Utilities (Power)

Signing of LSS5 PPAs

Positive (Upgraded)

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HIGHLIGHTS

- At least four LSS5 winning bidders signed 21-year PPA with TNB yesterday
- Long-term recurring income expected for asset owners upon COD in 2027
- Aggressive rollout of LSS schemes to be followed by 2GW LSS5+ and an expected 2GW for LSS6
- Up to RM17b of EPCC projects up for grabs, boosting replenishment prospects

SECTOR RECAP

LSS5 PPAs inked. Several winning bidders of the 5th cycle of the Large-Scale Solar programme (LSS5) have inked their respective 21-year power purchase agreements (PPAs) with Tenaga Nasional Berhad (TNB), based on public filings on Bursa Malaysia. These PPAs will see TNB purchasing the net energy output from the facilities throughout the PPA period.

To generate recurring income. Samaiden, one of our top picks for the renewable energy subsector, inked the PPA with TNB via its special purpose vehicle (SPV) Samaiden Legasi Timur Sdn Bhd for the 99.99MWac solar farm that will be developed in Pasir Mas, Kelantan. The maximum annual allowable quantity (MAAQ) under the PPA is 257,988.14MWh. Other listed entities that made public filings of the signing of their LSS5 PPAs include HSS Engineers Bhd, Unique Fire Holdings Bhd, Eden Inc Bhd and Solarvest Group Bhd. These are detailed in Table 1 below. We expect the PPAs to contribute positively towards their earnings upon throughout the PPA upon reaching the commercial operation date (COD).

Background on LSS5. The Energy Commission (ST) launched the bidding process for the 2GW LSS5 in Apr-24. While ST announced in Dec-24 that it finalised the bids, it did not reveal the list of winners as per the previous LSS programmes. Names of winning bidders only came to light when some of them, being listed entities, made bourse filings and from media article, quoting sources. Some 325MWac of quota still remain unknown. LSS5 is segregated into four packages, starting with Package 1 which entails 250MWac allocation comprising rooftop or ground mounted solar with capacity bid range of 1MW-10MWac. Package 2 entails similar parameters as Package 1, but for capacity bid range of 10MW-30MWac. Package 3 entails a larger 1000MWac allocation for rooftop or ground mounted solar with capacity bid range of 30MW 500MWac, while Package 4 entails 500MWac allocation for floating solar with capacity bid range of 10MW-500MWac.

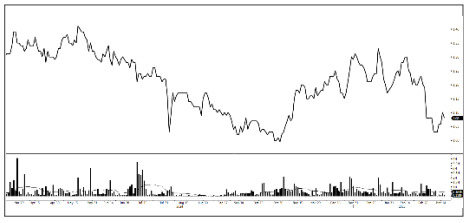
COMPANIES *IN FOCUS*

Samaiden Group Berhad

Maintain BUY | Target Price: RM1.69
Price @ 19 March 2025: RM1.08

- Targeting 20MW-30MW of rooftop PPAs annually
- Healthy outstanding order book at RM516m
- Seeking to expand across the country through partnerships and collaborations

SHARE PRICE CHART

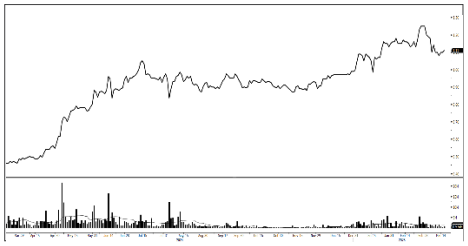


Pekat Group Berhad

Maintain BUY | Target Price: RM1.51
Price @ 19 March 2025: RM1.11

- Strong outstanding order book of RM591m
- Benefitting from earthing and lightning protection jobs for data centres
- Recent acquisition of EPE Switchgear to boost revenue and earnings

SHARE PRICE CHART



Aggressive LSS rollouts. Fresh from the finalisation of LSS5 bids in Dec-24, ST introduced LSS PETRA 5+, with another targeted capacity of 2GW, allocated under two packages. Package A with a quota of 1.5GW is for land-based solar power plants with capacities of 30MWac to 500MWac. Package B is for the remaining 500MW, specifically for floating solar with capacities of 10MWac to 500MWac. The deadline for submission of bids was on the 28th of February. We expect the bids to be finalised by 3QCY25. Just last month, the Ministry of Energy Transition and Water Transformation (PETRA) said it planned to launch LSS6 in 2QCY25. While no official details are available yet, talks within the industry suggest that it would be another massive quota of at least 2GW, but would come with battery energy storage systems (BESS) requirements.

Up to RM17b worth of EPCC jobs remaining. Among the first packages of EPCC jobs for LSS5 was secured by Solarvest on Monday, after its wholly owned subsidiary Atlantic Blue Sdn Bhd accepted a letter of award from TNB Kuala Muda Solar Sdn Bhd for a RM401.0m contract for TNB's 500MWac solar power plant in Bukit Selambau, Kedah. This involves the engineering and procurement of all equipment for all solar facilities except for major equipment (solar PV panel, inverter, combiner box and mounting structure) construction and commissioning of the solar facility. There may be up to 1.5GW of EPCC jobs still available, translating to a potential order book size of about RM3.0b to RM4.5b. The 2GW quota from LSS PETRA 5+ and assuming another 2GW from LSS6 could provide an additional RM8.0b to RM12.0b of EPCC projects. Meanwhile, we also gathered that there are several EPCC project awards for the Corporate Green Power Programme (CGPP) winning bidders that are still pending. There will be a need for solar EPCC players to expedite these jobs as CGPP plants are expected to reach COD by the end of this year. We estimate that all these could add up to about RM17.0b of potential order book replenishment for solar EPCC companies

Upgrade sector to POSITIVE. We are upgrading the Utilities sector to **POSITIVE** (from NEUTRAL previously), mainly due to TNB's FY24 performance that came in above expectations, driven by a +6.5% growth in electricity demand, surpassing the country's GDP growth. We recently upgraded our recommendation on **TNB** to **BUY** (from NEUTRAL previously), with a **TP** of **RM15.13** on the back of stronger electricity demand assumptions. Apart from TNB, the sector's performance in the latest quarterly results largely came in within expectations. **YTL Power's (BUY, TP: RM5.61)** results was within expectations, as earnings from Power Seraya normalises while Wessex Water in the UK continued to benefit from the 12% tariff hike from Apr-24. YTL Power's subsidiary **Ranhill Utilities (SELL, TP: RM1.12)** was below our estimates, dragged by higher amortisation on water services concessions assets and a cost overrun, relating to an FPSO project. The renewable energy subsector remains our top preference, as the key immediate-term beneficiaries of RE initiatives, the aggressive rollouts of LSS schemes and the longer-term National Energy Transition Roadmap (NETR). Our top picks are **Samaiden (BUY, TP: RM1.69)** and **Pekat (BUY, TP: RM1.51)**.

Table 1: Details of LSS winning bids

LSS5 winning bidders	PPA signing party	Capacity (MWac)	Scheduled COD	Solar farm location	Holding company	Stake
TNB Renewables Sdn Bhd	n/a	500.00	2027	Bukit Selambau, Kedah	Tenaga Nasional Bhd	100%
Samaiden Sdn Bhd	Samaiden Legasi Timur Sdn Bhd	99.99	11-Oct-27	Pasir Mas, Kelantan	Samaiden Group Bhd	100%
Consortium of HEB Energy Sdn Bhd and Unique Fire Holdings Bhd	Unique HEB Energy Sdn Bhd	95.00	11-Oct-27	Hilir Perak, Perak	Unique Fire Holdings Bhd & HSS Engineers Bhd	60%/40%
Nextree Synergy Sdn Bhd	Nextree Synergy Sdn Bhd	60.00	8-Oct-27	Kuala Langat, Selangor	Solarvest Holdings Bhd	60%
Daya Cipta Sdn Bhd	DC Solar One Sdn Bhd	29.99	By 28-Jul-27	Gebeng, Kuantan, Pahang	Eden Inc Bhd	100%
		784.98				
No official announcements						
Wawasan Demi Sdn Bhd	-	99.99	30-Oct-27	Kampar, Perak	AIZO Group Bhd	63%
Gentari Sdn Bhd*	-	100.00	-	Kedah	Petroliam Nasional Bhd	100%
Parkland Renewable Energy Sdn Bhd*	-	99.99	-	Johor	Parkland Group	-
Nusantara Suriamas Sdn Bhd*	-	99.99	-	Selangor	Gadang Holdings Bhd	70%
Conextone Energy Sdn Bhd*	-	90.00	-	Melaka	-	-
Edra Power Holdings Sdn Bhd & Worldwide Holdings Bhd*	-	300.00	-	Selangor	-	-
Ditrolic Energy Holding Sdn Bhd*	-	100.00	-	Perak	-	-
		889.97				
Balance unknown/unannounced		**325.05**				
	Total LSS5 quota	**2,000.00**				

*Source: Companies, MIDFR; *The Edge*

SECTOR VALUATION MATRIX

Company	FYE	Rating	Last Price (RM)	TP (RM)	EPS (sen)		PE (x)		Div Yield (%)		Market Cap (RM'm)
					FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
Tenaga Nasional	Dec	BUY	13.56	15.13	79.0	89.4	17.2	16.9	4.0%	4.4%	78,823.6
YTL Power	Jun	BUY	3.27	5.61	37.4	27.6	8.7	11.8	2.1%	2.1%	26,877.3
Ranhill Utilities	Jun	SELL	1.24	1.12	6.6	5.1	18.8	22.0	3.1%	3.5%	1,607.0
Pekat	Dec	BUY	1.11	1.51	5.3	5.4	20.9	20.6	-	-	715.9
Samaiden	Jun	BUY	1.08	1.69	5.5	6	19.6	18.0	1.4%	0.9%	453.8
Sunview	Mar	BUY	0.40	0.62	2.2	3.5	18.2	11.4	-	-	227.1

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology