UTILITIES

Maintain **POSITIVE**

Catalyst from CGPP Award

KEY INVESTMENT HIGHLIGHTS

- **CGPP winners announced entailing an extensive list of listed companies**
- **Potentially better project returns compared to LSS4**
- **RE EPCC sub-sector is a key play into the CGPP awards**
- **We keep our POSITIVE stance on Utilities premised on a firm policy layout on the energy transition which should drive improved growth and ESG profile for the sector**

CGPP winners announced. The Energy Commission (EC) released the list of successful applicants for the Corporate Green Power Program (CGPP) yesterday. Of the 800MWac quota allocated, a total of 563MWac was awarded entailing capacities ranging from 7MWac up to 30MWac (See Table 1). The plants are expected to reach COD (commercial operation date) by end-2025 giving a timeframe of slightly more than 2 years for plant construction and commissioning. There is still a remaining 236.6MWac quota under the CGPP which is still pending award by the EC.

An extensive list of listed company exposure. The list of 22 successful applicants includes a number of listed companies; among the notable ones include Tenaga, Solarvest, Sunview, Pekat, Sime Darby Plantation, MK Land, Sunway Construction, Mega First and Chin Hin Group (See Table 2). Tenaga is among the largest winners with a total of 90MWac capacity secured via 3 different applications (2 of which are via consortiums), Solarvest secured 90MWac capacity under 3 applications (2 of which are under a consortium with Tenaga), while Sunview Group secured a total 60MWac capacity under 2 applications (one of it is under a consortium with JAKS Resources and Ann Joo).

Potentially better returns from CGPP. As highlighted in our last sector thematic (titled 'Powering the Energy Transition'), we reckon the CGPP projects could entail better returns compared to LSS4 given that: (1) Under CGPP, players are free to secure their own offtaker hence giving better pricing power as opposed to stiff competition to supply to a single offtaker under the LSS auction mechanism, (2) CGPP tariffs are likely to reflect a premium for environmental attributes e.g. RECs – as a benchmark, GETS tariff (Green Electricity Tariff) sold by Tenaga was recently raised to 21.8sen/kwh effective August 2023, (3) System Marginal Price under the NEDA wholesale market is averaging at ~25sen/kwh (as at June 2023), a decently large premium to LSS4 winning bids of 18-20sen/kwh (for 30-50MW packages). On initial ballpark estimates, we reckon it is possible for project IRRs to hit high-single digit levels.

COMPANY IN FOCUS

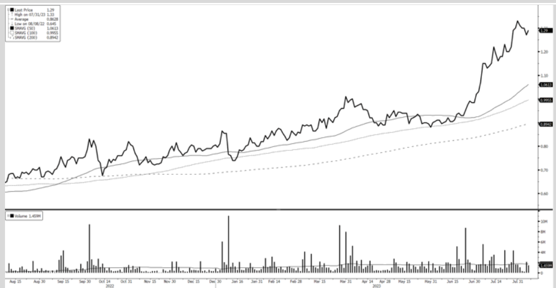
Samaiden Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.54

Price @ 7th August 2023: RM1.29

- Stands to benefit from emphasis on solar development under NETR, backed by a strong balance sheet
- Solid orderbook at 2.1x FY22 revenue
- Strong RM1b tenderbook – upcoming CGPP EPCC award a potential catalyst

Share price chart



Tenaga Nasional Bhd

Maintain **BUY** | Unchanged Target price: RM10.50

Price @ 7th August 2023: RM9.56

- 90MWac in the bags under CGPP
- Firm policies under NETR to drive aggressive RE targets serves to enhance capacity growth prospects and improve Tenaga's ESG profile
- As a monopoly, Tenaga to benefit from grid investments to support higher VRE penetration and RE exports

Share price chart

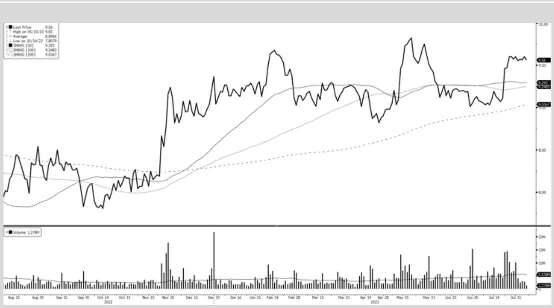


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Table 1: List of successful applicants under the CGPP program

No.	Solar Power Producer	Export Capacity (MWac)	Listed members of consortium
1	Cenergi EE Holdings Sdn. Bhd.	29.99	
2	Coara Solar Sdn. Bhd.	29.99	
3	Consortium of Angelaxy Power Sdn. Bhd. and Uzma Environergy Sdn. Bhd.	12.16	**Uzma**
4	Consortium of Atlantic Blue Sdn. Bhd. and TNB Renewables Sdn. Bhd.	29.99	**Solarvest, Tenaga**
5	Consortium of Conextone Energy Sdn. Bhd. and ENGIE Renewable SEA Pte. Ltd.	29.99	
6	Consortium of JAKS Solar Power Sdn. Bhd., Ann Joo Green Energy Sdn. Bhd. and Fabulous Sunview Sdn. Bhd.	29.99	**JAKS Resources. Ann Joo, Sunview**
7	Consortium of KVC Corporation Sdn. Bhd, Meriah Suria Sdn. Bhd. and Kuala Berang Solution Sdn. Bhd.	29.52	
8	Consortium of Nestcon Infra Sdn Bhd. and Pristine Multivision (M) Sdn. Bhd.	10.00	**Nestcon Bhd**
9	Consortium of Reservoir Link Renewable Sdn. Bhd., Sumitomo Corporation and Maqo Engineering Sdn. Bhd.	29.99	**Reservoir Link**
10	Consortium of Salcon Berhad and KAB Smart Solar Energy Sdn. Bhd.	7.00	**Salcon, Kinergy Advancement**
11	Consortium of Savelite Engineering Sdn. Bhd., Blazing Solar Sdn. Bhd. and TNB Renewables Sdn. Bhd.	29.99	**Tenaga, Solarvest**
12	Consortium of Shizen Malaysia Sdn. Bhd., HSS Engineering Sdn. Bhd., Solarvest Asset Management Sdn. Bhd. and Aziho Trading Sdn. Bhd.	29.99	**HSS Engineers, Solarvest**
13	Consortium of Solar Citra Sdn. Bhd. and Total Energies Renewables SAS	29.99	**MK Land**
14	Gading Kencana Sdn. Bhd.	30.00	
15	Mega First Power Industries Sdn. Bhd.	29.99	**Mega First Corporation**
16	Pekat Teknologi Sdn. Bhd.	29.99	**Pekat Group**
17	Sime Darby Plantation Renewable Energy Sdn. Bhd.	14.99	**Sime Darby Plantation**
18	Solarcity REIT Sdn. Bhd.	29.99	**Sunview**
19	Starken AAC Sdn. Bhd.	10.00	**Chin Hin Group**
20	Sunway Construction Sdn. Bhd.	29.90	**Sunway Construction**
21	Tanah Matahari Sdn. Bhd.	29.99	
22	TNB Renewables Sdn. Bhd.	29.99	**Tenaga**
	Total awarded	**563.4**	
	Pending award	***236.6***	

Source: EC, MIDFR

Table 2: Listed companies' gross CGPP capacity

Listed companies	Capacity secured (MWac)*
Tenaga	89.97
Solarvest Holdings	89.97
Sunview Group	59.98
Pekat Group	29.99
Mega First	29.99
JAKS Resources	29.99
Ann Joo	29.99
Reservoir Link	29.99
HSS Engineering	29.99
MK Land	29.99
Sunway Construction	29.90
Sime Darby Plantation	14.99
Uzma	12.16
Chin Hin Group	10.00
Nestcon	10.00
Salcon	7.00
Kinergy Advancement	7.00

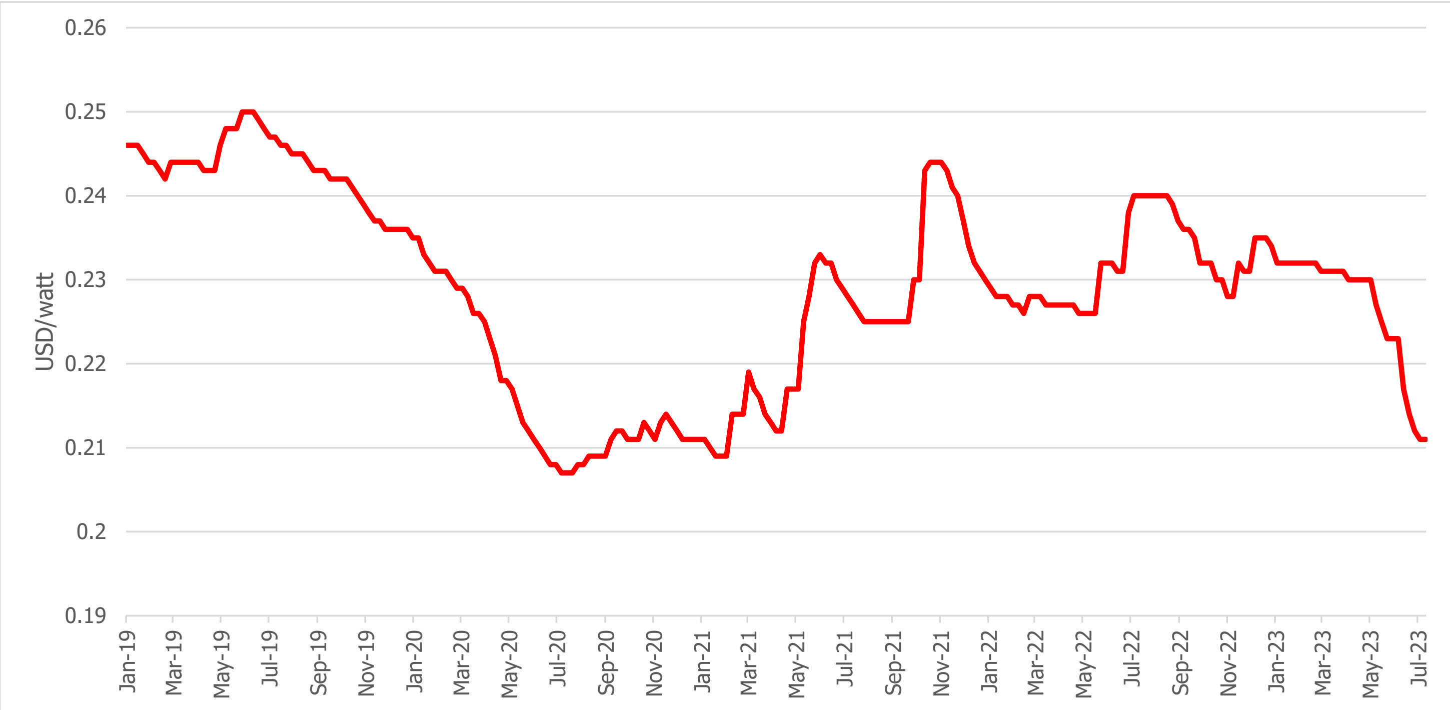
Source: EC, MIDFR **Includes overlapping capacity given multiple listed members of winning consortiums*

RE EPCC likely to be the biggest winners. Other than the asset owners, we believe RE EPCC players are among the biggest beneficiaries given huge EPCC prospects from construction of the CGPP plants. We estimate the 563.4MW already awarded could give rise to some RM1.7b worth of EPCC prospects, while the remaining 236.6MW to be awarded could add another RM710m in EPCC potential further down the road. These serve as timely orderbook replenishment over the next 2 years as LSS4 projects gradually reach completion by March 2024. We expect EPCC awards for the CGPP projects to trickle down into orderbooks over the next 6-12 months.

Prospects getting even brighter. Beyond the CGPP projects, we believe flagship solar projects announced under the National Energy Transition Roadmap (NETR) recently could potentially boost orderbook prospects for the EPCC players further. To recap, a total of 1.5GW large scale solar projects were announced under NETR comprising a 1GW hybrid solar plant spearheaded by UEM Group & Itramas Corporation and a 500MW solar park under Tenaga. These could entail an estimated EPCC value of RM4.5b. There is also another 2.5GW hybrid hydro floating solar to be undertaken by Tenaga at its Kenyir and Sungai Perak hydro dams, which could entail prospective EPCC jobs of some RM10b-12.5b, on our estimates.

Easing cost pressure. Solar module cost has eased significantly against peak levels immediately post-Covid pandemic (See Chart 1) driven by easing supply chain issues and commissioning of large manufacturing capacities. We believe easing solar module prices, which makes up the bulk of EPCC cost (approximately half of cost), should be beneficial to EPCC players from potentially improved margins, especially those on fixed cost terms with clients (project owners). Given the lessons learnt from implementation of LSS4 projects (which were disrupted due to the sharp rise in solar module costs), we reckon EPCC players would be more conservative with project costing this time around.

Chart 1: Price of solar modules have eased significantly off peak levels



Source: Bloomberg, MIDFR

Recommendation. We reaffirm our **POSITIVE** call on Utilities on the back of a clear and firm policy layout on the energy transition, which we believe should drive a sector re-rating on improved growth and ESG profile. Our top picks are the EPCC sub-sector players namely **Samaiden (BUY, TP: RM1.54)**, **Sunview (BUY, TP: RM1.32)** and **Pekat (BUY, TP: RM0.57)** being key beneficiaries of the CGPP project rollout. **Tenaga (BUY, TP: RM10.50)** is also a beneficiary in the asset ownership space being the largest capacity winner under the CGPP with a total 90MWac in the bags. While this will bring Tenaga closer to its 8.3GW RE capacity target by 2025, we believe the big movers will come from its upcoming 500MW solar park project and 2.5GW hybrid hydro-floating solar projects under NETR. On top of incremental returns, these should pave way for Tenaga to accelerate decarbonisation of its generation portfolio and improve its ESG profile.

Table 4: Sector Valuation Summary

			Shr Price	EPS (sen)		PE (x)		ROE	Div Yield	Market Cap	TP
Companies	**FYE**	**Rating**	**(RM)**	**FY23**	**FY24**	**FY23**	**FY24**	**(%)**	**(%)**	**(RMm)**	**(RM)**
Ranhill Utilities	Dec	BUY	0.585	3.6	3.5	16.3	16.7	5.9	5.1	747.6	0.73
Tenaga Nasional	Dec	BUY	9.560	83.2	85.6	11.5	11.2	7.0	4.5	54,659.5	10.50
YTL Power	Jun	BUY	1.500	13.6	15.2	11.0	9.9	8.0	5.1	9,560.6	1.54
Samaiden	Jun	BUY	1.290	2.9	5.9	44.8	21.8	19.3	0.0	508.3	1.54
Sunview	Dec	BUY	0.940	2.8	4.7	33.6	20.0	17.5	0.0	439.9	1.32
Pekat	Dec	BUY	0.475	1.9	2.3	25.0	20.7	9.5	0.0	306.4	0.57

Source: Companies, Bloomberg, MIDFR

APPENDIX:

How does CGPP work? The CGPP essentially involves three parties: (1) Solar Power Producer (SPP) (2) Corporate Consumer (CC) (3) Utility company namely Tenaga. The SPP enters into a Corporate Green Power Agreement (CGPA) with the CC at a pre-agreed CGPA tariff. Power generated by the SPP is not physically channeled to the CC, but rather is supplied to the grid via the NEDA wholesale market at system marginal price (SMP). Meanwhile, the CC procures its physical electricity via the grid through Tenaga at normal market tariff. The difference between the CGPA tariff and SMP is then settled between the SPP and the CC. If the SMP is higher than the CGPA tariff, the SPP will pay the CC the differential and vice versa if the SMP is lower than the CGPP tariff.

Among the key conditions of the CGPP program:

(1) Solar power plant

- Only new solar power plant projects with an export capacity from five MW to 30 MW are eligible to participate in the CGPP. The solar power plant is required to be completed and operational by 2025.
- The solar power plant shall ensure compliance with the legal and regulatory requirements related to the development and operation of solar power plant and the technical requirements of Electricity Utility Company.
- Solar power plants with battery energy storage system (BESS) installed are likely to stand a higher chance to be selected for the CGPP, provided that the BESS is able to support at least 1 hour of full export capacity.

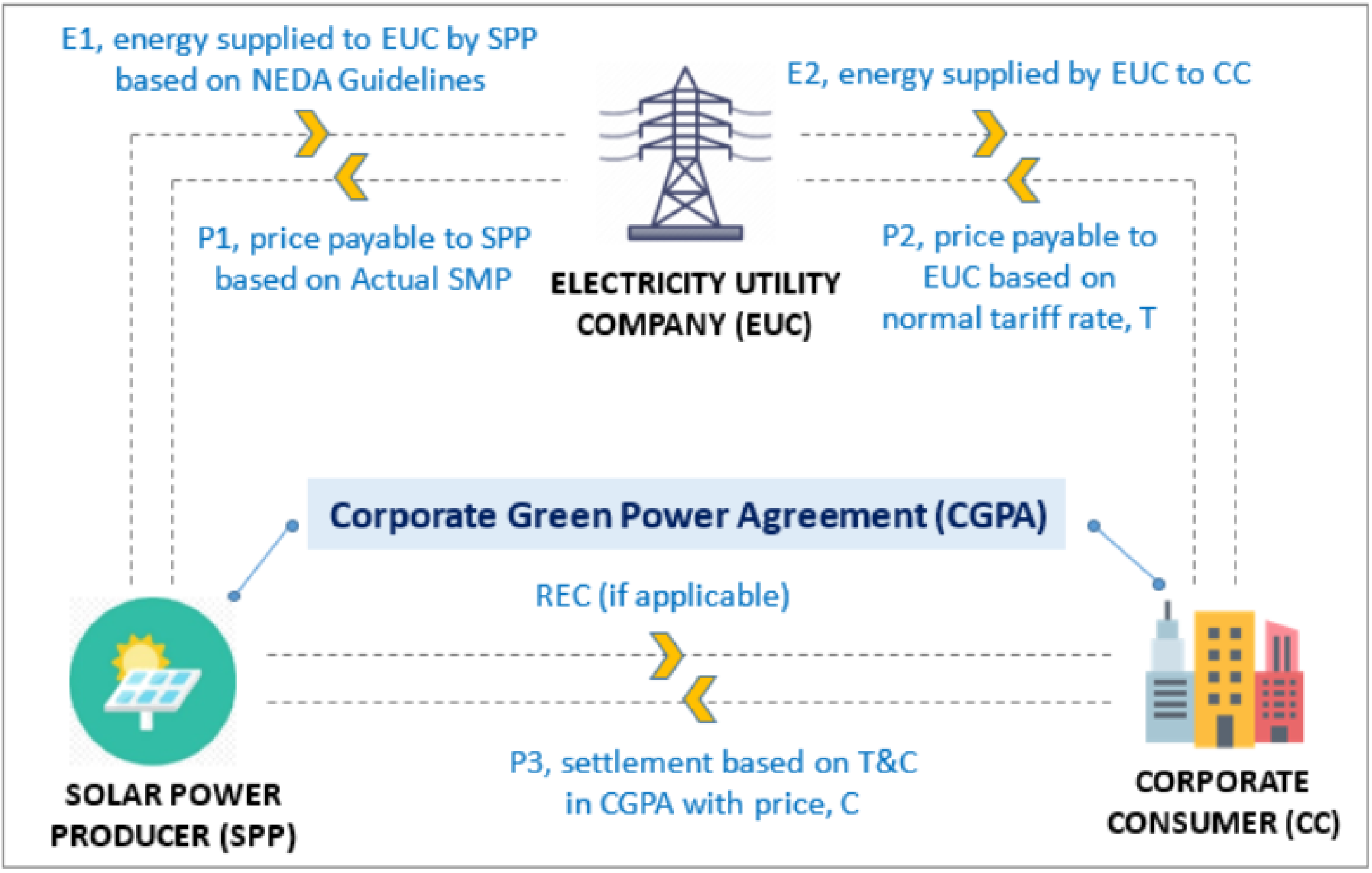
(2) Solar developer

- Foreign equity of up to 49% is permitted.
- The applicant(s) must have an asset of at least RM 10 million, and in the case of a consortium, a paid-up capital of not less than RM 1 million for each of the consortium member.
- The applicant(s) must have at least three years of relevant experience in financing, development, implementation and operation of large solar PV plant with capacity not less than 1 MW.
- The applicant(s) shall have identified the site of the project and the route of interconnection facility and with documentation proof on the right to use the lands or project sites.
- A solar developer may only have up to three corporate consumers.

(3) Corporate consumer

- The corporate consumer must be a company operating in the manufacturing or service industry in Peninsular Malaysia with credible financial position for the last three years.
- If the corporate consumer is a company planning to establish and operate in Peninsular Malaysia within the next two years, it is required to have proven documentation from the authority (i.e., Ministry of International Trade and Industry) and a projected annual revenue of not less than RM 10 million.
- The energy demand of the corporate consumer shall not be less than 1 MW.

Exhibit 1: Overview of the CGPP framework



*Source: Energy Commission, MIDFR   *REC: Renewable Energy Certificate*

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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	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
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