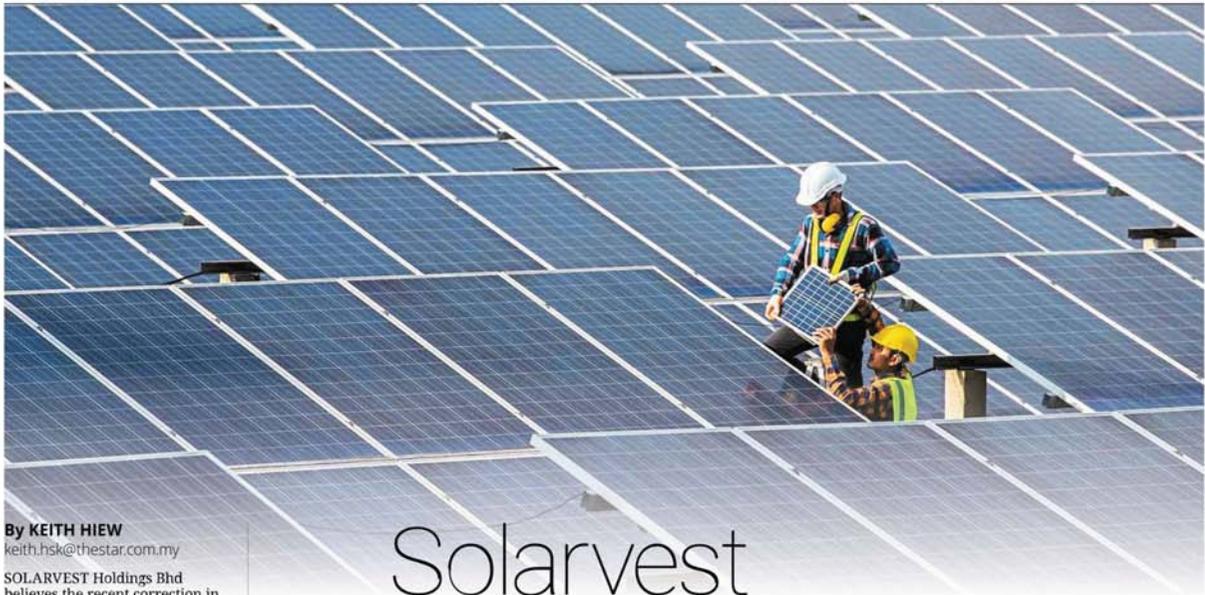


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Solarvest well invested for long term



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SOLARVEST Holdings Bhd believes the recent correction in share prices of energy stocks actually bodes well for the sector, with energy selling prices seen to be firming up, with China likely to cap production of solar panels.

Bursa Malaysia experienced a brief sell-down of energy counters at the beginning of this month, primarily as a reaction to China's removal of the 9% value-added tax (VAT) export rebate on solar panels (effective April 1, 2026), which raised concerns about higher input costs and potential margin pressure.

Analysts say the sector faced a "time correction" or mild pullback rather than a full-blown rout.

Solarvest's executive director and group chief executive Datuk Davis Chong notes that Solarvest has taken adequate "mitigating measures" towards the VAT rebate removal.

"We understand investors' reaction towards the sector, and the subdued market confidence.

"However, we would like to reassure our investors that we have taken measures such as procuring prices, hedging and securing contracts," he says.

Notably, the group has a handful of projects in collaboration with Malaysia's largest independent power producer Malakoff Corp Bhd, with the key project being the 470MWac solar photovoltaic facility located at Windsor Estate in Larut and Matang, Perak Darul Ridzuan, under large scale solar (LSS) PETRA 5+.

Last September, Solarvest and Malakoff entered a joint special purpose vehicle, Malakoff Silver Solar Sdn Bhd or MSSSB (the former with a 20% stake and the latter holding the balance).

In December, MSSSB signed a 21-year Power Purchase Agreement (PPA) with Tenaga Nasional Bhd (TNB) for the sale of solar energy, with the project expected to achieve commercial operations in the first quarter of financial year 2028 (1Q28).

Once operational, it will generate approximately 967,544MWh of clean energy annually, offsetting around 748,879 tonnes of carbon emissions per year, aligning with Malaysia's National Energy Transition Roadmap.

Chong estimates that this

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working alliance with Malakoff means Solarvest has an approximate RM2.5bil earnings visibility orderbook up until the financial year ending March 2028 (FY28).

"Our cost mitigation strategy, something which we had learned to put into effect since the Covid-19 lockdowns, has seen us hedging material prices such as for silver and aluminium," he reports.

"Some of these procured prices have been fixed since 3Q25 at a low price, although we paid high deposits to secure such deals."

While acknowledging that the Chinese government's VAT rebate removal may still squeeze margins, he reckons that should the ringgit stay at its relatively strong level against the US dollar of around RM3.90, the effect from the rebate removal could be "net off".

On this, RHB Research assessed the earnings impact of the removal as negligible for FY26 to FY27, noting that Solarvest's 2GW fixed-price procurement deals lock in pre-rebate pricing, shielding key projects like LSS5/LSS5+ (including the 470MW Perak JV) and Mukah from hikes over the next one to two years.

"Solarvest is now trading at its three-year historical price-to-earnings mean of 23 times, which we view as a valuation floor given the strong earnings trajectory and robust project pipeline," said the research house.

Recurrent earnings stability vs order book growth

While order book growth has been healthy, Chong says Solarvest is holding on to a target

for recurrent earnings to support 30% of its topline, with the remaining 70% to be provided for by new orders.

As for FY25, he says recurrent earnings make up roughly 20% of Solarvest's topline of RM536.8mil.

"On the other hand, our orderbook is also growing quite healthily, and so that ratio could change, or we may not be able to achieve it soon, although we admit this is still a nice problem to have," Chong remarks.

"If we can manage the volatile part of the business, I believe we can be confident in handling the stability side of things.

"Each project we embark on has its own proportion as to how much can be translated into recurrent earnings."

Chong believes that the power (kW/h) generation business will be moving into the direction of commodities, as he cautions that industry players would need to see beyond just producing power and look to strengthen their finances, build volume and maintain operational efficiency.

"We see the road ahead as a balance sheet game, where its consolidation or enlargement is essential to grow business volume, and then companies need to maintain operational efficiency," he opines.

"That is the growth strategy for a commodity business."

A power sector analyst with a foreign research house echoes Chong's thoughts, pointing out that as renewable penetration grows massively, in line with the country's clean energy target, in line with falling solar costs, the market will become more saturated.

"Once technology matures and deployment scales, the core product - clean electricity - becomes commoditised.

"Buyers, such as TNB or corporates under the Corporate Renewable Energy Supply Scheme care mainly about reliable, low-cost kWh, not who generated it."

The analyst comments that long-term PPAs of between 21 to 30 years currently provide stable, above-market pricing and de-risked returns, but as competition intensifies and more players flood in, PPA tariffs will trend lower toward wholesale market levels.

She says: "This squeezes pure generation margins over time, turning it into a lower-margin, capital-intensive utility-style business, similar to TNB's regulated returns.

Chong mentions that as the renewable energy sector continues maturing, industry players may need to balance greenfield projects with an increasing number of brownfield assignments.

The foreign brokerage analyst says industry players must strengthen balance sheets to fund selective, high-quality developments without over-leveraging, and operate more efficiently by prioritising brownfield opportunities alongside strategic greenfields, while layering higher-value activities.

"By blending greenfield with brownfield, companies can build a more resilient, capital-efficient portfolio," she says.

"This reduces exposure to commodity-like risks in pure generation, enhances recurring income stability, and aligns with consolidating strengths for long-term competitiveness."