

## Samaiden Group Berhad

(0223 | SAMAIDEN MK) Main | Industrial Products

### It's Getting Sunny!

#### KEY INVESTMENT HIGHLIGHTS

- **Stronger quarters ahead as Kuala Muda LSS recognition accelerates**
- **Eyeing at least 100MW CGPP EPCC jobs to replenish an already solid orderbook**
- **Recent 43.3MW CGPP quota win a recurring income catalyst**
- **Maintain BUY at unchanged TP of RM1.54**

We attended Samaiden's investor briefing yesterday and left reaffirmed of our positive view of the group. Below are key takeaways from the meeting:

**Stronger quarters ahead.** To recap, Samaiden's 1QFY24 earnings grew +21%yoy on higher work progress for ongoing projects but made up just 13%/14% of our/consensus full year estimates. We gather that the latest RM181m 50MWac LSS4 contract awarded in July 2023 (Kuala Muda LSS4) has yet to be meaningfully reflected in the 1QFY24 result as works had only commenced this month with potentially lumpy contribution estimated to come in 3QFY24 once panel and equipment installations take place. This underscores our expectation of an acceleration in orderbook recognition in the coming quarters. The entire Kuala Muda LSS4 project is targeted to be completed by July 2024 while the majority of LSS4 projects are expected to be completed by end-CY23, as per the Energy Commission's directive.

**Solid orderbook and replenishment prospect.** Orderbook stood at RM350m as of September (2.05x FY23 revenue) with around half estimated to comprise LSS4 projects, while the remaining comprise of C&I and biomass EPCC projects. The LSS4 portion comprise of 3 main projects namely: (1) 50MWac Kuala Muda LSS4, (2) 15MWac Kamunting LSS4, (3) 15MWac Seberang Perai LSS4. Active tenderbook stands at RM1.23b with ~40% comprising CGPP bids and another 30% C&I bids. The remaining is spread between biogas/biomass and special ground-mounted projects. We expect EPCC award for the CGPP projects to trickle in circa 2QCY24, which should provide meaningful orderbook replenishment prospect. To recap, the CGPP entails a total 800MWac capacity, whereby Samaiden is targeting to secure EPCC jobs for at least 100MWac, which translates into EPCC value of RM300-350m on our estimates.

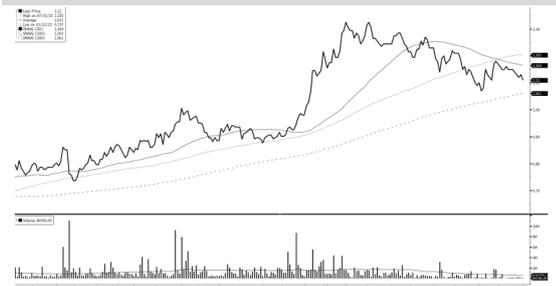
**Declining module prices a boon.** Solar module prices have been declining significantly given the influx of large manufacturing capacities and easing supply chain issues (see Chart 1). Management explained however, that for the existing LSS4 projects, the majority of costs are already locked in. Nevertheless, Samaiden could benefit from this cost downtrend once CGPP EPCC contracts start to trickle in next year, which we believe could improve margins going forward. For C&I projects, Samaiden typically locks in panel supplies based on its orderbook

**Maintain BUY**
**Unchanged Target Price: RM1.54**

#### RETURN STATISTICS

Price @ 30 <sup>th</sup> Nov 2023 (RM)	1.11
Expected share price return (%)	+38.4
Expected dividend yield (%)	0.0
<b>Expected total return (%)</b>	<b>+38.4</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.9	0.2
3 months	-9.8	-11.2
12 months	41.4	44.9

#### INVESTMENT STATISTICS

FYE Jun (RMm)	2023A	2024F	2025F
Revenue	170.8	307.7	367.3
Operating Profit	14.6	33.4	39.2
Profit Before Tax	13.4	32.5	38.2
Core PATAMI	11.0	23.3	27.5
Core EPS (sen)	2.8	5.9	7.0
PER (x)	33.5	18.8	15.9
DPS (sen)	0.50	0.00	0.00
Dividend Yield (%)	0.5%	0.0%	0.0%

#### KEY STATISTICS

FBM KLCI	1452.74
Issue shares (m)	387.39
Estimated free float (%)	27.35
Market Capitalisation (RM'm)	456.20
52-wk price range	RM0.72-RM1.35
3-mth average daily volume (m)	0.63
3-mth average daily value (RM'm)	0.75
Top Shareholders (%)	
Hee Ir Chow Pui	31.94
Foon Fong Yeng	21.11
Chudenko Corp	14.19

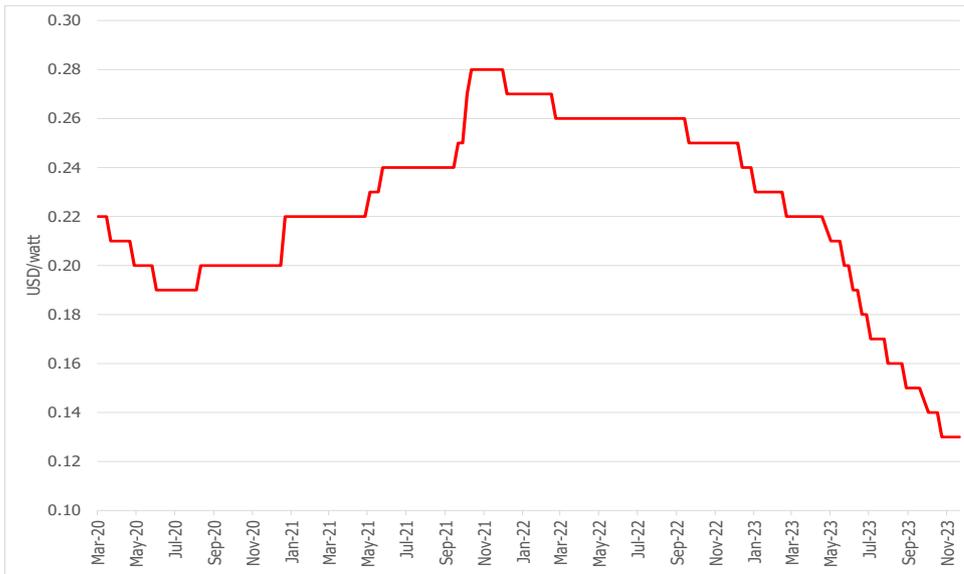
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– as C&I projects tend to be smaller and entail quicker project turnover, we believe this segment could benefit faster from the solar module cost downtrend.

**Chart 1: Solar module price trend**



Source: Bloomberg, MIDFR

**CGPP asset in progress.** To recap, Samaiden was one of the key winners in the recent second round award of CGPP quota with a total win of 43.3MW gross capacity (as CGPP asset owner). This is still work in progress and management clarified that there are certain conditions precedent that need to be met within the next 6 months, including finalising rates with the offtaker, concluding lease agreements and submission of a second power system study. The CGPP asset is expected to contribute to Samaiden’s recurring income stream from CY26, whereby it has set a long-term recurring income target of 10% of revenue. In general, we believe the CGPP assets are likely to yield much better returns compared to the LSS program previously given market driven energy pricing and renewable energy certificates attached to CGPP assets.

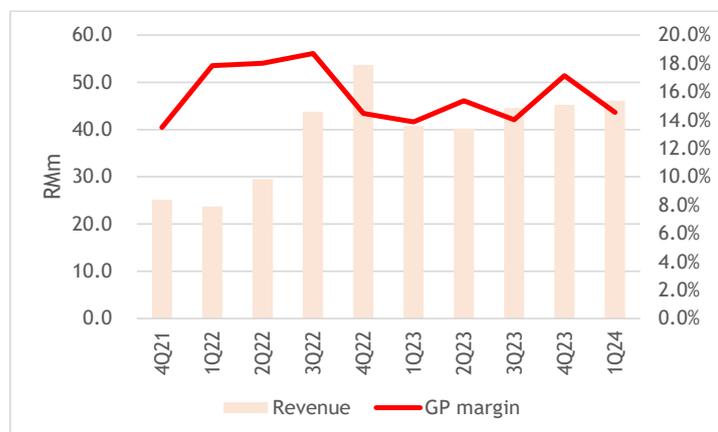
**Maintain BUY** at unchanged **TP** of **RM1.54**. We continue to peg Samaiden at 26x FY24F PER, at a slight discount to industry leader, Solarvest. We like Samaiden as one of the key beneficiaries of EPCC prospects under CGPP and the long-term growth potential from NETR’s emphasis on solar. A strong orderbook and balance sheet underpins near-term growth potential. 

**SAMAIDEN: 1QFY24 RESULT SUMMARY**

FYE Jun (RMm)	1Q23	4Q23	1Q24	QoQ	YoY
Revenue	40.8	45.2	46.2	2%	13%
Gross profit	5.7	7.8	6.7	-13%	19%
Admin expenses	(2.4)	(4.0)	(3.2)	-21%	33%
Other income	0.3	0.9	0.7	-20%	122%
<b>Operating profit</b>	<b>3.6</b>	<b>4.7</b>	<b>4.3</b>	<b>-9%</b>	<b>19%</b>
Finance cost	(0.3)	(0.3)	(0.3)	2%	6%
Impairment loss on financial assets	0.0	(0.5)	0.0		
<b>PBT</b>	<b>3.3</b>	<b>3.9</b>	<b>3.9</b>	<b>1%</b>	<b>20%</b>
Tax	(0.8)	(0.8)	(1.0)	23%	17%
PAT	2.4	3.1	3.0	-5%	21%
MI	(0.0)	(0.0)	0.0	-100%	-100%
Net profit	2.4	3.1	3.0	-6%	21%
<b>Core net profit</b>	<b>2.4</b>	<b>3.6</b>	<b>3.0</b>	<b>-17%</b>	<b>21%</b>
EPS (sen/share)	0.62	0.91	0.75		
DPS (sen/share)	-	0.50	-		
<b>Margins:</b>				<b>ppts</b>	<b>ppts</b>
Gross profit	13.9%	17.1%	14.5%	-2.6	0.7
Operating profit	8.9%	10.4%	9.3%	-1.1	0.4
PBT	8.1%	8.7%	8.5%	-0.1	0.5
Core net profit	6.0%	7.9%	6.4%	-1.5	0.4
Effective tax rate	-25.6%	-20.5%	-24.9%		

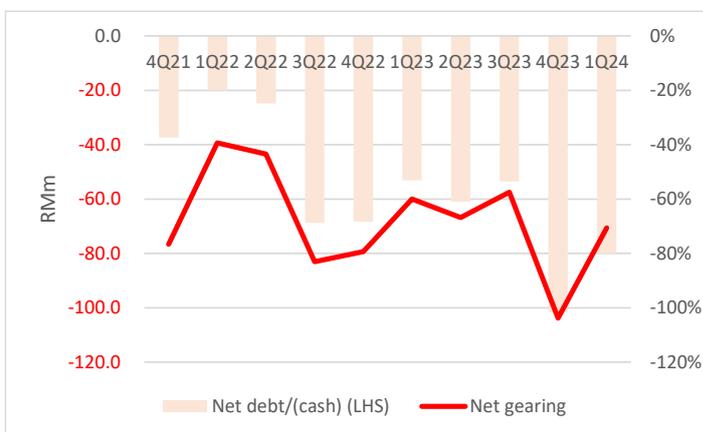
Source: Company, MIDFR

**Chart 2: Quarterly revenue & margin trend**



Source: Company, MIDFR

**Chart 3: Net debt/(cash) and gearing trend**



**FINANCIAL SUMMARY**

<b>Income Statement</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
<b>Revenue</b>	<b>53.4</b>	<b>150.7</b>	<b>170.8</b>	<b>307.7</b>	<b>367.3</b>
Operating expenses	-45.4	-133.9	-156.2	-274.3	-328.2
<b>Operating profit</b>	<b>8.1</b>	<b>16.8</b>	<b>14.6</b>	<b>33.4</b>	<b>39.2</b>
Net interest expense	-0.0	-0.4	-1.2	-1.0	-0.9
Associates	0.0	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>8.1</b>	<b>16.4</b>	<b>13.4</b>	<b>32.5</b>	<b>38.2</b>
Taxation	-2.1	-4.5	-3.3	-8.8	-10.3
Minority Interest	-0.0	-0.0	-0.0	0.4	0.4
Net profit	5.9	11.9	10.1	23.3	27.5
<b>Core net profit</b>	<b>5.8</b>	<b>12.4</b>	<b>11.0</b>	<b>23.3</b>	<b>27.5</b>
<b>Balance Sheet</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
PPE	1.9	1.8	3.3	12.3	25.5
Others	0.1	3.5	3.4	3.4	3.4
<b>Non-current assets</b>	<b>2.0</b>	<b>5.4</b>	<b>6.6</b>	<b>15.6</b>	<b>28.9</b>
Inventories	0.3	0.7	0.5	0.9	1.1
Receivables	4.8	32.2	30.5	54.9	65.6
Others	32.1	50.7	48.7	82.2	96.8
Cash & equivalent	39.4	80.2	108.2	136.6	149.1
<b>Current assets</b>	<b>76.7</b>	<b>163.7</b>	<b>187.9</b>	<b>274.7</b>	<b>312.6</b>
Share capital	35.6	60.9	62.6	62.6	62.6
Minority Interest	-0.0	0.2	0.1	0.6	1.0
Reserves	13.2	25.1	35.2	56.5	84.0
<b>Total Equity</b>	<b>48.7</b>	<b>86.2</b>	<b>97.9</b>	<b>119.7</b>	<b>147.6</b>
Long-term borrowings	1.0	0.9	1.9	7.6	1.0
Others	0.2	2.9	2.4	2.4	2.4
<b>Non-current liabilities</b>	<b>1.2</b>	<b>3.8</b>	<b>4.4</b>	<b>10.0</b>	<b>3.4</b>
Short-term borrowings	1.1	10.9	4.5	4.5	4.5
Payables	26.7	61.4	69.5	125.1	149.4
Others	0.9	6.8	18.2	31.0	36.6
<b>Current liabilities</b>	<b>28.7</b>	<b>79.2</b>	<b>92.2</b>	<b>160.6</b>	<b>190.5</b>

Cash Flow Statement	FY21	FY22	FY23	FY24F	FY25F
PBT	8.1	16.4	13.4	32.5	38.2
Depreciation & Amortization	0.2	0.2	1.0	3.0	7.3
Chgs in working capital	16.4	5.5	9.9	30.8	13.4
Others	-36.3	-16.1	9.0	-29.5	-19.4
<b>Operating cash flow</b>	<b>-11.7</b>	<b>6.0</b>	<b>33.3</b>	<b>36.7</b>	<b>39.6</b>
Capex	-0.2	-0.5	-1.8	-12.0	-20.5
Others	-5.5	-3.7	1.6	0.0	0.0
<b>Investing cash flow</b>	<b>-5.7</b>	<b>-4.2</b>	<b>-0.2</b>	<b>-12.0</b>	<b>-20.5</b>
Dividends paid	0.0	0.0	0.0	-2.0	0.0
Movement in borrowings	1.0	9.8	-5.4	5.7	-6.6
Others	28.0	24.6	-0.2	0.0	0.0
<b>Financing cash flow</b>	<b>29.1</b>	<b>34.4</b>	<b>-5.6</b>	<b>3.7</b>	<b>-6.6</b>
Net changes in cash	11.6	36.2	27.5	28.4	12.4
<b>Beginning cash</b>	<b>21.2</b>	<b>32.8</b>	<b>69.0</b>	<b>96.7</b>	<b>125.1</b>
Overdrafts, Deposits & Forex	0.0	0.0	0.0	0.0	0.0
<b>Ending cash</b>	<b>32.8</b>	<b>69.0</b>	<b>96.5</b>	<b>125.1</b>	<b>137.6</b>

Key Ratios	FY21	FY22	FY23	FY24F	FY25F
Operating profit margin	15.2%	11.1%	8.5%	10.9%	10.7%
Core net profit margin	10.9%	8.2%	6.5%	7.6%	7.5%
ROE	12.0%	14.4%	11.3%	19.5%	18.7%
ROA	7.4%	7.3%	5.7%	8.0%	8.0%
Net gearing	-77%	-79%	-104%	-104%	-97%
Book value/share (RM)	0.12	0.22	0.25	0.30	0.37
PBV (x)	9.0	5.1	4.5	3.7	3.0
PER (x)	74.9	35.2	33.5	18.8	15.9

Source: Company, MIDFR

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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 <i>rise</i> 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 <i>fall</i> 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