

19 June 2024

## BM Greentech

### Buying Solar EPC Contractor for RM110m

By Nigel Ng / [nigel@kenanga.com.my](mailto:nigel@kenanga.com.my)

BMGREEN is acquiring the entire stake in a solar photovoltaic (PV) system engineering, procurement, and construction (EPC) contractor for RM110m, to be satisfied with 81.5m new BMGREEN shares at an issue price of RM1.35/share. We raise our FY25-26F EPS forecasts by 6% and 4%, respectively, lift our TP by 13% to RM1.30 (from RM1.15) but maintain our UNDERPERFORM call.

BMGREEN is acquiring a 100% equity stake in Plus Xnergy Holdings Sdn Bhd (PXH) for RM110m, to be satisfied with 81.5m new BMGREEN shares, translating to 12.5% of BMGREEN's enlarged share base, at an issue price of RM1.35/share. PXH specialises in solar PV system EPC contracting across industrial, commercial, residential and large scale solar (LSS) projects. The acquisition comes with an accumulated profit guarantee of RM44m within four years. Post-acquisition, the vendor will continue to run the business.

The deal values the asset at 10x FY25F PER based on the profit guarantee, which is at a discount to our valuation basis of 30x forward earnings of comparable companies, i.e. **SLVEST (OP; TP: RM1.91)** and **SAMAIDEN (OP; TP: RM1.51)**.

**QL (MP; TP: RM6.25)**, the largest shareholder of BMGREEN, will see its stake in BMGREEN diluted to 45.4% (from 52.6%). To maintain QL's shareholding above 50%, BMGREEN will undertake a special issuance of at least 55m new shares to QL. At the same issue price of RM1.35/share, the exercise will translate into RM74m net proceeds to BMGREEN.

We view the deal positively as it will strengthen the group's solar segment by expanding its portfolio to LSS projects. Recall, BMGREEN focuses solely on residential, commercial and industrial projects. PXH has an established track record of completing over 400MWp of solar PV installed capacity since its inception in 2013. Moving forward, we believe its solar segment will contribute about 30% of group PAT.

**Forecasts.** We raise our FY25-26F EPS forecasts by 6% and 4%, respectively, to reflect PXH's earnings, partially diluted by the enlarged share base.

**Valuations.** Correspondingly, we raise our TP by 13% to RM1.30 (from RM1.15) having rationalised our valuation basis to SoP (from straight PER), ascribing 13x FY26F PER for its bioenergy services division (consistent with the average historical forward PER of boiler makers) and valuing at 30x FY26F PER its EPCC segment (in-line with the average historical 1-year forward PER of the solar EPCC sector). There is no change to our TP based on ESG given 3-star rating as appraised by us (see Page 4).

**Investment case.** We like BMGREEN for: (i) the long-term trend of investment and upgrading of palm oil milling assets driven by the growing ESG awareness among palm oil millers, (ii) its strong customer base with reputable names in the industry such as KL Kepong, Wilmar, Sime Darby, Boustead and Tradewinds, and (iii) its growing presence in solar EPCC space. However, over the immediate term, amidst flattish CPO prices, planters are likely to cut back on their capex including the replacement and upgrading of boilers. Maintain **UNDERPERFORM**.

**Risks to our call include:** (i) palm oil millers restarting their capex plans on a sharp rise in CPO prices, (ii) lower input cost, and (iii) operations in regional markets gain traction.

## UNDERPERFORM ↔

Price: **RM1.78**  
Target Price: **RM1.30** ↑

Expected Capital Gain: **-RM0.48 -27.0%**  
Expected Divd. Yield: **+RM0.018 +1.0%**  
Expected Total Gain: **-RM0.462 -26.0%**

KLCI Index 1,606.13

### Stock Information

Bloomberg Ticker	BMGREEN MK Equity
Bursa Code	0168
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	516.0
Market Cap (RM m)	918.5
Par value per share (RM)	N.A.
52-week range (H)	1.96
52-week range (L)	0.72
Free Float	26%
Beta	1.0
3-mth avg. daily vol.	1,159,874

### Major Shareholders

QL Resources Bhd	52.6%
Leong Yew Cheong	5.1%
Gan Chih Soon	4.0%

### Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Turnover	440.3	648.8	699.3
EBIT	47.6	42.3	71.0
PBT	47.9	65.8	71.2
<b>Net Profit</b>	<b>33.6</b>	<b>44.4</b>	<b>46.5</b>
Consensus (NP)	-	37.8	40.0
Earnings Revision (%)	-	+28.7	+26.0
Core EPS (sen)	6.5	7.1	7.4
Core EPS growth (%)	138.9	8.8	4.8
NDPS (sen)	1.8	1.8	1.8
BVPS (RM)	0.5	0.6	0.6
PER (x)	27.3	20.7	19.7
PBV (x)	3.5	3.1	2.8
Net Gearing (x)	(0.2)	(0.2)	(0.2)
Net Div. Yield (%)	1.0	1.0	1.0

### Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	47.1%	90.4%	135.8%
Relative (%)	47.8%	87.0%	120.1%



19 June 2024

**Exhibit 1: Sum-of-Parts (SoP) Valuation**

<b>Business/Asset</b>	<b>Value (RM m)</b>	<b>Basis</b>
Bioenergy services (boilers & water treatment)	419.5	13x FY26F PER
Solar EPCC	427.4	30x FY26F PER
<b>Asset Valuation</b>	<b>846.9</b>	
Enlarged share base (m shares)	652.5	Including 81.5m new shares issued to the vendor of PXH and 55m new shares to QL
<b>TP (RM/share)</b>	<b>1.30</b>	

*Source: Kenanga Research*

19 June 2024

### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
ANCOM NYLEX BHD	OP	1.13	1.50	32.7%	1,078.2	Y	05/2024	8.5	11.2	20.5%	36.7%	13.3	10.1	1.8	14.9%	1.0	0.9%
BM GREENTECH BHD	UP	1.78	1.30	-27.0%	918.5	Y	03/2025	7.1	7.4	8.8%	4.8%	20.7	19.8	3.4	17.1%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	MP	1.40	1.42	1.4%	394.1	Y	12/2024	12.1	14.1	1.5%	16.8%	11.6	9.9	1.4	12.5%	6.5	4.6%
HPP HOLDINGS BHD	MP	0.370	0.320	-13.5%	143.7	Y	05/2024	0.7	2.2	-69.9%	203.6%	51.3	16.9	1.2	2.3%	0.5	1.4%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.800	0.450	-43.8%	429.9	Y	12/2024	2.0	4.4	158.5%	125.5%	40.6	18.0	0.4	1.0%	2.0	2.5%
SCIENTEX BHD	UP	4.31	3.95	-8.4%	6,686.0	Y	07/2024	35.3	36.5	32.1%	3.5%	12.2	11.8	1.7	14.5%	11.0	2.6%
SLP RESOURCES BHD	OP	0.95	1.16	22.1%	301.1	Y	12/2024	5.8	7.0	68.8%	20.7%	16.4	13.6	1.6	9.6%	6.0	6.3%
TECHBOND GROUP BHD	OP	0.520	0.500	-3.8%	285.6	Y	06/2024	3.7	4.3	112.8%	14.0%	13.9	12.2	1.4	10.9%	1.3	2.4%
THONG GUAN INDUSTRIES BHD	OP	2.02	2.86	41.6%	810.3	Y	12/2024	25.5	29.8	22.1%	16.6%	7.9	6.8	0.8	10.3%	5.5	2.7%
<b>Sector Aggregate</b>					<b>11,047.4</b>					<b>44.3%</b>	<b>11.6%</b>	<b>12.8</b>	<b>11.4</b>	<b>1.4</b>	<b>11.2%</b>		<b>2.7%</b>

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	☆		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★		
	Waste Management	★	★	★		
	Digitalization & Innovation	★	★	★		
	Material/Resource Management	★	★	★		
	Supply Chain Management	★	★			
	Energy Efficiency	★	★	★	★	
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations\*\***

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\* The Expected Total Return might contain rounding discrepancy.**

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This report has been prepared by Kenanga Investment Bank Berhad pursuant to the Research Incentive Program under Bursa Research Incentive Scheme (“Bursa RISE”) administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

The reports will be made available on <https://www.bursamarketplace.com/>

