Utilities - Renewable Energy

POSITIVE (Maintained)

LSS5+ Winning Bids Announced

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HIGHLIGHTS

- Energy Commission shortlists 13 bidders for LSS PETRA 5+ out of 37 submissions
- Total capacity of 1,975MWac approved
- Known winners are Malakoff, Solarvest, Sunview, Cypark, Samaiden and YTL Power
- Up to RM5.9b of EPCC opportunities
- Solar farms to deliver recurring income after achieving COD in 2027

INTRODUCTION

The Energy Commission (ST) has started to inform the winning bidders of the LSS PETRA 5+ since Tuesday, the latest iteration of the large-scale solar bidding cycle. The regulator shortlisted 13 bidders out of 37 submissions (4,263MWac) that were received, and has approved a total capacity of 1,975MWac. In a similar fashion as the announcement of the LSS5 shortlisting, ST did not disclose the list of winning bidders. Some of the names came to light after the respective Bursa announcements that were made by listed holding companies.

770MW known so far. Among those that made bourse filings yesterday after receiving the letter of notification from the ST were Malakoff Corp and Solarvest Holdings, who have formed a consortium to undertake the development of a 470MWac LSS plant at the Windsor Estate in Mukim Kamunting and Mukim Batu Kurau in Perak. This is likely the single largest capacity award under LSS5+. Other announcements include a consortium between Sunview Group and Cypark Resources and a consortium between Samaiden Group and JBB Builders (M) Sdn Bhd, both with a 99.99MWac capacity each. YTL Power International will also mark its return to the local power producer scene with a 100MWac capacity. Other shortlisted bidders are either privately owned or have yet to make bourse filings, therefore we have only identified 770MWac out of the 1,975MWac approved capacity. Each are expected to ink a 21-year solar power purchase agreement (PPA) with Tenaga Nasional as they are expected to supply electricity to the grid once the plants achieve commercial operation date (COD) by 2027. We believe Tenaga Nasional is another potential winner, possibly for the floating solar package. Further details on the stakes and solar farm locations in Table 1 below.

Background on LSS5+. ST announced the bidding cycle for LSS5+ in Jan-25, with a deadline to submit the request for proposal (RFP) by Feb-25. The programme is divided into Package A with a quota of 1.5GW for land-based solar power plants (capacity range from 30MWac to 500MWac) while Package B is for the remaining 500MW, specifically for floating solar (capacity range of 10MWac to 500MWac).

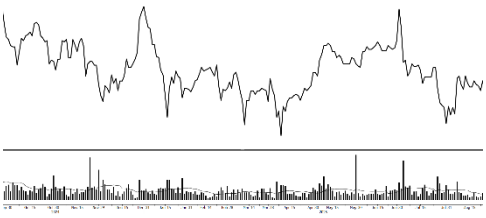
COMPANY *IN FOCUS*

Tenaga Nasional Bhd

BUY | Target Price: RM16.40
Price @ 3 Sept 2025: RM13.10

- Strong electricity demand growth
- The new monthly AFA which replaces the ICPT shields TNB against fuel price fluctuations
- Beneficiary of grid upgrades

SHARE PRICE CHART



Pekat Group Bhd

BUY | Target Price: RM1.86
Price @ 3 Sept 2025: RM1.68

- Strong order book of over RM600m, benefiting from EPCC of solar rooftops, solar farms and earthing and lightning protection for DCs
- Recently acquired EPE Switchgear, which has consistently won jobs from TNB

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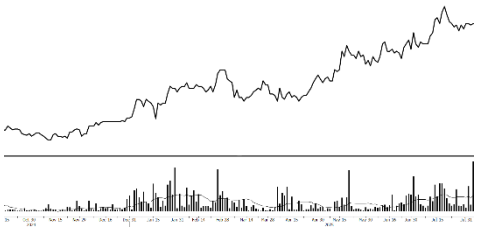


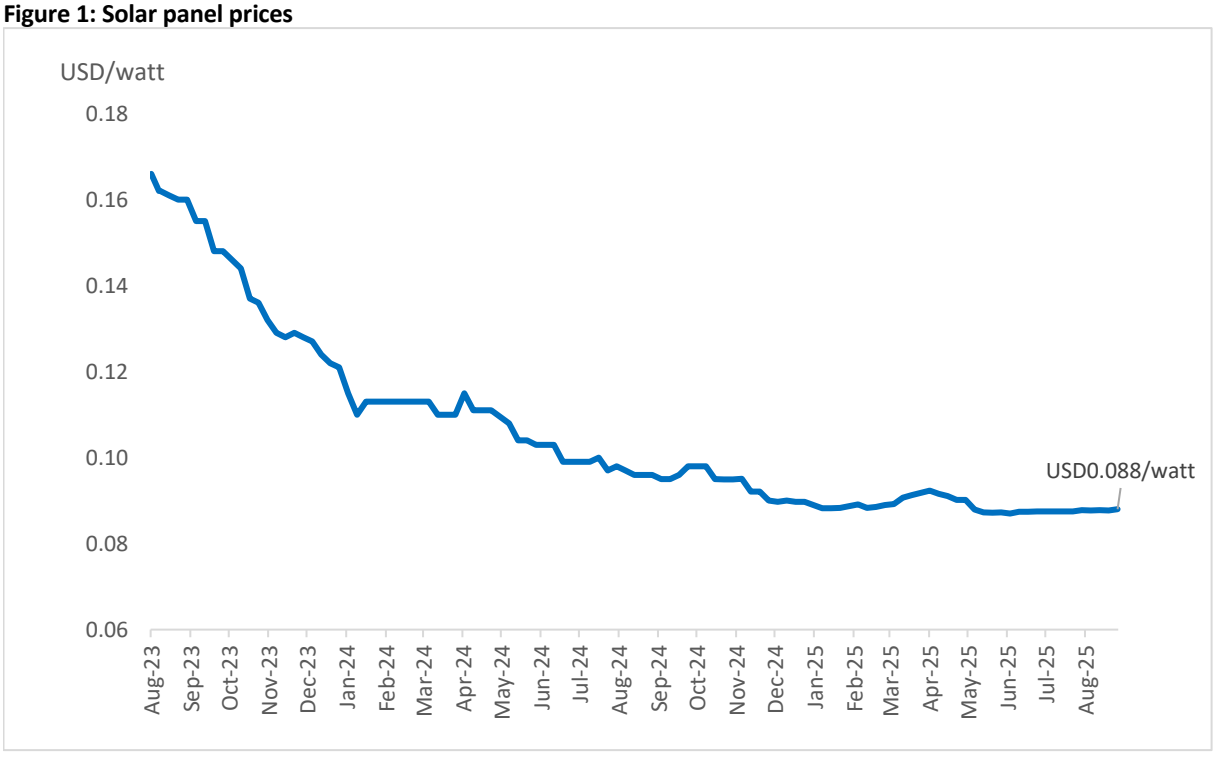
Table 1: LSS PETRA 5+ winning bids

LSS PETRA 5+ winning bidders	Listed holding companies	Stake	Capacity (MWac)	Solar farm location
Consortium: Malakoff Corp and Solarvest Holdings	Malakoff Corp/ Solarvest Holdings	80%/20%	470.00	Windsor Estate in Mukim Kamunting and Mukim Batu Kurau, Perak
Consortium: Fabulous Sunview Sdn Bhd and Cypark Renewable Energy Sdn Bhd	Sunview Group/ Cypark Resources	51%/49%	99.99	Port Dickson, Negeri Sembilan
Consortium: Samaiden Sdn Bhd and JBB Builders (M) Sdn Bhd	Samaiden Group	70%/30%	99.99	Segamat, Johor
YTL Power International	YTL Power International	100%	100.00	Kelantan
		Announced capacity	**769.98**	
		Balance unknown/unannounced	**1,205.02**	
		Approved capacity under LSS5+	**1,975.00**	

Source: Companies, MBSBR

RM5.9b of EPCC opportunities. We estimate that the 1,975MWac of capacity can generate up to RM5.9b of EPCC opportunities and contract awards can be expected potentially by 1QFY26. Solar panel prices remain at an all-time low at USD0.088/watt, though there are concerns that prices may rise moving forward following China's anti-involution campaign starting Jul-25 to crack down on low-price disorderly competition. Despite some firms slashing capacity by about 30% to combat the oversupply situation, the low prices remain unchanged as of now, which should benefit our local solar EPCC players.

Figure 1: Solar panel prices



Source: Bloomberg, MBSBR

LSS6 to follow suit. Following the awards of LSS5+ quotas, we expect the Ministry of Energy Transition and Water Transformation (PETRA) or ST to announce the bidding for LSS6, which may add another 2GW of solar capacity, coupled with battery energy storage system (BESS) requirements. We have previously estimated that solar will be increasingly dominant accounting for 25%/39%/52%/58% share of the capacity mix in 2035/2040/2045/2050, growing at CAGR of 14% between 2025-2050. This underpins a multi-year growth story for solar EPCC companies and also asset-owners, through power generation over the long-term.

A new version of the NEM. During our luncheon talk session with the Deputy Prime Minister and PETRA Minister YAB Dato Sri Haji Fadillah Haji Yusof last month, it was hinted that a new version of the Net Energy Metering (NEM) would be announced soon, dubbed the NEM 4.0 or an entirely new naming convention. This could be a hybrid mechanism of NEM and self-consumption (SelCo) or an entirely new programme. PETRA is in the midst of finalising the new programme, which will be aligned with the new tariff structure and designed in a way that gradually shifts away from subsidy dependency. Recall that NEM 3.0 ended on 30th June following the deadline for the additional 100MW under the NEM Rakyat quota. Following the rollout of the new tariff structure under Regulatory Period 4 (RP4) starting Jul-25, PETRA had also announced the continuation for rooftop solar users to earn electricity bill credits for excess solar power generated and exported to the grid for the next 10 years. While domestic and low voltage solar rooftop users continue to be able to offset all three component charges (energy, network and capacity), medium and high voltage users can offset only up to 25% of the network and capacity charges while energy charges can be offset in full. We view this to be fair, as it ensures heavy users pay their fair share of the fixed network upkeep. In the past, non-solar consumers have indirectly subsidised the network and capacity charges for solar users, estimated to be about RM250m per year.

Maintain POSITIVE on RE. We maintain our **POSITIVE** stance on the **Renewable Energy** subsector, underpinned by the structural policy tailwinds for a deep decarbonisation trajectory in line with the targets under NETR. We view that solar remains a multi-year growth engine, on top of the incoming BESS requirements, which will benefit EPCC players such as **Solarvest (NR), Samaiden (BUY, TP: RM1.48), Pekat (BUY, TP: RM1.86)** and **Sunview (BUY, TP: RM0.46)**. **Tenaga (BUY, TP: RM16.40)** will be the key beneficiary in the asset ownership space from both RE capacity expansion and grid upgrade investments. **YTL Power International (BUY, TP: RM4.88)**, **Malakoff Corp (NR)** and **Cypark Resources (NR)** will benefit from recurring income after their LSS5+ achieves COD by 2027.

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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