Samaiden Group Berhad

A Beneficiary of RE Growth in Malaysia

We are initiating coverage on SAMAIDEN with an OUTPERFORM call and TP of RM0.71. First listed back in Oct 2020, SAMAIDEN is primarily a pure-play solar EPCC provider. The company stands to benefit from the huge growth potential of RE adoption in Malaysia, which is largely dominated by solar (>90% of new RE capacity in the country is expected to be from solar). The government intends to reach 31% RE power capacity by 2025, and 40% by 2035. This translates to >4.7GW of total solar capacity by 2025 (more than tripling from ~1.5GW in 2020), and >7.2GW by 2035. SAMAIDEN has a steady track record of contract wins (both in LSS and C&I), and thus, should be a beneficiary of the rise of solar in the coming years.

A solar EPCC player. First listed back in October 2020, SAMAIDEN is primarily a provider of engineering, procurement, construction and commissioning (EPCC) of solar photovoltaic (PV) systems and power plants. Their services include end-to-end covering consultation, installation, as well as operation and maintenance (O&M) services.

To benefit hugely from growth of renewable energy. Malaysia's renewable energy (RE) scene is largely dominated by solar. The government has set a roadmap of achieving 31% RE power capacity by 2025 (from ~2% in 2020). To achieve this, a total of ~1.2GW of new RE requirements in Peninsular Malaysia are needed to be dished out via government-driven programmes from now until 2025 – of which >90% will be solar. This would more than triple Malaysia's solar capacity to >4.7GW, from ~1.5GW in 2020. Over the longer-term, the government intends to achieve 40% RE capacity by 2035, which would see the country's solar capacity reaching >7.2GW – ensuring a steady pipeline of government-driven solar programmes in the coming years. SAMAIDEN has had a steady track record of project wins for government-driven programmes in the past (won EPCC contracts under LSS1, LSS2 and LSS4 programmes), and thus, we believe further initiatives by the government to drive solar adoption will continue to benefit SAMAIDEN.

Competitive advantage and strong earnings growth ahead. With the local solar EPCC space crowded with many smaller non-listed names, competitive advantage of SAMAIDEN includes: (i) ability to provide clients end-to-end servicing, including front-end consultation, securement of financing, EPCC as well as post-commissioning O&M, and (ii) a track record of quality and timely project delivery – both of which many other smaller names might lack. To-date, the group has already completed over 200 projects comprising of >300MWp of installed capacity. The company was also named the solar company of the year for the EPCC category in 2021 by the Malaysia Solar Week Leadership Awards. Currently, the group's orderbook stands at ~RM410m, providing at least three years of revenue visibility going forward. This is expected to propel FY22E/FY23E earnings, which we forecasted at RM12m/RM15m (implying growth of +101%/+22%).

Initiate coverage with OUTPERFORM call, and a TP of RM0.71 – pegged to 15x PER on FY23E EPS, in-line with the valuation of Solarvest, the only other Bursa-listed pure-play solar EPCC peer. Overall, we like the company for its growth potential leveraging on the domestic RE scene, as well as its highly qualified and capable management. **We also like the name from an ESG angle, given its exposure towards the country's RE development.**

Risk to our call includes: (i) slower-than-expected adoption of RE in Malaysia, (ii) project execution risks, which includes costs overrun and project delays, (iii) losing of market share to other solar EPCC players.

OUTPERFORM

Price:	**RM0.595**
Target Price:	**RM0.710**

Expected Capital Gain:	*RM0.115*	*+19.3%*
Expected Divd. Yield:	*RM0.000*	*+0.0%*
Expected Total Gain:	*RM0.115*	*+19.3%*

KLCI Index	1,451.48

Stock Information

Bloomberg Ticker	SAMAIDEN MK Equity
Bursa Code	0223
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	385.0
Market Cap (RM m)	229.1
Par value per share (RM)	N.A.
52-week range (H)	0.85
52-week range (L)	0.55
Free Float	20%
Beta	N.A.
3-mth avg daily vol:	270,752

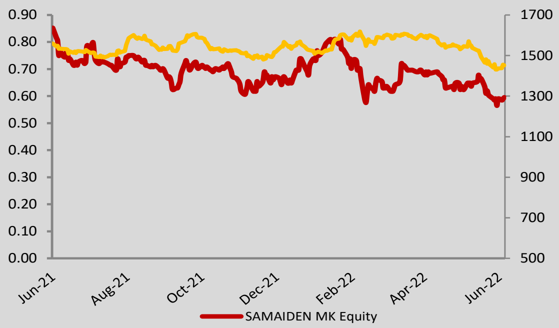
Major Shareholders

Chow Pui Hee	34.1%
Foon Fong Yeng	22.5%
Chudenko corp	15.2%

Summary Earnings Table

FY June (RM'm)	2021A	2022E	2023E
Revenue	53.4	122.9	141.4
EBIT	8.0	16.4	19.9
PBT	8.1	15.9	19.4
Net Profit (NP)	**5.9**	**11.9**	**14.5**
Core NP (CNP)	**5.9**	**11.9**	**14.5**
Consensus CNP		13.2	24.0
Earnings Revision (%)		-	-
Core EPS (sen)	1.9	3.9	4.7
Core EPS growth (%)	-18.3	100.7	22.1
DPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.2	0.2	0.2
Core PER (x)	30.9	15.4	12.6
Price/BV (x)	3.8	3.0	2.4
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	*3 mths*	*12 mths*
Absolute (%)	-8.2%	-3.7%	-26.0%
Relative (%)	-2.2%	4.6%	-19.7%

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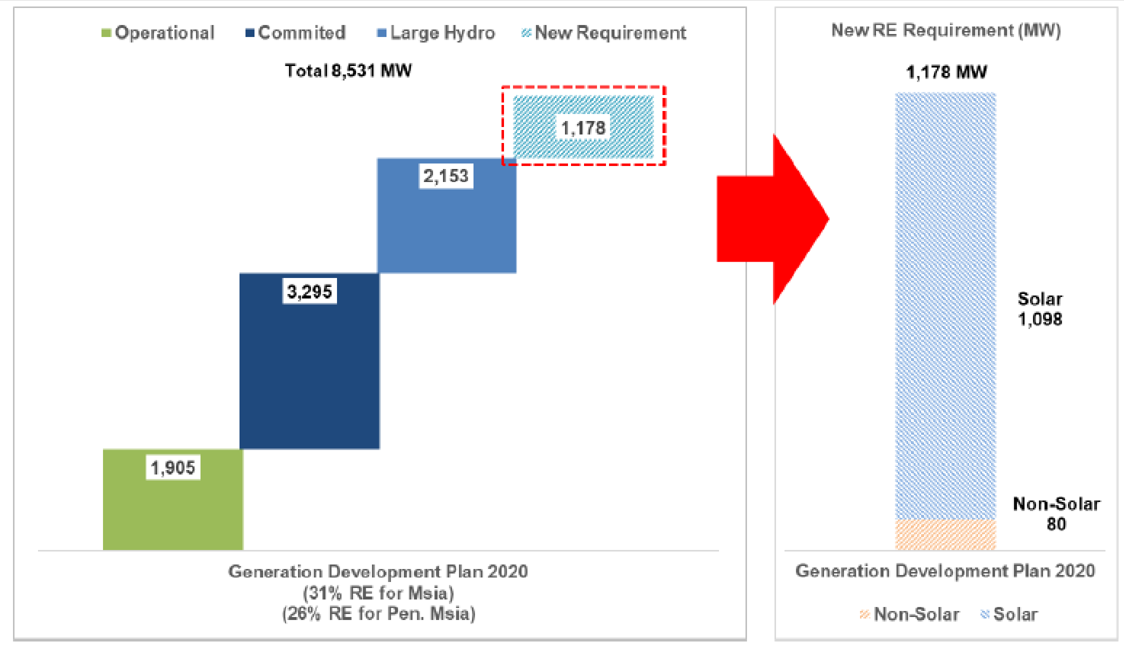
INVESTMENT MERITS AND FURTHER ELABORATIONS

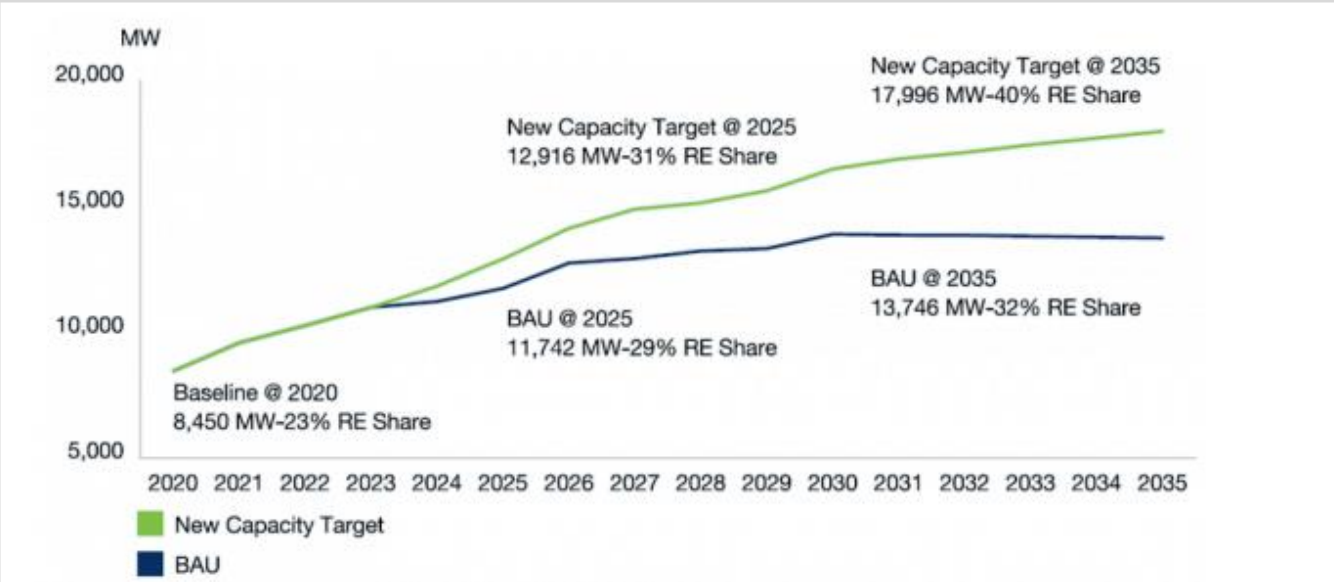
Government-driven RE programmes in Malaysia. Under the Malaysia Renewable Energy Roadmap (MYRER), the governemnt has set a target to reach 31% of RE capacity by 2025 and 40% by 2035. In order to achieve this, a total of 1,178MW of new RE requirements are needed in Peninsular Malaysia from now until 2025, of which >90% (or 1,098MW, to be exact) is expected to come from solar – thus making solar the dominant driver of RE adoption in Malaysia by a large margin. Throughout the period of 2015 to 2020, the solar PV cumulative installed capacity in Malaysia has grown from 221MW to ~1.5GW (implying ~50% CAGR). Going forward, in tandem with the efforts of achieving MYRER's projections, the country's solar capacity is expected to more than triple to >4.7GW by 2025, and to >7.2GW by 2035.

New Renewable Energy Requirement by 2025 (Peninsular Malaysia)



Source: Energy Commission

RE Development Roadmap in Malaysia

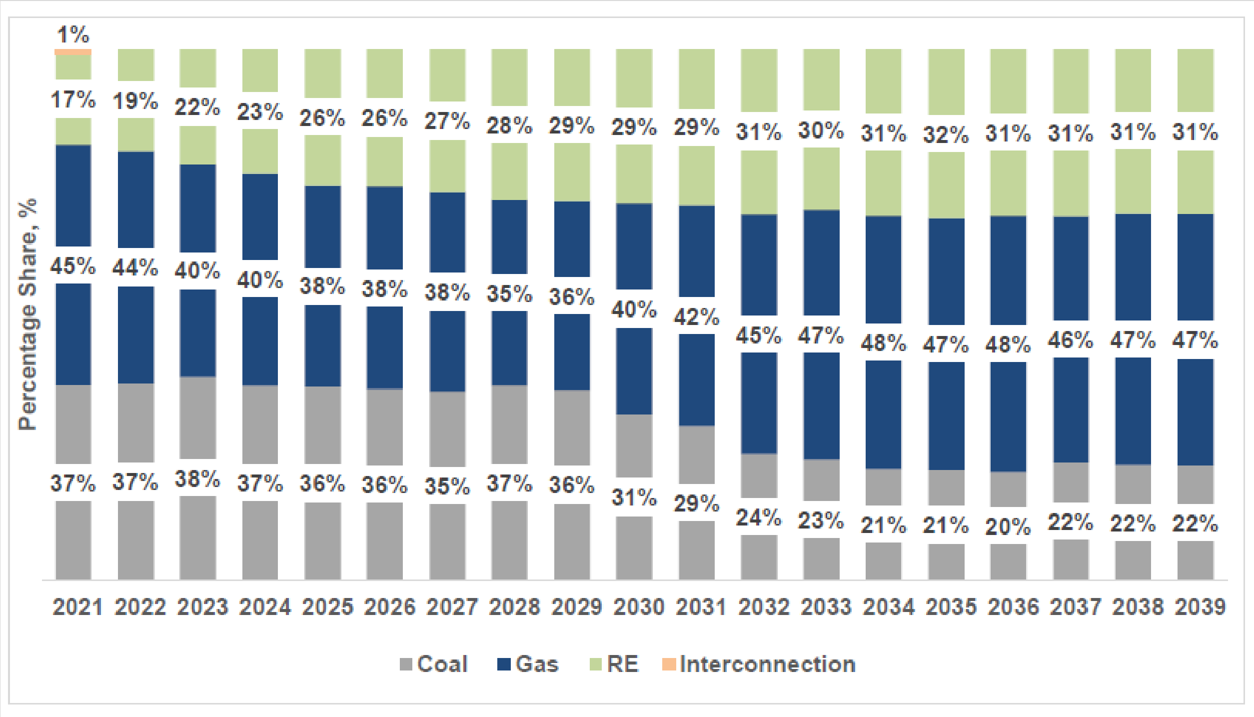


Source: SEDA

RE Development Roadmap in Malaysia by 2025

Source: SEDA

Projection of Capacity Mix (Peninsular Malaysia)



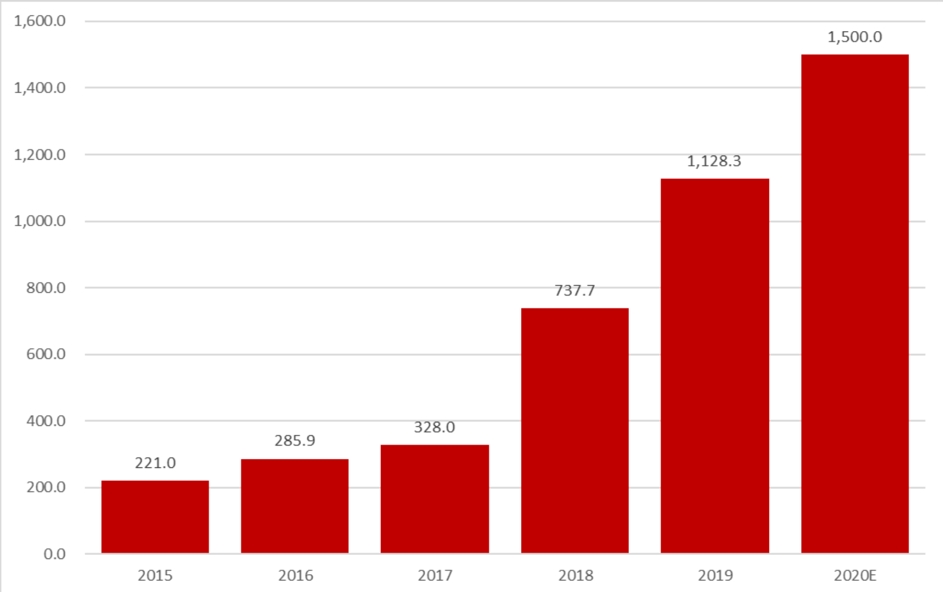
Source: Energy Commission

Government-led Solar PV Programmes

Programmes	Description
Large Scale Solar (LSS)	The LSS programme is for utility grid connected system with a power generation capacity of 1 MWac or more, awarded based on competitive bidding. Companies awarded projects are responsible for the full development (including acquisition of land and construction of the solar PV power plant), operation and maintenance of the plant and will sign a 21-year power purchase agreement (PPA) with TNB or SESB. The programme, first launched in 2016 and to-date, have completed four rounds of competitive bidding (LSS1, LSS2, LSS3 and LSS4 a.k.a. LSS@MEnTARI).
Feed-in-Tariff (FiT)	The FiT programme was first implemented in 2011. The programme obliges distribution licensees, including TNB, to buy electricity generated from renewable resources produced by Feed-in-Approval holders at a pre-determined rate for a specific duration. Since 2017, there has been no new quota allocated under this programme, except for 5.0 MWp under the community category.
Net Energy Metering (NEM)	The NEM programme was first introduced in November 2016 to replace the FiT programme for solar PV facilities. The NEM programme allows the solar PV facility owner to generate power for self-consumption and export any excess power to the grid. In January 2019, the NEM programme was enhanced (i.e., NEM 2.0) to offer a 1-on-1 offset basis by offsetting every 1 kWh exported with 1 kWh consumed from the grid. The quota under NEM 2.0 has been fully subscribed by end-2020. In December 2020, NEM 3.0 was introduced with a total quota allocation of up to 500 MW.
Sarawak Alternative Rural Electrification Scheme (SARES)	Initiated by the Sarawak Government, the SARES programme is an RM500m electrification programme to provide power to locations that are not feasible to be connected to the power grid. This includes developing stand-alone solar PV facilities or micro hydropower. This is to accelerate electricity coverage to 5,000 remote villages in Sarawak.
MySuria	Initiated by the Ministry of Energy, Green Technology and Water, the MySuria programme aims to help qualified low-income households to generate additional income by exporting solar PV power generated on their premises to the power grid. The programme was first implemented in 2017 and was discontinued at the end of 2018.

Source: Various, Bursa, Kenanga

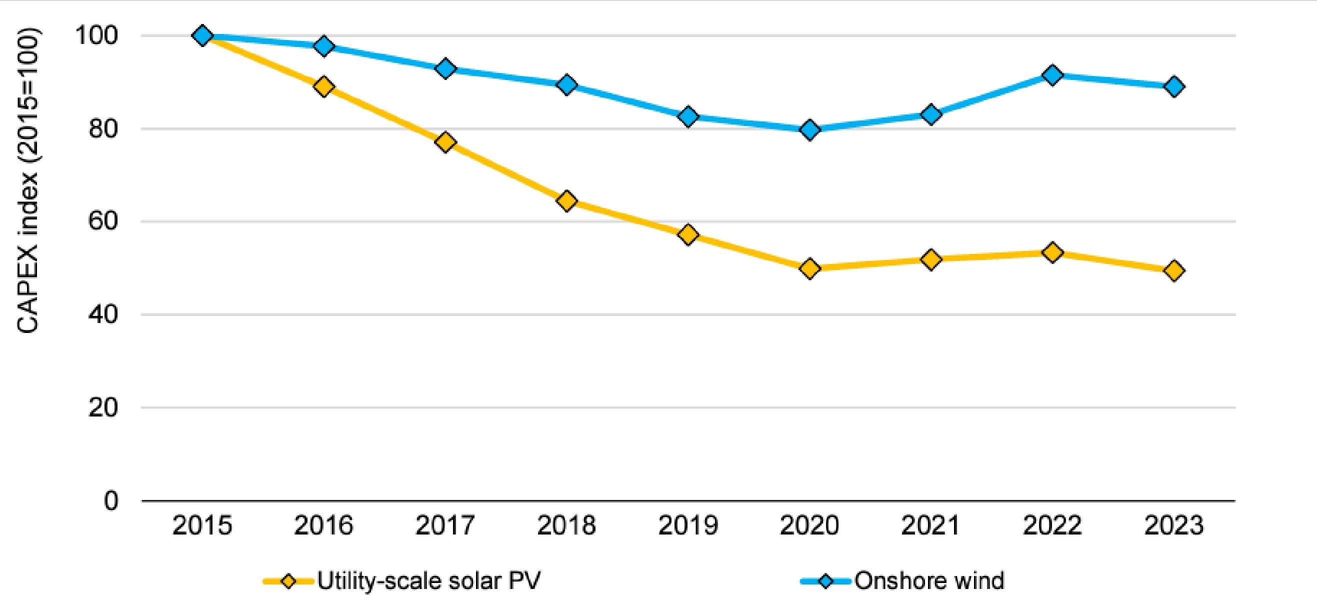
Solar PV Cumulative Installed Capacity in Malaysia



Source: SEDA, Company

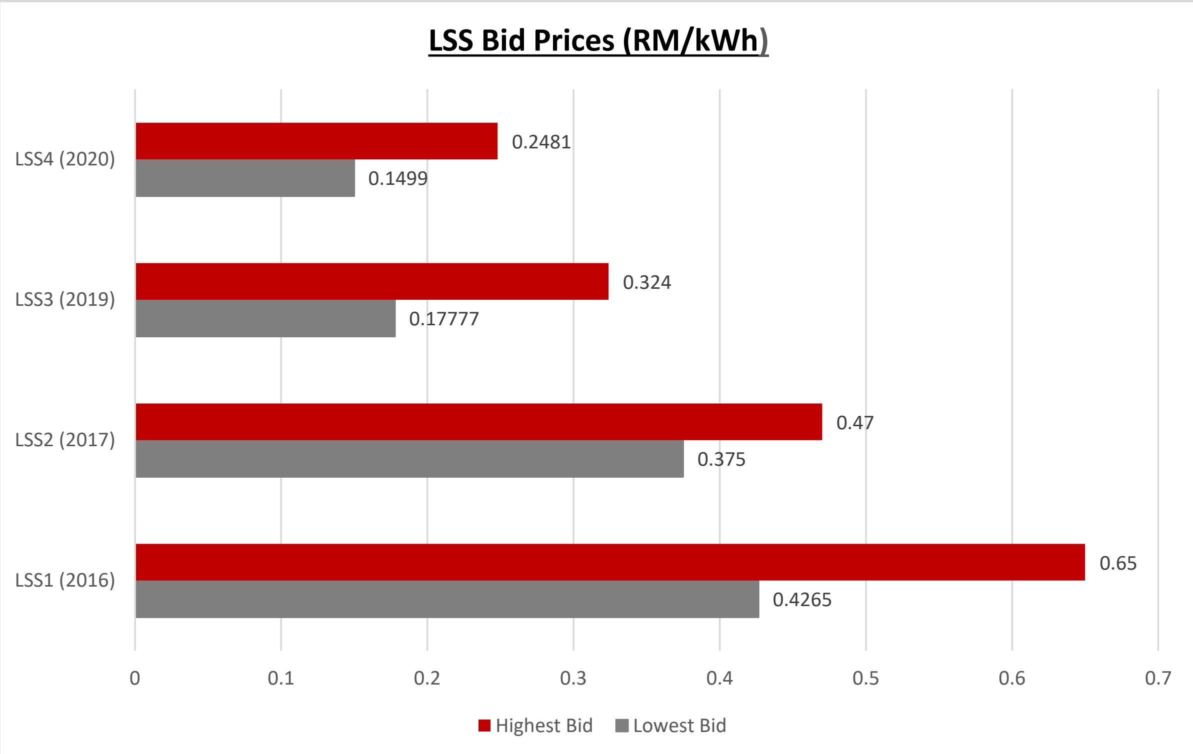
Increased adoption of solar as a source of RE. Despite the recent rise in solar panel prices, the overall megatrend is still largely downtrending. According to IEA, the higher solar PV costs could be here to stay in 2022-2023, but they still do not challenge competitiveness, with prices still expected to normalise post-2023. Compared to 2020, the overall investment costs of new utility-scale PV are approximately 15-20% higher in 2022, but still a far cry below 2015 levels. The increased costs of solar has yet to hamper its competitiveness because fossil fuel energy and electricity have risen at a much faster pace throughout the same period.

Solar PV and onshore wind investment costs estimates for new contracted projects



Source: IEA

LSS1 to LSS4 – bid prices comparison



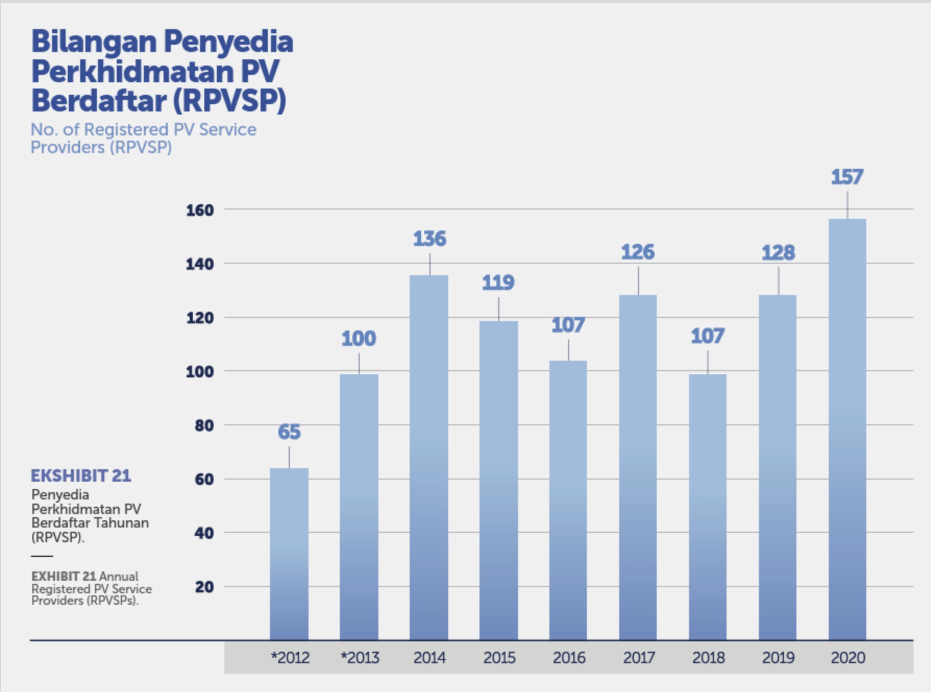
Source: Energy Commission, Kenanga Research

Strong earnings growth potential. We are projecting FY22E/FY23E earnings of RM11.9m/RM14.5m (implying +101%/22% growth). While this is partially due to the weaker earnings over the past two years due to project execution delays from the pandemic lockdowns, forward earnings are largely underpinned by its current orderbook of ~RM410m, which will provide the group with revenue visibility for at least the next 3 years. Going forward, we expect government-driven solar programmes to continue to be dished out aggressively from now until 2025 in order to meet MYRER's target of 31% RE capacity. This would inevitably be beneficial for SAMAIDEN, being one of the major players within the local solar EPCC space.

KEY RISKS RELATING TO THE BUSINESS AND THE INDUSTRY

Crowded sector with low barriers of entry. The local solar EPCC space is rather crowded, with the market filled with mostly non-listed smaller companies, given the relatively low barriers of entry to this space. According to SEDA, there is at least 157 registered solar PV service providers as at 2020. Amongst Bursa-listed companies, we have also seen few various companies with primary business in other sectors penetrating the space and diversifying into the solar EPCC business. Some of these include names such as UZMA, YINSON, SUNCON, BOILERM, RL. As such, bigger players such as SAMAIDEN would need to differentiate themselves from the competition by: (i) providing a wider range of services – e.g. end-to-end services which includes consultation, financing, EPCC and O&M, (ii) leveraging on its marketing, reputation and track record of high quality and timely project delivery.

Number of Registered PV Service Providers in Malaysia

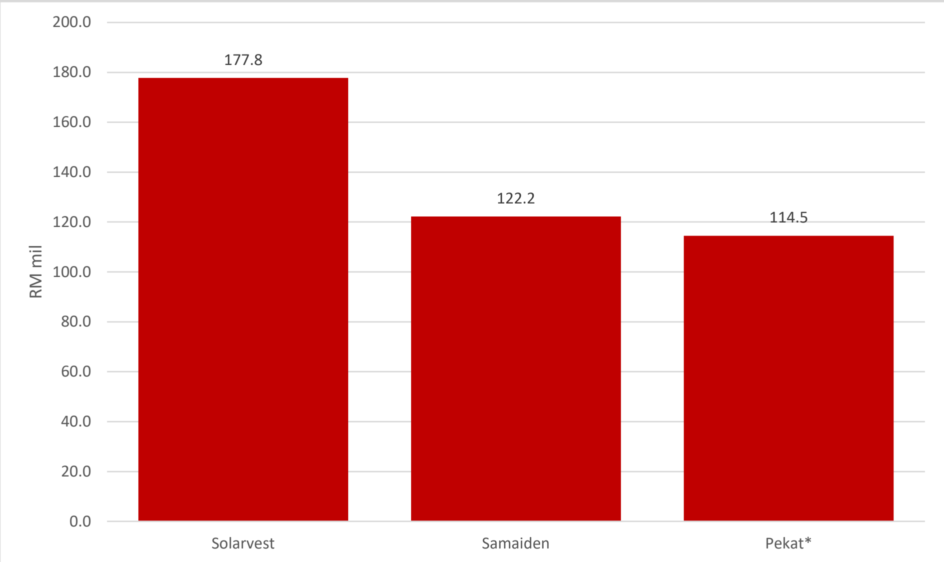


Source: SEDA

PEER COMPARISON

SAMAIDEN has second largest market share among peers. Amongst Bursa-listed names, we have highlighted SLVEST and PEKAT as its main peers – with the former another pure-play solar EPCC player (similar to SAMAIDEN), while the latter does also have a secondary business in supply and installation of earthing and lightning protection systems. These three names are identified as the largest solar EPCC plays amongst Bursa-listed companies by revenue. In terms of market share, SAMAIDEN ranks second, only behind SLVEST. In terms of margins, given the competitive nature of the business, we gathered that gross margins are fairly similar across the board – i.e. low-to-mid teens for LSS projects, and mid-to-high teens for commercial and industrial (C&I) projects. Actual reported margins of the companies could vary depending on the timing of revenue and cost recognition of the projects, as well as varying exposures between LSS and C&I jobs.

Peers' Comparison of Market Share by Revenue Size (Cumulative Last Four Financial Quarters)



Source: Kenanga, Bursa Malaysia

**Note that Pekat numbers only include its solar PV segment.*

Income Statement

FY June (RM m)	2019A	2020A	2021A	2022E	2023E
Revenue	68.3	76.2	53.4	122.9	141.4
EBIT	**7.6**	**7.5**	**8.0**	**16.4**	**19.9**
PBT	**7.5**	**7.3**	**8.1**	**15.9**	**19.4**
Taxation	0.0	0.0	-2.1	-4.0	-4.8
Net profit	7.5	7.3	5.9	11.9	14.5
Core Net Profit	**7.5**	**7.3**	**5.9**	**11.9**	**14.5**

Balance Sheet

FY June (RM m)	2019A	2020A	2021A	2022E	2023E
Fixed Assets	0.4	1.5	1.9	2.9	3.9
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Oth. Fixed Assets	0.0	0.0	0.1	0.1	0.1
Inventories	0.0	0.0	0.3	0.8	0.9
Receivables	5.2	8.0	4.8	11.2	12.8
Other CA	5.0	15.4	65.1	65.1	65.1
Cash	5.4	7.1	6.4	10.6	22.3
Total Assets	**16.0**	**32.0**	**78.7**	**90.6**	**105.1**
Payables	3.1	11.2	24.7	24.7	24.7
ST Borrowings	0.0	0.0	1.1	1.1	1.1
Other ST Liability	5.4	5.1	1.9	1.9	1.9
LT Borrowings	0.0	1.0	1.0	1.0	1.0
Other LT Liability	0.1	0.0	0.2	0.2	0.2
NCI	0.0	0.0	1.0	1.0	1.0
Net Assets	**7.4**	**14.7**	**48.8**	**60.6**	**75.2**
Share Capital	1.0	1.0	35.6	35.6	35.6
Other reserves	6.4	13.7	13.2	25.1	39.6

Cashflow Statement

FY June (RM m)	2019A	2020A	2021A	2022E	2023E
Operating CF	1.8	11.8	-11.7	21.0	23.8
Investing CF	0.5	-0.8	-5.7	-1.0	-1.0
Financing CF	-5.0	1.0	29.1	28.0	-6.3

Financial Data & Ratios

FY June	2019A	2020A	2021A	2022E	2023E
Growth (%)					
Revenue	118.1	11.5	-29.8	130.0	15.0
EBIT	120.7	-1.8	6.8	104.0	21.4
PBT	129.4	-3.2	10.7	96.8	22.1
Net Profit	132.8	-3.0	-18.3	100.7	22.1
Core Net Profit	132.8	-3.0	-18.3	100.7	22.1
Profitability (%)					
EBIT Margin	11.2	9.9	15.0	13.3	14.0
PBT Margin	11.0	9.6	15.1	12.9	13.7
Core Net Margin	11.0	9.5	11.1	9.7	10.3
Effective Tax Rate	0.5	0.7	26.5	25.0	25.0
ROA	46.9	22.6	7.5	13.1	13.8
ROE	101.0	49.4	12.2	19.6	19.3
DuPont Analysis					
Net Margin (%)	11.0	9.5	11.1	9.7	10.3
Assets T/O (x)	4.3	2.4	0.7	1.4	1.3
Lev. Factor (x)	2.2	2.2	1.6	1.5	1.4
ROE (%)	101.0	49.4	12.2	19.6	19.3
Leverage					
Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
Debt/Equity (x)	0.0	0.1	0.0	0.0	0.0
Net Debt/(Cash)	-5.4	-6.1	-4.4	-8.5	-20.3
N. Debt/Equity (x)	-0.7	-0.4	-0.1	-0.1	-0.3
Valuations					
EPS (sen)	2.4	2.4	1.9	3.9	4.7
DPS (sen)	0.0	0.0	0.0	0.0	0.0
BV/share (RM)	0.0	0.0	0.2	0.2	0.2
PER (x)	24.5	25.2	30.9	15.4	12.6
Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	24.7	12.5	3.8	3.0	2.4

Source: Kenanga Research

Comparison Table of Power / Utility Sector Companies Under Our Research Coverage

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
GAS MALAYSIA BHD	3.03	3,890.5	Y	12/2022	9.3%	8.3%	5.1%	0.6%	15.5	14.7	14.6	3.4	3.4	23.1%	6.1%	3.10	OP
MALAKOFF CORP BHD	0.630	3,078.8	Y	12/2022	22.8%	-5.8%	-12.6%	11.8%	9.8	11.2	10.0	0.6	0.6	5.2%	7.1%	0.980	OP
PESTECH INTERNATIONAL BHD	0.435	428.3	Y	06/2022	-10.1%	-6.3%	-30.1%	3.8%	5.7	8.2	7.9	0.7	0.6	8.2%	0.0%	0.660	OP
PETRONAS GAS BHD	16.50	32,649.1	Y	12/2022	1.0%	-0.8%	-3.7%	4.5%	16.1	16.7	16.0	2.5	2.5	14.8%	5.1%	17.51	MP
SAMAIDEN GROUP BHD	0.595	229.1	Y	06/2022	130.1%	15.1%	101.7%	21.8%	31.0	15.4	12.6	3.8	3.0	21.8%	0.0%	0.710	OP
TENAGA NASIONAL BHD	8.08	46,266.8	Y	12/2022	-3.3%	1.8%	-0.8%	13.1%	9.6	9.7	8.6	0.8	0.8	8.3%	5.2%	11.06	OP
YTL POWER INTERNATIONAL BHD	0.675	5,469.0	N	06/2022	31.8%	1.5%	-61.4%	104.7%	11.9	30.8	15.1	0.4	0.4	1.4%	7.4%	1.11	OP
Simple Average					**26.0%**	**2.0%**	**-0.2%**	**22.9%**	**14.2**	**15.3**	**12.1**	**1.7**	**1.6**	**11.8%**	**4.4%**		

Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

***** The Expected Total Return might contain rounding discrepancy***

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

Published and printed by:

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