

POWER UTILITIES

Maintain NEUTRAL

LSS5 Takes Off

KEY INVESTMENT HIGHLIGHTS

- **LSS5 bidding process launched with a total of 2GW up for grabs**
- **Big boys likely to compete for larger capacity packages**
- **Although an incremental positive, there is risk of excessive competition in the asset ownership space judging by past trends**
- **We keep our NEUTRAL stance on Power Utilities given stretched valuations relative to historical mean following strong share price performance in the past year, but still like the RE EPCC sub-sector as a key immediate-term beneficiary of LSS5 and CGPP**

LSS5 bidding process launched. The Energy Commission (EC) launched the bidding process for the 5th cycle of the Large-Scale Solar program (LSS5) yesterday. A total of 2GW quota is allocated for LSS5 which is by far the largest for the LSS program compared to <1GW auctions in prior cycles. Sale of the RFP (Request for Proposal) documents will be open until 16th April 2024, while deadline for submission of RFPs is on 25th July 2024. We reckon outcome of the bidding could be announced by year-end, which would give successful bidders sufficient time for financial close and plant construction in CY25, before COD (commercial operation date) deadline in 2026 as set by the EC.

LSS5 will be segregated into 4 packages involving capacity bids of 1MWac-500MWac. Based on earlier media reports, Package 1 entails 250MWac allocation comprising rooftop or ground mounted solar with capacity bid range of 1MW-10MWac. Package 2 entails similar parameters as Package 1, but for capacity bid range of 10MW-30MWac. Package 3 entails a larger 1000MWac allocation for rooftop or ground mounted solar with capacity bid range of 30MW-500MWac, while Package 4 entails 500MWac allocation for floating solar with capacity bid range of 10MW-500MWac (See Table 1).

Big boys likely to compete for larger capacities. Within the asset owner space, we believe the big boys within the utilities sector such as Tenaga and YTL Power are likely to come in as anchors in their consortiums, especially for larger capacity bids. One of the key changes in the latest LSS is the rise in capacity bid limit to 500MW (for Package 3 and 4) which is 5 times the previous 100MW limit for LSS3 and 10 times the 50MW limit for LSS4. We reckon a project of such size could entail huge capex of some RM1.5-2.3b which requires fairly demanding balance sheet capacity. Having said that, we note that prior LSS winners also included non-utilities players from the property, plantation and construction sectors. Landowners could come in as strategic partners given huge requirement for landbank e.g., a 500MW solar farm is estimated to require at least 1500-2000 acres of landbank. It is uncertain at this point if the regulators will allow multiple locations for each LSS bid.

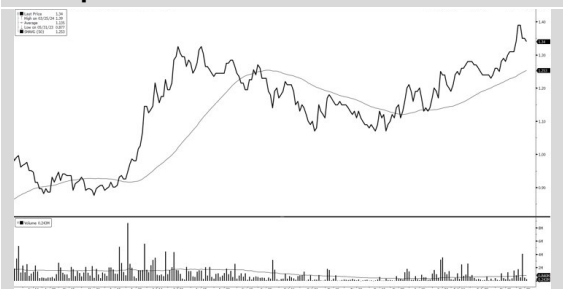
COMPANY IN FOCUS

Samaiden Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.62
Price @ 1st April 2024: RM1.34

- 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 @ 1st 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

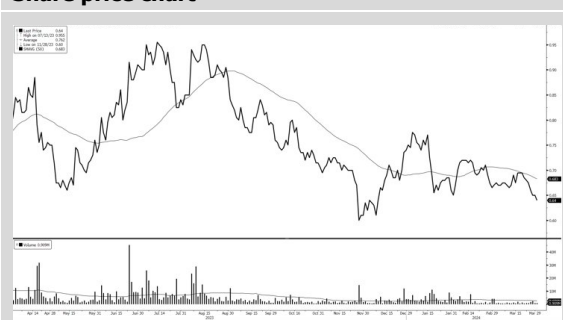
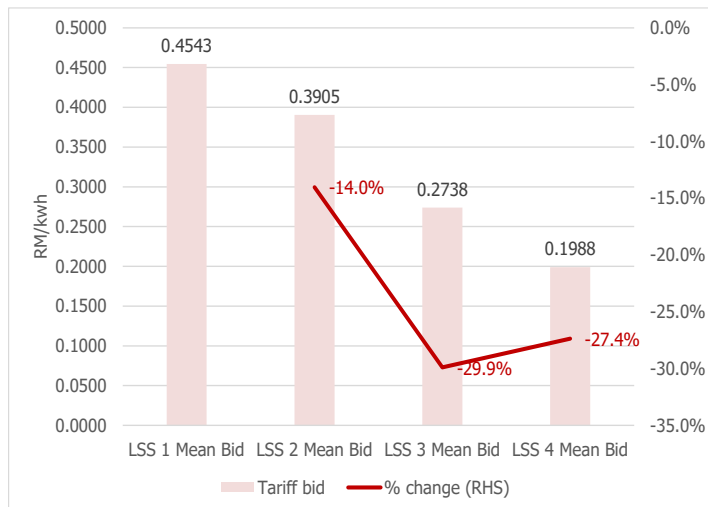
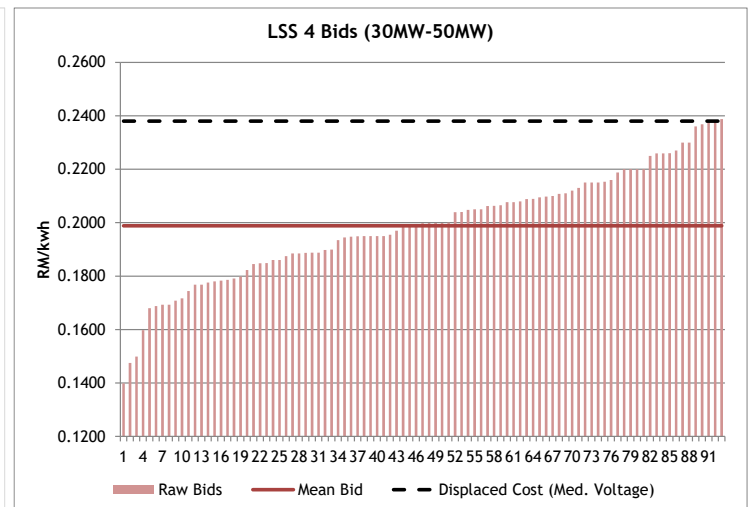


Table 1: Summary of LSS5 Packages

LSS5 Packages	Capacity allocation (Mwac)	Min. bid (Mwac)	Max. bid (Mwac)	Installation Type	Shareholding condition
Package 1	250	1	10	Rooftop/Ground Mounted	100% Bumiputera
Package 2	250	10	30	Rooftop/Ground Mounted	Min. 51% Bumiputera & 100% Domestic
Package 3	1000	30	500	Rooftop/Ground Mounted	Min. 51% Domestic
Package 4	500	10	500	Floating Solar	Min. 51% Domestic

Source: EC, Media Reports, MIDFR

Risk of excessive competition. One of the key pain points in prior LSS programs was the excessive competition to supply energy to a single buyer which has driven down returns to single-digit levels. The CGPP (Corporate Green Power Program) model in our opinion is a more liberalized model allowing players to seek their own offtaker, thereby allowing better price discovery in the market. Having said that, we also take note of the fact that the CGPP are essentially exclusive arrangements between solar power producers and their offtaker that requires a fair allocation of grid upgrade costs (to accommodate more injection of intermittent RE sources to the grid), which is currently absent. Once such fair cost allocations and third-party access to the grid (TPA) are established, we believe a more liberalised model for large scale RE could be expected.

Chart 1: Tariff trend of past LSS programs**Chart 2: Tariff bids in LSS4**

Source: EC, MIDFR

Table 2: Summary of Most Recent LSS(4) Winners

2022/23 COD Bid Winners (LSS 4) (P2: 30MW - 50MW)			
	Companies	Capacity (MW)	Listed Holding Company
1	Asiabina Properties Sdn Bhd	50.00	N/A
2	Classic Solar Farm Sdn Bhd	50.00	N/A
3	Gopeng Bhd	50.00	Gopeng Bhd
4	JAKS Solar Power Sdn Bhd	50.00	JAKS Resources Bhd
5	Perbadanan Kemajuan Negeri Pahang and Kumpulan Powernet Berhad	50.00	Kumpulan Powernet Bhd
6	Ragawang Corporation Sdn Bhd	50.00	N/A
7	Ranhill Utilities Bhd	50.00	Ranhill Utilities Bhd
8	Sharp Ventures Sdn Bhd	50.00	N/A
9	TNB Renewables Sdn Bhd	50.00	Tenaga Nasional Bhd
10	Uzma Environergy Sdn Bhd	50.00	Uzma Bhd
	Total P2:	500.00	

2022/23 COD Bid Winners (LSS 4) (P1: 10MW - 29.99MW)			
	Companies	Capacity (MW)	Listed Holding Company
1	Advancecon Solar Sdn Bhd	26.00	Advancecon Holdings Bhd
2	ATK Development Sdn Bhd & Suria Takbir Construction Sdn Bhd	15.00	N/A
3	ATK Development Sdn Bhd & Suria Takbir Construction Sdn Bhd	13.00	N/A
4	Atlantic Blue Sdn Bhd	25.00	Solarvest Holdings Bhd
5	Atlantic Blue Sdn Bhd	13.00	Solarvest Holdings Bhd
6	Atlantic Blue Sdn Bhd	12.00	Solarvest Holdings Bhd
7	Bakateam Services Sdn Bhd	15.00	N/A
8	Fusion Trend Sdn Bhd	13.00	N/A
9	Greenviro Solutions Sdn Bhd	10.00	N/A
10	Grooveland Sdn Bhd	17.36	N/A
11	MK Land Resources Sdn Bhd	10.95	MK Land Holdings Bhd
12	Nexuscorpgroup Sdn Bhd	29.99	N/A
13	PB Greenfarm Sdn Bhd & Mass Team Industries (M) Sdn Bhd	15.00	N/A
14	PB Greenfarm Sdn Bhd & Mass Team Industries (M) Sdn Bhd	10.00	N/A
15	Savelite Engineering Sdn Bhd, Frasers Construction (M) Sdn Bhd & Moderntent Development Sdn Bhd	20.76	N/A
16	Taiping Solar Sdn Bhd	15.00	N/A
17	Taiping Solar Sdn Bhd	15.00	N/A
18	Taiping Solar Sdn Bhd	10.00	N/A
19	Tan Chong Motor Assemblies Sdn Bhd, APM Shock Absorbers Sdn Bhd & TCIM Sdn Bhd	20.00	Tan Chong Motor Holdings Bhd / APM Automotive Bhd / Warisan TC Holdings Bhd
20	Tesdec Services Sdn Bhd	17.00	N/A
	Total P1:	323.06	
	Total LSS 4 (P1 & P2):	823.06	

Source: EC, MIDFR

Underpins NETR target to achieve 70% RE mix by 2050. As articulated in our sector thematic back in August 2023 titled "[RE Catalysts Under NETR Phase 2](#)", we estimate that annual RE installations will need to quadruple to circa 2GW per annum on average, until 2050, in order to for the country to hit its targeted 68GW RE capacity by 2050. Underpinning our view, LSS5 is the first such auction to entail up to 2GW capacity in a single cycle (from <1GW auctioned per LSS cycle previously). We believe the country would be well on track to achieve its RE objectives should this momentum continue in the future.

Chart 3: NETR's RE Mix Target

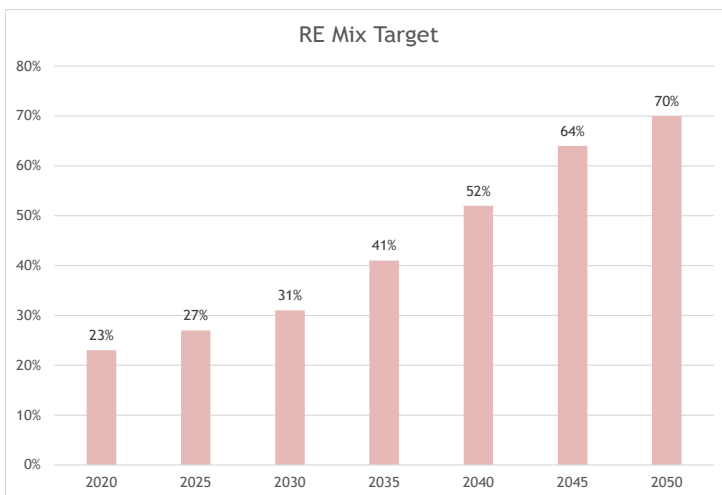
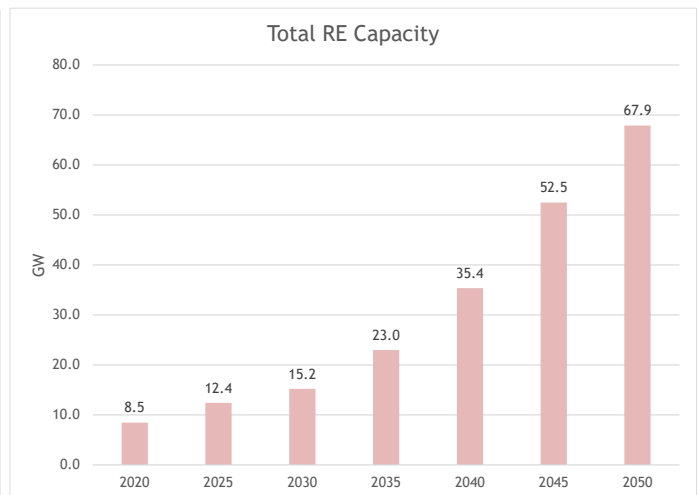


Chart 4: NETR's RE Capacity Projection



Source: Ministry of Economy, MIDFR

Chart 5: NETR's Installed Capacity Composition

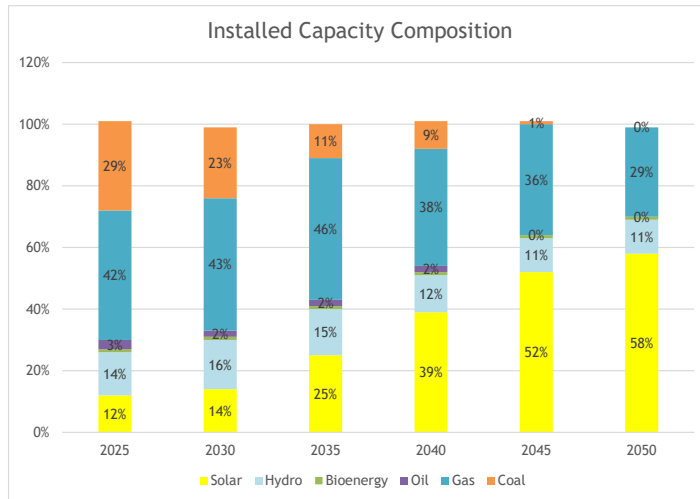
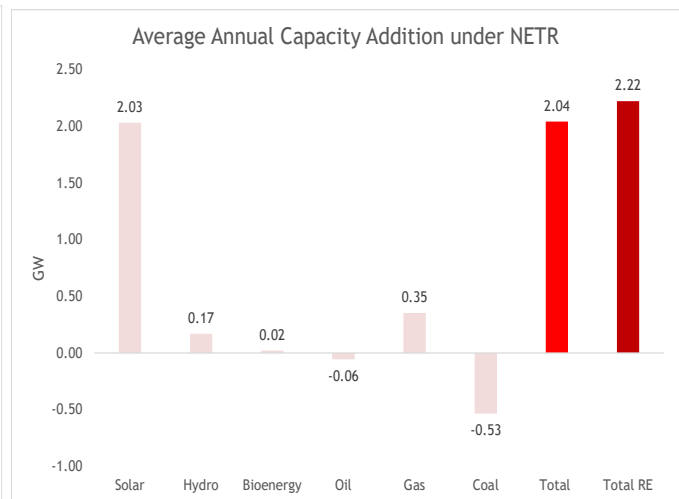


Chart 6: Avg. Annual Capacity Addition (2025-50)



Source: Ministry of Economy, MIDFR


Prefer RE EPCC exposure. Although we recently downgraded the **Utilities** Sector to **NEUTRAL** given strong share price performance and stretched valuations, we still like the RE EPCC sub-sector as key immediate-term beneficiaries of RE initiatives. Prior to COD of LSS5 plants in CY26, industry players will be kept busy by development of Corporate Green Power Program (CGPP) plants which are expected to come on-stream in CY25 based on COD deadline set by the EC. A total of 800MWac capacity was awarded under CGPP giving rise to potential RM2.4-3.2b worth of EPCC jobs this year. This is expected to be followed by LSS5 construction in CY25, which based on the 2GW capacity allocated, could give rise to a much larger RM6-8b prospective EPCC jobs. Key plays into the RE EPCC subsector are **Samaiden (BUY, TP: RM1.62)**, **Sunview (BUY, TP: RM0.88)**, **Pekat (BUY, TP: RM0.68)** and **Solarvest (Non-Rated)**. In the asset 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. **Tenaga (NEUTRAL, TP: RM11.00)** and **Ranhill Utilities (NEUTRAL, TP: RM1.07)** are also potential beneficiaries of LSS5 but we remain NEUTRAL on both stocks as valuations are currently stretched relative to historical mean. 

Table 3: Sector Valuation Summary

Companies	FYE	Rating	Shr Price	EPS (sen)		PE (x)		ROE	Div Yield	Market Cap	TP
			(RM)	FY23	FY24	FY23	FY24	(%)	(%)	(RMm)	(RM)
Ranhill Utilities	Dec	NEUTRAL	1.090	4.2	4.7	26.0	23.2	6.9	3.1	1,393.0	1.07
Tenaga Nasional	Dec	NEUTRAL	11.380	75.3	82.7	15.1	13.8	6.8	4.0	65,065.4	11.00
YTL Power	Jun	BUY	3.910	38.3	38.4	10.2	10.2	16.5	2.9	31,679.6	4.22
Samaiden	Jun	BUY	1.340	5.9	7.0	22.7	19.1	19.5	0.0	528.0	1.62
Sunview	Mar	BUY	0.640	2.3	3.5	27.8	18.3	17.5	0.0	299.5	0.88
Pekat	Dec	BUY	0.480	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.
HOLD	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