

Verdant Solar Holdings Berhad (VERDANT)

Go Green. Go Solar. Go Verdant.

- **VERDANT, a home-grown solar PV EPCC specialist founded in 2015, has a decade-long track record as a turnkey solutions provider. Recognized by the Malaysia Book of Records for the most solar PV home installations (2022–2024). The Company derives revenue from EPCC (95.5%), O&M (0.4%), and trading (0.6%).**
- **Moving forward, we project earnings to grow at a CAGR of 9.1% over the next three years, reaching RM17.7m, RM19.7m, and RM22.4m, supported by (i) robust order book replenishment, given the company's typically short-term contract model, and (ii) favourable government support for the renewable energy segment.**
- **We assign a target P/E of 18.0x based on mid-FY27f EPS, implying a fair value of RM0.41 per share. Despite peers averaging ~22.7x, we apply a lower multiple aligned with comparable subsidiaries' earnings and the 10-year Bursa Utilities Index average; all of which reflects VERDANT's retail solar PV model.**

Investment Merits

A home-grown specialist in the EPCC of solar PV systems. Founded in 2015, VERDANT boasts a remarkable 10-year track record as a turnkey solutions provider in the solar PV system industry, with notable accreditation from the Malaysia Book of Records for the most solar PV home installations from 2022 to 2024. The company has three revenue streams. Firstly, Engineering, Procurement, Construction, and Commissioning (EPCC) for solar PV systems, with a focus on residential projects, accounting for 95.5% of its FY25 revenue. Subsequently, VERDANT offers O&M services (0.4% of FY25 revenue) via its in-house mobile application, enabling customers to monitor system performance and report any issues, for which VERDANT provides the necessary maintenance services. Additionally, the company engages in the trading of related solar items (0.6% of FY25 revenue).

Healthy revenue growth, backed by robust turnkey offerings. VERDANT has delivered a solid 3-year revenue CAGR of 96.4%, driven by the robust take-up of solar PV systems across its residential segment. With Malaysia's vision towards the use of green energy, targeting 31% renewable energy (RE) capacity by the end 2025 backed by favourable government initiatives like SELCO, GET, and upcoming initiatives like CREAM and Solar ATAP, we expect demand for RE, particularly solar PV, to remain strong. We anticipate VERDANT will continue benefiting from this tailwind, projecting topline growth of ~15.1% p.a. over FY26–28f. Furthermore, we believe its relatively healthy net cash position, as well as its remarkable experience in the residential segment should give VERDANT a competitive advantage against its peers. Also, in our view, its strong margins despite not having any manufacturing capabilities are appealing.

Expansion plan in the pipeline. VERDANT intends to scale its presence in Peninsular Malaysia by establishing branch offices and recruiting talent in Ipoh, Melaka, and Kuantan, thereby tapping into a wider geographical reach. Approximately 31.8% of IPO proceeds (c.RM14.0m) will be allocated for the expansion. This is key to meeting rising demand for retail solar PV systems, as well as enabling VERDANT to respond promptly to its customers and reduce outsourcing to subcontractors for EPCC works. While its Commercial & Industrial (C&I) segment remains relatively small, we expect the RM10.0m of the IPO proceeds to be a key growth driver moving forward, as VERDANT could merge with or acquire a valuable stake to grow within this segment; as the likelihood of further electricity tariff hikes by TNB to support grid infrastructure upgrades is high, which should in turn boost demand for RE sector.

IPO Note – Not rated

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Non-Rated

Share price	RM0.31
Target price	RM0.41
Previous TP	-
Capital upside	32.3%
Dividend return	-
Total return	32.3%

Company profile

Founded in 2015, Verdant Solar Holdings Berhad is a turnkey solar PV solutions provider specializing in EPCC services, primarily for residential rooftops. The company has completed 78.69 MWp of projects and offers a mobile app for system monitoring, maintenance services, and trades solar ventilation systems under its VERDANT Star brand.

Stock information

Bursa Code	0373
Bloomberg ticker	VERDANT MK
Listing market	ACE
Share issued (m)	817.6
Market Cap (m)	253.5
Shariah compliant	YES

Major shareholders

	%
Lim Tzer Haur	53.0

Earnings snapshot

FYE (Jun)	FY25	FY26f	FY27f
PATMI (m)	17.2	17.7	19.7
EPS (sen)	2.10	2.16	2.40
P/E (x)	14.7	14.4	12.9

Timetable of IPO

Opening of application	29 September
Closing of application	7 October
Balloting of application	9 October
Allotment of the IPO shares	17 October
Listing on the MAIN market	22 October



Company Overview

A turnkey solutions provider in Solar PV space. Established in 2015, Verdant Solar Holdings Berhad is principally engaged in the Engineering, Procurement, Construction, and Commissioning (EPCC) of solar PV systems, which are primarily used to generate electricity from rooftop-installed panels. As of the latest practicable date, the Company has successfully completed solar PV projects totalling 78.69 MWp, with a cumulative installed capacity of 74.63 MWp, mainly across the residential segment.

Complementing its main segment, the Company offers a mobile application that allows customers to monitor the real-time performance of their installed solar systems, track energy consumption, and receive alerts for any system issues, for which the Company provides maintenance services. Also, the Company trades its in-house solar ventilation systems, which are marketed under VERDANT Star, as well as sourcing items like solar panels and inverters upon request.

Fig #1 VERDANT's completed EPCC projects

Residential buildings



Commercial and industrial buildings



Source: VERDANT Solar Holdings Berhad

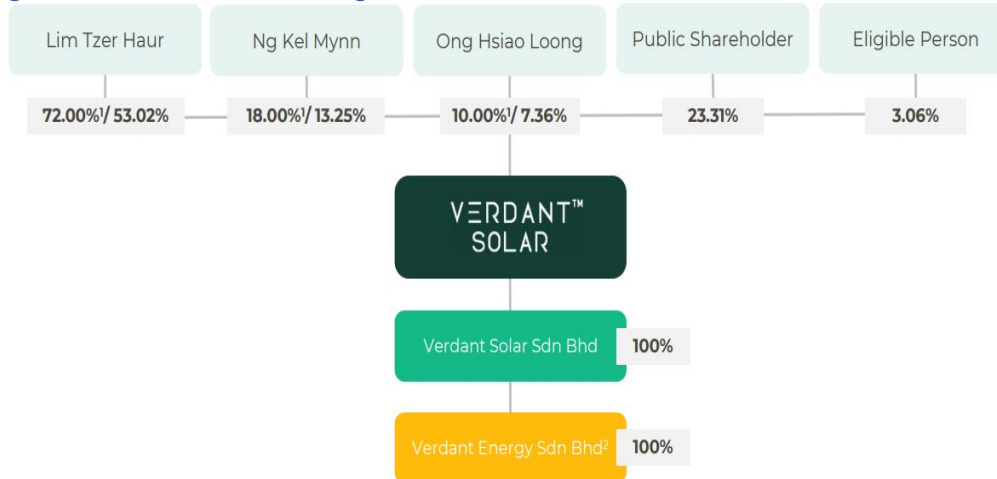
Providing its services to a wide range of building types. In terms of revenue breakdown by building type, a significant portion of VERDANT's revenue (95.5% in FY25) was derived from contracts in the residential segment. This category mainly includes homeowners. Meanwhile, the commercial and industrial segment (3.6% in FY25) was derived from buildings and commercial lots, which typically provide the Company with an installed capacity of above 50.00 kWp per project.

Holds a range of accreditation and certifications. Over the years, VERDANT has obtained various accreditations and certifications. Notably, it was recognized by the Malaysia Book of Records for achieving the most solar PV home installations in 2022-2024. Furthermore, VERDANT is (i) a registered service provider under SEDA, (ii) a Grade 5 contractor with the Construction Industry Development Board (CIDB), as well as a (iii) Class A registered contractor under the Energy Commission of Malaysia.

Led by an experienced senior management team. VERDANT is led by Lim Tzer Haur, the Group Managing Director, who is responsible for overseeing the overall strategic business directions, sales and marketing, business development and business operations, and Wong Wooi Loon, the Finance Manager, who oversees accounting, finance, tax and treasury. They are supported by a team of senior management with deep expertise in their respective fields.

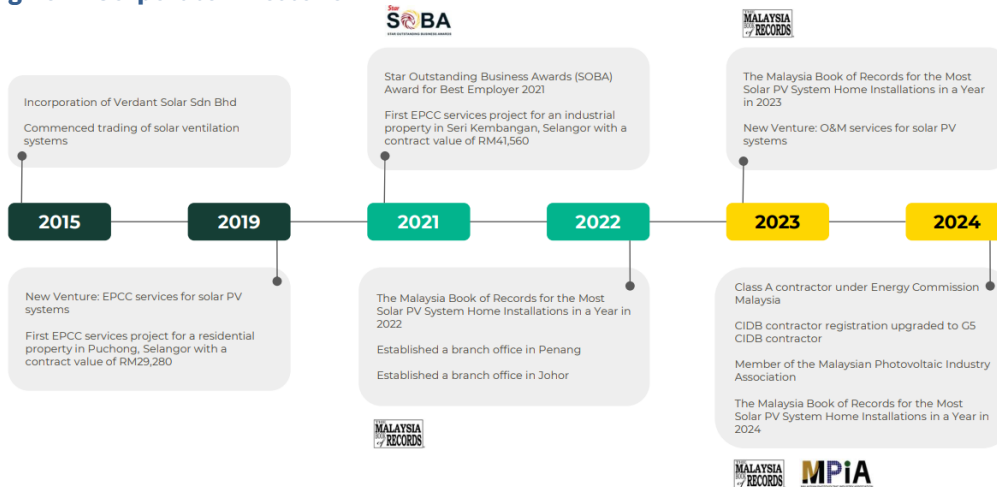


Fig #2 Post-IPO shareholding structure



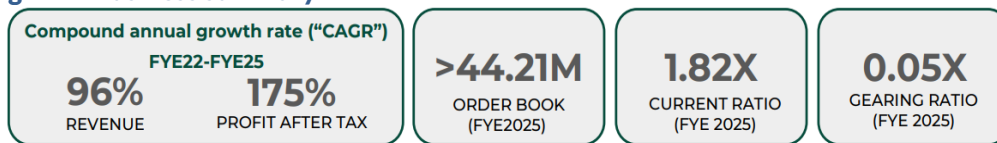
Source: VERDANT Solar Holdings Berhad

Fig #3 Corporate milestone



Source: VERDANT Solar Holdings Berhad

Fig #4 Business summary



Company Overview

118 EMPLOYEES	FOCUS MARKET	PRINCIPAL BUSINESS ACTIVITIES & PRODUCTS
2015 ESTABLISHED	<ul style="list-style-type: none"> Residential Commercial Industrial 	<ul style="list-style-type: none"> EPCC¹ services for solar PV² systems O&M³ services for solar PV systems Trading of solar products
7,187 Projects Completed		

Source: VERDANT Solar Holdings Berhad



Fig #5 SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> • Proven track record in delivering EPCC works, with notable accreditation from Malaysia Book of Records for the most solar PV home installations from 2022 to 2024. • We believe operationals wise are considered more efficient than peers, as reflected in its growing net margins. 	<ul style="list-style-type: none"> • As VERDANT currently operates only in three regions, it is highly likely for the Company will hire subcontractors for EPCC works in event the customers are out of VERDANT's geographical reach. • We believe VERDANT's inexperience in Commercial & Industrial (C&I) services is one of its weaknesses. However, an M&A with local players could be a key strategy for VERDANT to grow in this segment.
Opportunity	Threat
<ul style="list-style-type: none"> • Favourable government initiatives like SELCO, GET, CREAM as well as Solar Atap which generally aim to push the take-up of Solar PV systems across residential segment. • Given the likelihood of TNB's increasing its electricity tariffs in order to support the grid infrastructure upgrades, we believe this should in turn boost demand for the use of renewable energy. 	<ul style="list-style-type: none"> • We understand that VERDANT deliver its turnkey solutions through tendering activities, hence revenue growth would solely depends on VERDANT's ability to secure new projects. • Risk of early termination of its projects may adversely to its financial performance.

Source: M+ Research

Future Plans and Strategies

Expanding its footprint across Peninsular Malaysia. VERDANT has a strong track record as a leading solar PV player, as reflected in its recognition for the highest number of solar PV home installations. Accordingly, the Company intends to allocate approximately RM14.0m (31.8% of the IPO proceeds) to establish branch offices in Ipoh, Melaka, and Kuantan. Through this expansion, the Company aims to strengthen its presence and demonstrate its capabilities, enabling it to respond to business opportunities more promptly.

Currently, VERDANT operates from three regions—Selangor, Johor, and Penang. The opening of the new offices is expected to close the gap in uncovered areas. In line with this, the Company also intends to hire (i) three branch managers, (ii) 18 sales consultants, (iii) six experienced customer executives, (iv) 12 operations and project executives, and (v) three administrative executives to support the expansion.

A potential merger and acquisition (M&A) opportunities. With the rising adoption of Renewable Energy (RE), supported by favourable government initiatives such as NETR, LSS, and the upcoming Solar ATAP, the Company intends to allocate approximately RM10.0m (22.7% of the IPO proceeds) for potential (M&A) opportunities. These efforts aim to complement its newly EPCC business for solar PV systems in commercial and industrial buildings, as well as support its venture into large-scale solar projects.



Fig #6 Utilisation of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Establishment of branch offices in Peninsular Malaysia	14.0	31.8%	Within 36 months
Expansion through strategic investments, merger and acquisition opportunities	10.0	22.7%	Within 36 months
Enhancement of digital infrastructure	3.8	8.6%	Within 36 months
Working capital	11.7	26.6%	Within 24 months
Estimated listing expenses	4.5	10.2%	Within 1 month
Total	44.0	100.0%	

Source: VERDANT Solar Holdings Berhad

Financial Highlights and Valuation

Financial highlights. VERDANT's revenue grew robustly from RM14.7m in FY22 to RM111.4m in FY25, delivering a 3-year CAGR of 96.4%. This strong growth was primarily driven by robust take-up from the adoption of residential solar PV systems, alongside rising demand in its Commercial & Industrial (C&I) segment. VERDANT's cost of sales increased in line with total revenue, with a slight rise in the mix of subcontractor fees. Despite this, the Company was able to deliver growing PAT margins, increasing from 5.6% in FY22 to 15.4% in FY25, outperforming our selected solar-related peers, which stood at only 8.2%.

In FY25 alone, VERDANT's total revenue nearly doubled to RM117.4m from RM56.3m in FY24, driven mainly by stronger contributions from its major residential segment as well as an 810% increase in its C&I segment. In terms of geographical segmentation, the EPCC segment grew by RM51.3m, supported by an increase in the number of projects across all regions: Central (FY25: 2,457; FY24: 1,283), Northern (FY25: 812; FY24: 299), Southern (FY25: 713; FY24: 253), and East Coast (FY25: 56; FY24: 23). In addition, the company maintained a negative cash conversion cycle throughout the year, reducing its reliance on bank financing, all of which reflects in its robust net cash position.

Earnings forecast. For FY26F, we reckon that VERDANT will be able to deliver another year of solid improvement, backed by (i) a high-turnover order book, which currently stands at approximately RM31.1m and is expected to be recognised within the year given the typically short-term nature of its contracts, and (ii) favourable government support for solar PV systems through initiatives such as SELCO, GET, and the upcoming CREAM and Solar ATAP programs.

Note that we have not factored in its M&A potential, given the lack of details at the current stage. However, we project a robust 9.1% core net profit CAGR for VERDANT over FY26–FY28F. Our core net profit excludes one-off items such as IPO-related fees. In addition, we have pencilled in normalised gross margins of ~36% and net margins of ~13%.

Valuation. We assign a target P/E of 18.0x pegged on mid-FY27f EPS, translating to a fair value of RM0.41 per share. While the selected peers' average P/E stands at ~22.7x, we believe it is more meaningful to benchmark against the peers' subsidiaries earnings that are directly comparable to VERDANT's, given its niche model; in which resulting in a lower multiple of 18x, consistent with the 10-year average P/E of the Bursa Utilities Index.

Fig #7 Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
Verdant Solar Holdings Bhd	Ace	Jun	0.31	253.5	14.7	12.9	15.4
Northern Solar Holdings Bhd	ACE	Mac	0.79	312.5	27.2	NM	13.4
JS Solar Holding Bhd	ACE	Mac	0.38	123.5	14.9	NM	4.3
Peklat Group Bhd	ACE	Dec	1.79	1,156.5	31.5	25.9	7.7
Samaiden Group Bhd	MAIN	Jun	1.39	645.7	29.3	24.8	5.7
Solarvest Holdings Bhd	MAIN	Mac	2.94	2,463.4	35.7	NM	9.7
Avg ex-Verdant Solar Holdings Bhd				940.3	27.7	25.4	8.2

Source: M+ Research (*FY25, **FY26f)



Investment Risks

Slower cycles of EPCC projects being awarded. In our view, VERDANT's revenue is highly correlated with the government's push toward RE adoption. Hence, any economic downturn or political uncertainty that delays budget rollouts could translate into softer demand for RE works.

Defect liability risks. For the Financial Years under review, VERDANT's subcontractor costs rose from 11.1% in FY21 to 14.8% in FY24, which we believe is due to the lack of contractors in areas not directly covered by VERDANT. Hence, this has exposed VERDANT to defect liability claims, given it depends on outsourced quality.

Supply chain risks. Given that VERDANT sources materials such as solar panels, inverters, and mounting structures primarily from foreign suppliers – accounting for >50% during the Financial Years Under Review. Hence, any disruption in supply, pricing, or quality could delay project execution and materially impact its financial performance.

Regulatory risks. With its role as a solar PV service provider, VERDANT is subject to approvals, licenses, and permits from authorities such as CIDB, SEDA, and the Energy Commission Malaysia. Any failure to comply with conditions imposed, may result in revocation of these approvals, which could materially impact business operations.

ESG Initiatives

Environmental (E)

VERDANT Solar adopts sustainable practices to minimise its environmental footprint through:

- **Energy efficiency:** VERDANT joined TNB's Green Electricity Tariff (GET) program, sourcing electricity from renewable sources (solar and hydro), offsetting 3.79 tonnes of CO₂ between Aug–Dec 2023.
- **Waste management:** Donates recyclables to the lovely Disabled Home to support disabled communities.
- **Tree planting:** Targeted planting 1,000 trees in 6 months (2024); achieved 1,250 trees through collaborations with environmental and educational organisations.

Social (S)

The Company places emphasis on workplace safety, labour practices, and stakeholder engagement through:

- **Occupational safety and health:** Established a Safety & Health Committee and appointed Safety Officers.
- **Diversity and Inclusion:** Promotes equal opportunities regardless of age, gender, or ethnicity, and hosts team-bonding events to foster unity and cultural appreciation.
- **Corporate Social Responsibility (CSR):** Promotes Solar Training for the B40 community with PJUP TVET in July 2024 and sponsored ~RM22K in 2023 to NGOs and universities.

Governance (G)

The Company emphasises integrity, transparency, and strong governance oversight through:

- **Board Structure:** Aligns with the MCG Code of Conduct, with half of its members as independent directors and 30% as female directors, enhancing decision-making effectiveness.
- **Policies in Place:** Maintains a zero-tolerance stance, with policies aligned to the Malaysian Anti-Corruption Commission Act 2009.



Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet						Income Statement					
FYE June (RM m)	FY24	FY25	FY26f	FY27f	FY28f	FYE June (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	19	26	92	105	120	Revenue	56	111	130	150	170
Receivables	3	2	4	4	5	EBITDA	9	23	24	28	32
Inventories	8	10	12	13	15	EBIT	9	23	23	25	29
PPE	1	9	15	21	26	Net finance income/ (cost)	0	1	1	1	1
Others	1	4	4	4	4	Associates & JV	-	-	-	-	-
Assets	32	51	127	147	170	Profit before tax	9	23	23	26	29
Debits	2	1	1	1	1	Tax	(2)	(6)	(6)	(6)	(7)
Payables	5	2	5	5	6	Net profit	7	17	18	20	22
Others	16	26	26	26	26	Minority interest	-	-	-	-	-
Liabilities	23	29	32	32	33	Core earnings	7	17	18	20	22
Shareholder's equity	9	22	96	115	138	Exceptional items	-	-	-	-	-
Minority interest	-	-	-	-	-	Reported earnings	7	17	18	20	22
Equity	9	22	96	115	138	Valuation & Ratios					
Cash Flow Statement						FYE June (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	9	23	23	26	29	Core EPS (sen)	0.8	2.1	2.2	2.4	2.7
Depreciation & amortisation	0	1	1	2	3	P/E (x)	38.1	14.7	14.4	12.9	11.3
Changes in working capital	(1)	(6)	(1)	(1)	(2)	EV/EBITDA (x)	25.1	9.8	9.4	8.2	7.1
Share of JV profits	-	-	-	-	-	DPS (sen)	0.1	0.5	-	-	-
Taxation	(2)	(6)	(6)	(6)	(7)	Dividend yield	0.2%	1.6%	0.0%	0.0%	0.0%
Others	12	2	58	-	(0)	BVPS (RM)	0.01	0.03	0.12	0.14	0.17
Operating cash flow	18	14	77	21	23	P/B (x)	28.7	11.6	2.7	2.2	1.8
Net capex	(1)	(8)	(8)	(8)	(8)	EBITDA margin	16.1%	20.8%	18.6%	18.5%	18.9%
Others	0	6	-	-	-	EBIT margin	15.6%	20.2%	17.5%	16.9%	16.9%
Investing cash flow	(0)	(2)	(8)	(8)	(8)	PBT margin	15.7%	20.6%	17.9%	17.3%	17.3%
Changes in borrowings	(1)	(1)	(0)	(0)	(0)	Net margin	11.8%	15.4%	13.6%	13.1%	13.2%
Issuance of shares	0	-	-	-	-	ROE	115.4%	111.9%	30.1%	18.6%	17.7%
Dividends paid	(3)	-	-	-	-	ROA	32.0%	41.5%	19.9%	14.3%	14.1%
Others	2	(5)	-	-	-	Net gearing	CASH	CASH	CASH	CASH	CASH
Financing cash flow	(1)	(6)	(2)	(0)	(0)						
Net cash flow	16	6	66	13	15						
Forex	(0)	0	-	-	-						
Others	-	-	-	-	-						
Beginning cash	2	19	26	92	105						
Ending cash	19	26	92	105	120						

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

