUITY, SUNVIEW.KL)

HOLD

(Maintained)

Price: RM0.375
 Target Price (% return): RM0.39 (4%)
 52-week High/Low: RM0.44/RM0.335

Solar

Rationale for report: Company Update

Acquires solar plant for RM55mil from JAKS Resources

Sunview has proposed to acquire a 50MWac LSS 4 solar plant for RM15mil cash consideration and RM40mil to JAKS Resources. This is Sunview's second acquisition in a month. The solar plant is located in Seberang Perai Selatan, Penang and has been commercially operational since 18 August 2023. It operates under a 25-year Power Purchase Agreement (PPA) with a major utility company. We are neutral on the proposed acquisition. The improvement in recurring income due to the new solar farm is expected to be partly offset by higher interest expense resulting from increased borrowings. The solar plant would boost Sunview's ownership of solar assets from 62.1MW to 112.1MW. We maintain HOLD with a target price of RM0.39/share.

- Maintain Hold with a higher TP of RM0.39/share vs RM0.37 previously.** Our TP of RM0.39/share is based on a CY27F PE of 20x, which is below the simple average PE of the solar EPCC peers of 22x. We applied a discount due to Sunview's high gearing and low return on equity of 4.4%. We have raised Sunview's FY27F net profit by 3.8% and FY28F net earnings by 4.5% to account for earnings contribution from the proposed acquisition.
- Proposed acquisition would increase recurring earnings.** Sunview is expected to complete the proposed acquisition of JAKS Resources' solar plant in 3Q2026. Assuming a tariff of 15 sen/kWh, we estimate that the solar plant would improve Sunview's net profit by 3.8% in FY27F.
- Purchase consideration of RM55mil is fair.** Basing the consideration of RM55mil on the 50MW solar plant, Sunview's purchase price translates into RM1.1mil per MW, which is cheaper than the RM1.4mil per MW for the previous RM70mil acquisition of a 50MW solar asset from Reneuco.
- Proposed acquisition would increase net gearing.** The acquisition is expected to be funded via internal cash and bank borrowings. The group may call for an equity fund raising. We estimate RM30mil of additional borrowings in FY26F. The increase in borrowings would lift Sunview's net gearing to 103.9% in FY26F from 88.8% originally.

YE to Sep	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	379.2	379.0	433.9	478.9
Core net profit (RM mil)	7.8	9.1	10.8	11.4
FD Core EPS (sen)	1.4	1.6	1.9	2.0
FD Core EPS growth (%)	-31.9	15.9	19.4	5.6
Consensus Net Profit (RM mil)	0.0	0.0	0.0	0.0
DPS (sen)	0.0	0.0	0.0	0.0
PE (x)	26.9	23.2	19.4	18.4
EV/EBITDA (x)	24.4	29.5	26.6	32.9
Div yield (%)	0.0	0.0	0.0	0.0
ROE (%)	4.4	4.9	5.5	5.5
Net Gearing (%)	69.9	103.9	113.3	111.6

Analyst (s)

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Key Changes

Target Price: ↑
 EPS: ↑

Stock and Financial Data

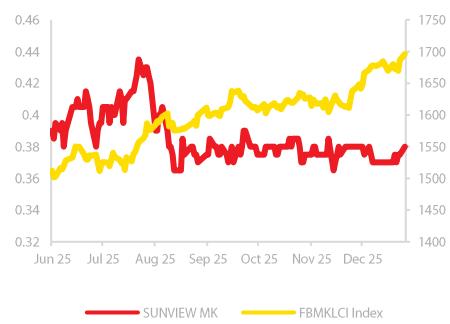
Shares Outstanding (million)	567.5
Market Cap (RMmil)	215.7
Book Value (RM/Share)	0.28
P/BV (x)	1.4
ROE (%)	4.4
Net Gearing (%)	69.9
Free Float	351.5
Avg Daily Value (RMmil)	2.73

Major Shareholders

New Energy Capital	24.9%
Ong Hang Ping	4.1%
Chow Kian Hung	2.9%

Price performance	3mth	6mth	12mth
Absolute (%)	0	-11.6	-1.30
Relative (%)	-1.0	-13.6	-6.04

Source: SUNVIEW, AmInvestment Bank

Price Chart

Company profile

Sunview is involved in the provision of solar PV construction and installation services, operation and maintenance (O&M) and sale of electricity to customers.

The group's project portfolio is evenly split between commercial & industrial (C&I) rooftop installations and large scale solar (LSS) developments.

Backed by a strong track record of project deliveries in C&I and LSS segments, the group is an established player in the solar industry. This positions the group to secure more solar EPCC jobs in the future.

Investment thesis and catalysts

Sustained orderbook momentum. The group recently secured a 99.99MW LSS project under the LSS5+ program, which is expected to add RM150mil to its current orderbook. We forecast the group's orderbook to reach RM412mil in FY27F from RM356mil in FY25.

Stretched balance sheet. Despite strong project execution and track record, the group's balance sheet is stretched due to high working capital requirements and borrowings from project financing. The group plans to raise equity to rebalance its capital structure and improve gearing levels.

Robust tender book to support earnings. We estimate at least a 25% success rate for its current tender book of RM5.8bil, implying potential contract wins of RM1.5bil over the next three years.

Valuation methodology

We applied a discounted CY27F PE of 20x to the simple average of the solar EPCC companies of 22x. The discount reflects the group's high net gearing, limited financial flexibility and low ROE. While the group remains one of the more established players in the domestic EPCC segment, we believe a stronger balance sheet is required for a rerating.

Risk factors

Key risks are a high net gearing, a fall in orderbook replenishment and increase in solar panel prices.

EXHIBIT 1. VALUATIONS

Target PE (x)	20
CY27F fully diluted EPS	1.93 (from 1.83)
ESG premium	-
12-month target price	0.39 (from 0.37)

EXHIBIT 2. CHANGE IN EARNINGS

RMmil	FY26F			FY27F			FY28F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	375.3	379.0	1%	416.4	433.9	4.2%	456.3	478.9	5.0%
Net earnings	9.1	9.1	0%	10.4	10.8	3.8%	10.9	11.4	4.5%

EXHIBIT 3. ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	GHG emissions	Net zero by 2050F	25%	*	*	*	*		Emissions of 45.03 mtCO2e for Scope 2 in FY24
2	Exposure to renewables	More than 20% of generation mix or capacity	25%	*	*	*	*	*	Solar EPCC and asset player
3	Contribution of coal to earnings	Less than 20%	25%	*	*	*	*	*	Zero coal exposure
4	Energy consumption	Energy consumption	25%	*	*	*			Consumed 59,556.10 KWH in FY24
	Weighted score for environmental assessment		100%	*	*	*	*		
	Social assessment								
1	Workers welfare	Learning and development hours	50%	*	*	*			Total training hours of 140 for 45 participants averaging 3.1 training hours each in FY24
2	Customer satisfaction rate	Customer satisfaction rate of 90%	50%	*	*	*			Customer satisfaction rate of 86% to 90% in FY24
	Weighted score for social assessment		100%	*	*	*			
	Governance assessment								
1	Related party transactions	Value of RPTs	25%	*	*	*			RM3.6mil in FY24
2	Women in workforce	% in workforce	25%	*	*	*			44% of workforce were women in FY24
3	Remuneration to directors	Total value of remuneration or % of salary costs	25%	*	*	*			RM480,000l in FY24
4	Material Litigation	Adjudication claim	25%	*					RM1.7mil adjudication claim over 50MW solar PV project in Pekan, Pahang
	Weighted score for governance assessment		100%	*	*	*			
	Environmental score		40%	*	*	*	*		
	Social score		30%	*	*	*			
	Governance score		30%	*	*	*			
	Overall ESG Score		100%	*	*	*			

Source: Company, AmInvestment Bank Bhd

Financial Summary

Income Statement (RMmil)

YE to Sep	FY24	FY25	FY26F	FY27F	FY28F
Revenue	465.9	379.2	379.0	433.9	478.9
EBITDA	26.1	28.1	38.5	42.5	48.1
Depreciation/Amortisation	(4.2)	(6.4)	(7.2)	(8.3)	(9.5)
Operating income (EBIT)	21.9	21.7	31.2	34.2	38.6
Other income & associates	1.4	11.4	0.5	0.5	0.5
Net interest	(7.5)	(13.2)	(16.2)	(17.7)	(21.2)
Exceptional items	-	-	-	-	-
Pretax profit	16.1	13.1	15.5	20.3	21.8
Taxation	(6.5)	(5.3)	(6.5)	(9.5)	(10.3)
Minorities/pref dividends	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net profit	9.7	7.8	9.1	10.8	11.4

Balance Sheet (RMmil)

YE to Sep	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	46.1	52.9	57.4	65.2	74.8
Intangible assets	16.8	18.6	18.6	18.6	18.6
Other long-term assets	36.3	24.3	24.3	24.3	24.3
Total non-current assets	99.2	95.8	100.3	108.0	117.7
Cash & equivalent	49.2	55.1	115.6	110.9	136.5
Stock	3.7	4.8	8.0	9.2	10.1
Trade debtors	56.3	73.7	124.6	142.6	157.5
Other current assets	187.6	281.9	281.9	281.9	281.9
Total current assets	296.8	415.5	530.1	544.7	586.0
Trade creditors	96.9	128.6	250.7	287.0	316.8
Short-term borrowings	94.0	133.0	193.0	208.0	193.0
Other current liabilities	7.5	26.5	26.5	26.5	26.5
Total current liabilities	198.4	288.1	470.2	521.5	536.3
Long-term borrowings	39.9	45.6	115.6	125.6	175.6
Other long-term liabilities	0.5	0.7	0.7	0.7	0.7
Total long-term liabilities	40.3	46.2	116.2	126.2	176.2
Shareholders' funds	140.4	176.7	185.8	196.6	208.0
Minority interests	0.1	0.3	0.3	0.3	0.3
BV/share (RM)	0.29	0.31	0.33	0.35	0.37

Cash Flow (RMmil)

YE to Sep	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	16.1	13.1	15.5	20.3	21.8
Depreciation/Amortisation	4.2	6.4	7.2	8.3	9.5
Net change in working capital	(107.0)	(61.7)	(9.0)	(63.0)	(66.8)
Others	7.1	0.6	16.2	17.7	21.2
Cash flow from operations	(79.5)	(41.6)	30.0	(16.7)	(14.4)
Capital expenditure	(5.2)	(10.9)	(15.0)	(18.0)	(20.0)
Net investments & sale of fixed assets	(13.2)	0.0	0.0	0.0	0.0
Others	30.0	0.0	0.0	0.0	0.0
Cash flow from investing	11.6	(10.9)	(15.0)	(18.0)	(20.0)
Debt raised/(repaid)	33.6	30.2	100.0	30.0	60.0
Equity raised/(repaid)	27.2	28.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	(12.4)	(17.5)	0.0	0.0	0.0
Cash flow from financing	48.5	41.1	100.0	30.0	60.0
Net cash flow	(19.5)	(11.3)	115.0	(4.7)	25.6
Net cash/(debt) b/f	27.4	11.9	0.6	115.6	110.9
Forex	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) c/f	7.9	0.6	115.6	110.9	136.5

Key Ratios

YE to Sep	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	34.3	-51.3	67.1	14.5	10.4
EBITDA growth (%)	-2.8	7.4	37.0	10.6	13.0
Pretax margin (%)	3.5	3.5	4.1	4.7	4.5
Net profit margin (%)	2.1	2.1	2.4	2.5	2.4
Interest cover (x)	-3.5	-2.1	-2.4	-2.4	-2.3
Effective tax rate (%)	40.2	40.4	41.5	46.6	47.4
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Debtors turnover (days)	44	119	120	120	120
Stock turnover (days)	3	9	9	9	9
Creditors turnover (days)	84	241	241	241	241

Source: Company, AmInvestment Bank

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