Coverage Initiation (Thematic) | Thursday, 27 July 2023

Samaiden Group Berhad

(0223 | SAMAIDEN MK) Main | Industrial Products

Sunny Days Ahead

***Initiate with* BUY**

Target Price: RM1.54

KEY INVESTMENT HIGHLIGHTS

- **An established RE EPCC player primed to ride on the NETR**
- **Strong balance sheet positions group well to capitalise on domestic RE capacity build-up, including for RE export**
- **Solid near-term orderbook replenishment prospects, current orderbook at 2.1x annual revenue**
- **Expansion into rooftop solar and asset ownership**
- **Initiate coverage with BUY and TP of RM1.54**

We initiate coverage of Samaiden Group Berhad (Samaiden) with a **BUY** rating and a **TP** of **RM1.54**. Our bullish view on Samaiden is premised on several key factors: (1) An established player with solid track record to ride on EPCC opportunities from acceleration of domestic RE capacity growth, (2) A solid balance sheet which positions it well to capitalise on growth opportunities under the NETR, (3) Expansion in the rooftop solar segment, (4) Solid near-term orderbook replenishment prospects, (5) Expansion in recurring income base.

INVESTMENT THESIS

One of key beneficiaries of new order influx. Samaiden is an established player with a solid track record in the RE EPCC industry having completed over 300MWp worth of projects in the past. The group is well positioned to capitalise on the potential influx of RE projects driven by accommodative RE policies. The Government's push for the energy transition under the upcoming NETR also bodes well for the group's 5-year plan, whereby it aims to more than triple its annual revenue to RM500m against its FY22 base.

Solid balance sheet to back potential growth. Importantly, Samaiden is backed by a strong balance sheet with a net cash of RM54m positioning it well to capture opportunities from the anticipated expansion in domestic RE capacity, particularly within its forte in solar and bioenergy. The group is also eyeing M&As to accelerate growth.

Eyeing expansion in the rooftop solar market. In line with the NETR's potential emphasis on the solar rooftop market, Samaiden has been looking to grow its C&I (commercial & industrial) exposure further. C&I contracts currently account for an estimated ~20% of Samaiden's orderbook entailing slightly better margins than LSS. The C&I segment is expected to be one of the key drivers of Samaiden's 5-year RM500m revenue target with a target of tripling contribution from this segment. While Samaiden is mainly eyeing EPCC opportunities, it may also consider entering into PPAs in this segment. The Government's firm stance on electricity subsidy rollback is expected to drive demand for rooftop solar from commercial and industrial electricity customers.

RETURN STATISTICS	
Price @ 26th July 2023 (RM)	1.22
Expected share price return (%)	+26.1
Expected dividend yield (%)	0.0
Expected total return (%)	**+26.1**

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	26.3	23.3
3 months	33.3	33.1
12 months	103.4	109.3

INVESTMENT STATISTICS

FYE Jun (RMm)	2023F	2024F	2025F
Revenue	184.1	307.7	367.3
Operating Profit	16.1	33.4	39.2
Profit Before Tax	15.6	32.7	38.4
Core PATAMI	11.4	23.3	27.5
Core EPS (sen)	2.9	5.9	7.0
PER (x)	41.6	20.3	17.2
DPS (sen)	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0

KEY STATISTICS	
FBM KLCI	1,449.29
Issue shares (m)	394.0
Estimated free float (%)	46.49
Market Capitalisation (RM'm)	480.68
52-wk price range	RM0.60 – 1.25
3-mth average daily volume (m)	1.6
3-mth average daily value (RM'm)	1.4
Top Shareholders (%)	
Chow Pui Hee	33.3
Foon Fong Yeng	22.0
Chudenko Corp	14.8

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Potential orderbook replenishment in the near-term. Samaiden's orderbook currently stands at an estimated RM388m, equivalent to 2.1x its FY22 revenue. The group had been running down its order book as prior LSS4 projects secured nears their completion deadline of between December 2023 and March 2024, but a recent RM181m EPCC win for a 50MW LSS4 project in Sungai Petani, Kedah (12-months project completion) served as a timely replenishment. We estimate slightly more than half of the outstanding orderbook comprise of remaining LSS4 projects, while the rest comprise of C&I projects and a 10MW biomass project (1.5-to-2-year construction period). Beyond these, Samaiden is eyeing further orderbook replenishment from its sizeable tender book of RM1b. We estimate almost half of the tender book comprise of CGPP contracts (some of which includes battery storage installations), with the remaining almost equally spread out between C&I and SELCO (self-consumption) tenders. Even at a 20% success rate, potential new wins from the tender book could boost Samaiden's order book by another 48% to >RM600m.

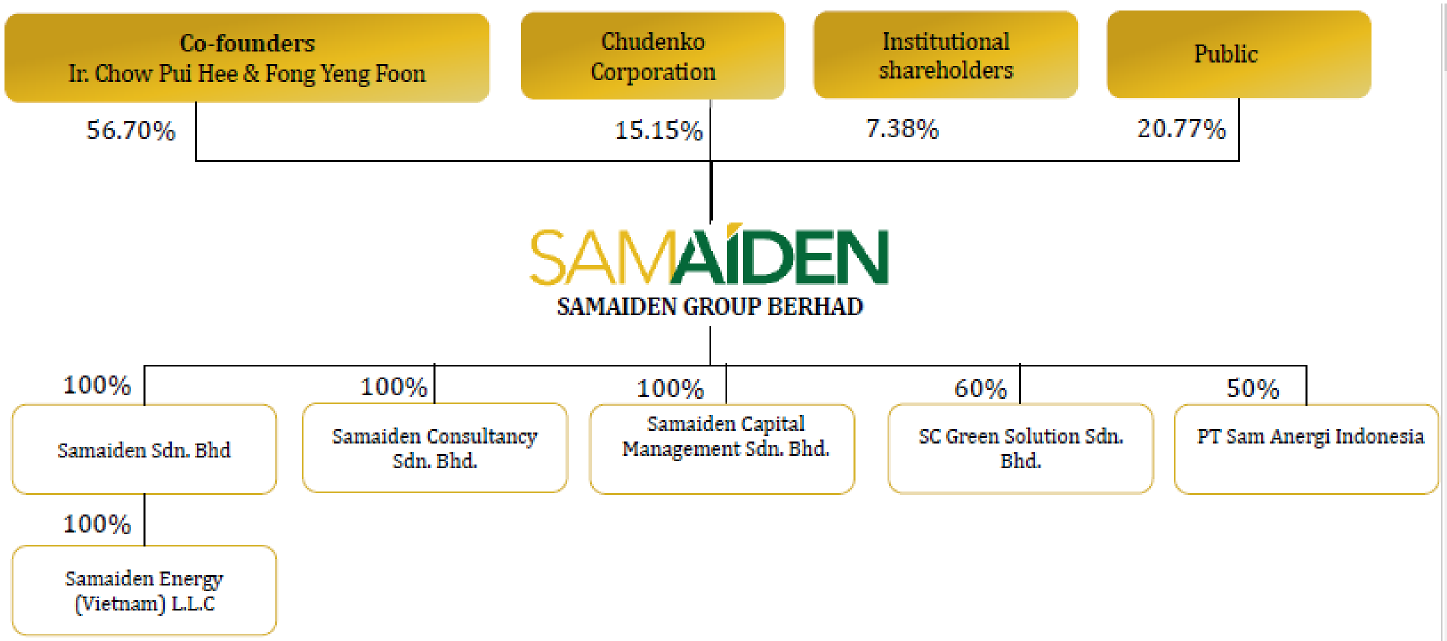
Looking to expand recurring income base through asset ownership. Currently, Samaiden's sole recurring revenue contribution comes from its Sunway Nexis PPA. Contribution is relatively small (<1% of revenue with the majority still from EPCC), but the group is targeting to grow its recurring revenue base to 10% of total group revenue within the next 5 years. To recap, Samaiden's expansion into asset ownership was kickstarted with the recent commencement of its 20-year Sunway Nexis solar PPA with a capacity of 531kWp in Dec 2022, which is operating under the Net Energy Metering (NEM) program. Additionally, Samaiden has obtained approval to develop a 1.2MW biogas power plant in Bachok, Kelantan via 60%-owned SC Green Solution Sdn Bhd. The project was secured under the Feed-in-Tarff (FiT) program entailing a 21-year PPA. Most recently, Samaiden secured a 20-year PPA with Yakult Malaysia Sn Bhd for a total 0.7MW of solar power supply to Yakult's plants in Seremban (0.5MW) and Glenmarie (0.2MW). Samaiden is also looking to capitalise on RE export opportunities as both asset owner and EPCC – the group is considering solar+BESS given high requirement of 75% load factor by the Energy Market Authority of Singapore. Samaiden is targeting a 100MW capacity for export to Singapore – a relatively conservative portion relative to the Singapore Government's target of 4000MW electricity import by 2035. The group is also looking to secure 100MW capacity under its CGPP bid for asset ownership. Additionally, we believe the group could opt for M&A options to grow its asset base, especially for solar.

Expanding its regional footprint. Samaiden has been looking to expand its footprint regionally. The group recently entered into MoUs with Cambodia's Royal Group, Management Venture Asia (Cambodia) and Panna Energy Sdn Bhd to explore developing RE projects on unutilised land alongside railway tracks operated by the Royal Group, running from Poipet province to Preah Sihanouk province. The group is also looking to penetrate the Indonesian and Vietnam RE markets via local partners though so far, there has been no material developments yet. In the near-term we reckon the domestic market could keep the group busy, with Samaiden's capex allocation concentrated mostly for its Malaysian operations.

COMPANY BACKGROUND

Experienced management and strategic shareholders. Samaiden was founded in 2013 and was initially listed on the ACE market in 2020 prior to its transfer to the Main Board this year. Samaiden's core business and earnings driver lies in RE related EPCC, having completed numerous large scale and C&I solar projects in the past. As a testament to its track record, Samaiden has completed 200 projects involving over 300MWp of capacity. Other business activities include the provision of RE and environmental consulting services, as well as operations and maintenance (O&M) services. The RE consulting services mainly cover support services for development and implementation such as site assessment, system design, financial modelling and feasibility study, preparation of tender submission documentation for the RE related projects. As for environmental consulting services, the group provides landfill and waste management services including independent assessment reports to quantify and verify landfill gas emissions. Samaiden is currently led by its co-founders Ir Chow Pui Hee and Mr Fong Yeng Foon, which have over 20 years' experience in the environmental and engineering industry. Both the co-founders control 56% of Samaiden. Japan-based Chudenko Corporation (an engineering company listed on the Tokyo Stock Exchange) came in as a strategic investor having acquired a 15% stake in Samaiden in 2022.

Exhibit 1: Samaiden shareholding and group structure



Source: Company, MIDFR

Table 1: Samaiden's past projects secured

Types of project	MWp
LSS1	120.30
LSS2	58.05
LSS3	136.00
LSS4	14.00
C&I	21.92
Residential	0.04
Community	0.09

Source: Company, MIDFR

Exhibit 2: Samaiden's extensive track record and client base in the clean energy industry

Source: Company, MIDFR

Exhibit 3: Some of the notable LSS projects completed by Samaiden

Source: Company, MIDFR

Exhibit 4: Some of the notable C&I and residential projects completed by Samaiden

Source: Company, MIDFR

FINANCIALS

Solid growth. In FY22, Samaiden saw revenue increase by +182%yoy to RM151m attributable to: (1) commencement of EPCC for LSS4 power plant projects with capacity of 10MWac and total contract value of RM45m (94% progress), (2) commencement of the largest C&I rooftop solar project with capacity of 39MW in Batu Pahat, Johor with a total contract value of RM98m (67% progress), (3) on-going EPCC services for a biomass power plant in Kemaman, Terengganu (14% progress). PBT increased 104%yoy to 16m mainly driven by the topline increase, but this was partly offset by higher administrative expenses and higher effective tax rate in the period.

Chart 1: Annual revenue & margin trend

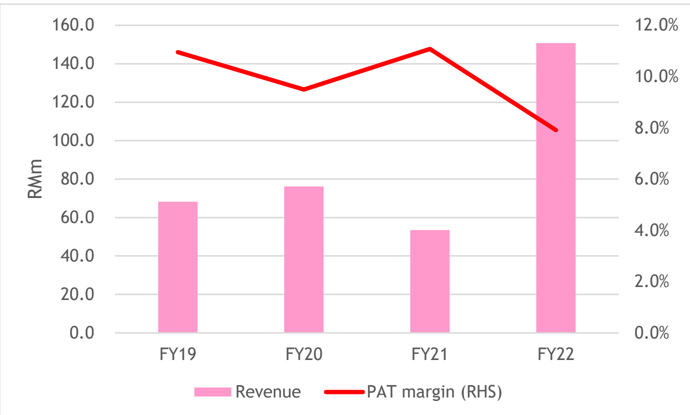
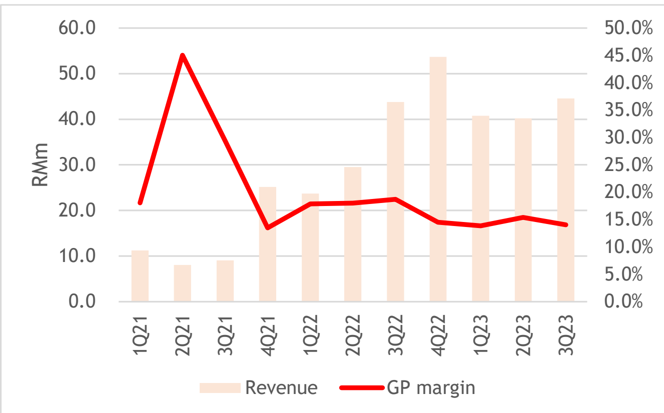


Chart 2: Quarterly revenue & margin trend



Source: Company, MIDFR

Strong balance sheet. Samaiden currently sits on a strong balance sheet with a net cash position of RM54m (14sen/share). This positions the group well to capitalize on potentially increased demand for RE EPCC services from an expected acceleration of domestic RE capacity growth under the NETR, which targets a 70% RE capacity mix by 2050. Additionally, the strong balance sheet is expected to support the group's expansion into asset ownership under the CGPP and RE export programs as well as selective C&I assets. Samaiden is eyeing aggressive capex over the next 5 years with the bulk potentially going into new solar assets, M&As and expansion into the energy efficiency business.

Solid recovery projected. Following a flattish FY23F due mainly to lower margins for prior project recognition (despite double-digit growth in revenue), we forecast FY24F earnings to rebound strongly (+112%yoy to RM24m) on orderbook replenishment, cost recalibration and absence of one-off Main Board transfer expenses incurred last year. We reckon orderbook expansion could accelerate in the near to mid-term on CGPP project awards, a pickup in demand for solar rooftop (from a combination of electricity subsidy rollback and more accommodative Government policies) and broadly, an acceleration in domestic RE capacity build-up to capitalize on RE export potential.

Initiate with a BUY recommendation. We initiative coverage of Samaiden with a **BUY** rating and a **TP** of **RM1.54** representing +15% upside from current share price levels. Our valuation pegs Samaiden at 26x FY24F earnings, at a slight discount to industry leader Solarvest which is trading at forward PER of 27x. As one of the key beneficiaries of the country's aggressive energy transition, Samaiden is currently trading at fairly undemanding valuations of 20x FY24F earnings against a +37% 3-year earnings CAGR up till FY25F. Its recent transfer to the Main Board from the ACE market gives it better visibility among institutional investors and should progressively drive a valuation re-rating of the stock, in our opinion. Key catalysts: (1) Supportive Government policies for RE under the NETR, (2) Potential new contract wins including upcoming CGPP award, (3) Expansion in RE asset ownership,

Income Statement	FY21	FY22	FY23F	FY24F	FY25F
Revenue	**53.4**	**150.7**	**184.1**	**307.7**	**367.3**
Operating expenses	-45.4	-133.9	-168.0	-274.3	-328.2
Operating profit	**8.1**	**16.8**	**16.1**	**33.4**	**39.2**
Net interest expense	-0.0	-0.4	-0.4	-0.8	-0.7
Associates	0.0	0.0	0.0	0.0	0.0
PBT	**8.1**	**16.4**	**15.6**	**32.7**	**38.4**
Taxation	-2.1	-4.5	-4.3	-8.9	-10.5
Minority Interest	-0.0	-0.0	-0.0	0.4	0.5
Net profit	5.9	11.9	11.4	23.3	27.5
Core net profit	**5.9**	**11.9**	**11.4**	**23.3**	**27.5**

Balance Sheet	FY21	FY22	FY23F	FY24F	FY25F
PPE	1.9	1.8	3.3	12.3	25.5
Others	0.1	3.5	3.5	3.5	3.5
Non-current assets	**2.0**	**5.4**	**6.8**	**15.8**	**29.0**
Inventories	0.3	0.7	0.8	1.4	1.7
Receivables	4.8	32.2	39.3	65.7	78.4
Others	32.1	50.7	61.1	99.6	118.2
Cash & equivalent	39.4	80.2	88.0	98.8	107.0
Current assets	**76.7**	**163.7**	**189.2**	**265.5**	**305.2**
Share capital	35.6	60.9	60.9	60.9	60.9
Minority Interest	-0.0	0.2	0.2	0.6	1.1
Reserves	13.2	25.1	36.5	59.8	87.3
Total Equity	**48.7**	**86.2**	**97.5**	**121.3**	**149.2**
Long-term borrowings	1.0	0.9	2.2	11.2	10.8
Others	0.2	2.9	2.9	2.9	2.9
Non-current liabilities	**1.2**	**3.8**	**5.1**	**14.1**	**13.6**
Short-term borrowings	1.1	10.9	10.9	10.9	10.9
Payables	26.7	61.4	75.0	125.4	149.7
Others	0.9	6.8	7.4	9.6	10.7
Current liabilities	**28.7**	**79.2**	**93.3**	**146.0**	**171.4**

Cash Flow Statement	FY21	FY22	FY23F	FY24F	FY25F
PBT	8.1	16.4	15.6	32.7	38.4
Depreciation & Amortization	0.2	0.2	1.0	3.0	7.3
Chgs in working capital	16.4	5.5	6.3	23.4	11.3
Others	-36.3	-16.1	-14.0	-45.2	-28.0
Operating cash flow	**-11.7**	**6.0**	**8.9**	**13.9**	**29.0**
Capex	-0.2	-0.5	-2.4	-12.0	-20.5
Others	-5.5	-3.7	0.0	0.0	0.0
Investing cash flow	**-5.7**	**-4.2**	**-2.4**	**-12.0**	**-20.5**
Dividends paid	0.0	0.0	0.0	0.0	0.0
Movement in borrowings	1.0	9.8	1.3	8.9	-0.4
Others	28.0	24.6	0.0	0.0	0.0
Financing cash flow	**29.1**	**34.4**	**1.3**	**8.9**	**-0.4**
Net changes in cash	11.6	36.2	7.8	10.9	8.1
Beginning cash	**21.2**	**32.8**	**69.0**	**76.8**	**87.6**
Overdrafts, Deposits & Forex	0.0	0.0	0.0	0.0	0.0
Ending cash	**32.8**	**69.0**	**76.8**	**87.6**	**95.7**

Key Ratios	FY21	FY22	FY23F	FY24F	FY25F
Operating profit margin	15.2%	11.1%	8.7%	10.9%	10.7%
Core net profit margin	11.1%	7.9%	6.2%	7.6%	7.5%
ROE	12.1%	13.9%	11.7%	19.3%	18.6%
ROA	7.5%	7.1%	5.8%	8.3%	8.2%
Net gearing	-77%	-79%	-77%	-63%	-57%
Book value/share (RM)	0.12	0.22	0.25	0.31	0.38
PBV (x)	9.7	5.5	4.9	3.9	3.2
PER (x)	79.8	39.6	41.6	20.3	17.2

DISCLOSURES AND DISCLAIMER

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