

POWER UTILITIES

Maintain NEUTRAL

RE export takes shape

KEY INVESTMENT HIGHLIGHTS

- **Pilot 100MW RE export to be auctioned**
- **ENERGEM to play role as aggregator**
- **No details on supply yet**
- **NEUTRAL stance on Power Utilities maintained given stretched valuations relative to historical mean following strong share price performance in the past year, but we still like the RE EPCC sub-sector as a key immediate-term beneficiary of Malaysia's RE initiatives**

Pilot 100MW RE export to be auctioned. PETRA announced yesterday, the establishment of Energy Exchange Malaysia (ENERGEM) to facilitate cross border green electricity sales to neighboring countries, underpinning one of the key components of NETR. For a start, a pilot 100MW export to Singapore will be auctioned out to interested purchasers that have generating/retailing license for the Singapore electricity market.

ENERGEM to play role as aggregator. The Single Buyer (SB) (a unit currently under Tenaga) as the operator of ENEREM, will be the principal body aggregating RE supply from Malaysia and managing the energy export to purchasers in Singapore. The SB will also act as the verifier and issuer of Renewable Energy Certificates (REC) associated with the RE export. Under the latest Cross Border Electricity Sales (CBES) guideline, RE exports will utilize existing Peninsular Malaysia-neighboring countries (i.e., Singapore and Thailand) interconnection. For the export to Singapore specifically, up to 300MW interconnection capacity is allowed via the Johor-Singapore interconnection. Export tariff will include components such as energy price, RECs, grid services, transaction fees and contribution to the Fund (a fund setup by the Government to facilitate energy transition for the sector).

No details on supply yet. The announcement by PETRA yesterday fell short of mentioning details on supply of RE for the export scheme. Based on details in the latest Cross Border Electricity Sales (CBES) Guideline, local RE plants are expected to enter into PPAs with the SB for supply of energy for RE export. The pilot 100MW export capacity is small but in the longer term, we note that Singapore is looking to import up to 3.5GW of green electricity by 2035.

Recommendation. We view this as a positive development, but news of RE export has been around for a year now, following a mini announcement in March 2023 prior to release of NETR. We keep our **NEUTRAL** call on Utilities given strong share price performance and stretched valuations, but we still like the RE EPCC sub-sector; **Samaiden (BUY, TP: 1.62), Pekat (BUY, TP: RM0.68), Sunview (BUY, TP: RM0.88)**, as key immediate-term beneficiaries of Malaysia's RE initiatives. In the asset

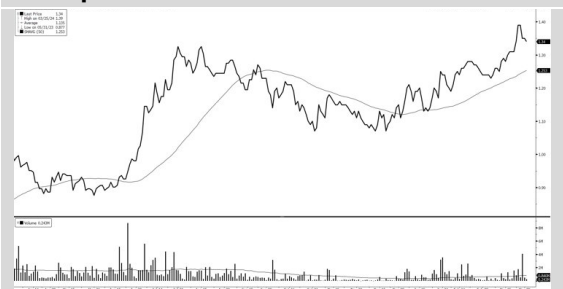
COMPANY IN FOCUS

Samaiden Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.62
Price @ 15th April 2024: RM1.37

- One of key beneficiaries of a step-up in RE EPCC demand from strong RE pipeline
- Solid gross orderbook of RM450m representing 2.8x FY23 revenue cover
- Upcoming CGPP EPCC award a potential immediate-term catalyst

Share price chart



Sunview Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.88
Price @ 15th April 2024: RM0.64

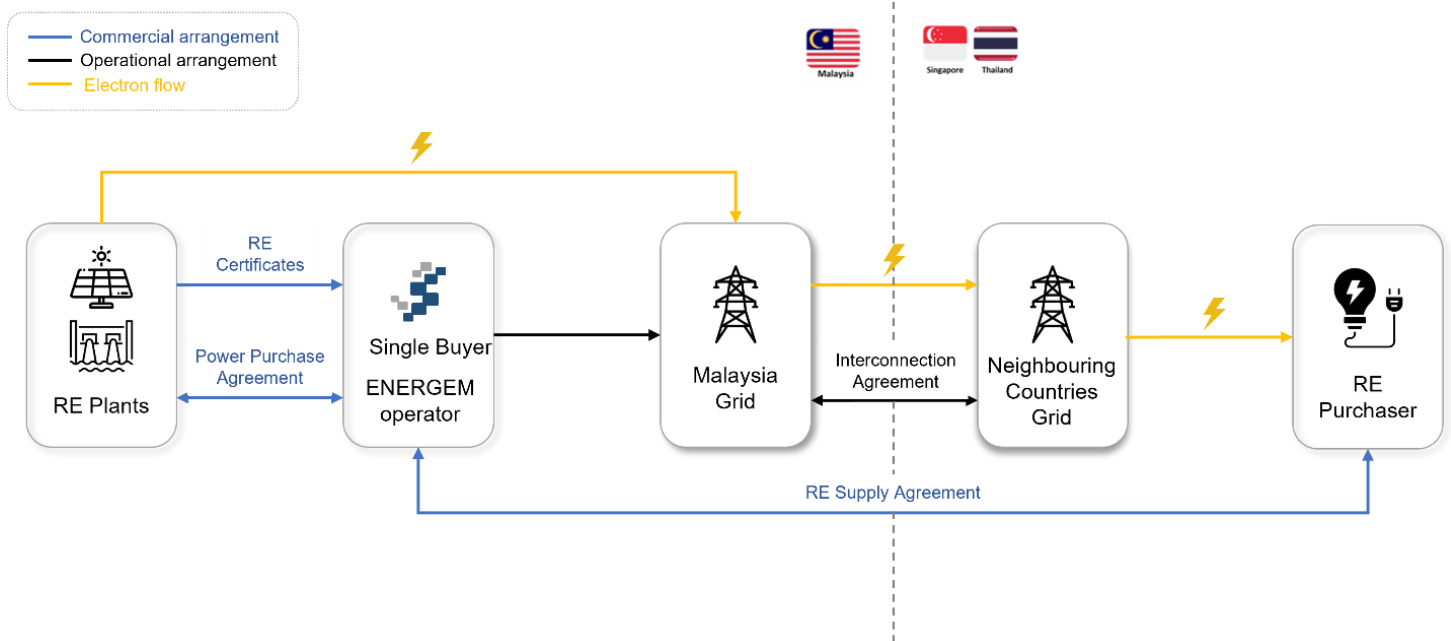
- One of key beneficiaries of a step-up in RE EPCC demand from strong RE pipeline
- Potential margin recovery as group progresses to new, higher margin projects
- Strong outstanding orderbook of RM297m

Share price chart



owner space, we still like **YTL Power (BUY, TP: RM4.22)** for a potential earnings recovery at Wessex Water, expansion into data centres and as a potential beneficiary of LSS5 and RE exports. Meanwhile, the extent to which **Tenaga (NEUTRAL, TP: RM11.00)** benefits from grid upgrade requirement in the mid-term hinges on the approved capex for RP4 as well as allowable returns which will be determined towards end-CY24.

Exhibit 1: CBES RE Scheme



Source: EC, MIDFR

Table 1: Sector Valuation Summary

Companies	FYE	Rating	Shr Price (RM)	EPS (sen)		PE (x)		ROE (%)	Div Yield (%)	Market Cap (RMm)	TP (RM)
				FY24	FY25	FY24	FY25				
Ranhill Utilities	Dec	NEUTRAL	1.03	4.2	4.7	24.5	21.9	6.9	3.3	1,316.4	1.07
Tenaga Nasional	Dec	NEUTRAL	11.60	75.3	82.7	15.4	14.0	6.8	4.0	66,323.2	11.00
YTL Power	Jun	BUY	3.91	38.3	38.4	10.2	10.2	16.5	2.9	31,679.6	4.22
Samaiden	Jun	BUY	1.37	5.9	7.0	23.2	19.6	19.5	0.0	539.8	1.62
Sunview	Mar	BUY	0.64	2.3	3.5	27.8	18.3	17.5	0.0	299.5	0.88
Pekat	Dec	BUY	0.48	2.7	3.3	17.8	14.5	9.5	0.0	309.6	0.68

Source: Companies, Bloomberg, 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