

17 November 2022

Samaiden Group

A Soft Patch in 1Q, Prospects Intact

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SAMAIDEN's stronger 1QFY23 results came in within expectations, helped by higher EPCC works during the quarter, albeit partially offset by poorer job margin mix from LSS projects. Going forward, we expect SAMAIDEN to continue benefiting from the accelerated renewable energy adoption in Malaysia. Maintain OUTPERFORM with TP of RM0.86.

Results deemed broadly within expectations. 1QFY23 core net profit came in at RM2.4m, making up 17% and 13% of our and consensus full-year earnings forecasts, respectively. Nonetheless, we deem this to be broadly within expectations, in anticipation of stronger quarters ahead, especially with the delivery of upcoming LSS4 projects. Additionally, 1Q has seasonally been the group's weakest quarter. As a comparison, 1QFY22 and 1QFY21 made up 16% and 17% of the full-year earnings, respectively.

Earnings lifted from higher EPCC works. 1QFY23 core net profit jumped 19% YoY, in tandem with the stronger revenue, thanks to greater EPCC works done during the quarter. Nonetheless, this was partially offset by the poorer margins (gross margins fell to 14%, from 18% last year) amidst poorer job margin mix from LSS projects.

Stronger earnings to come. Malaysia's renewable energy (RE) space is largely dominated by solar. We foresee >90% of upcoming new RE capacity to be solar powered. Anchored by continued government-led programmes, Malaysia is targeting RE to make up 31% of total power generation capacity by 2025, and 40% by 2035. SAMAIDEN currently has an orderbook of RM325m, which will keep it busy for the next three years.

Forecasts. We made no changes to our FY23-24F numbers.

Maintain OUTPERFORM, with unchanged TP of RM0.86 – pegged to 15x PER on FY24F EPS, in line with peer valuation (e.g. SVLEST). Note that our TP reflects a 5% premium given its 4-star ESG rating as appraised by us (see page 4).

We like SAMAIDEN for its: (i) huge market share – second largest in the high-growth local solar EPCC market, (ii) ability to provide end-to-end services, including securement of financing – of which many smaller names are unable to do so, and (iii) outstanding track record of project execution and delivery within the space.

Risks to our call include: (i) the government dials back on RE policy, (ii) project execution risks including cost overrun and project delays, and (iii) escalating cost of inputs, particularly, solar panel and labour.

OUTPERFORM ↔

Price: RM0.725
Target Price: RM0.86 ↔

Expected Capital Gain: RM0.135 +18.6%
Expected Divd. Yield: RM0.000 +0.0%
Expected Total Gain: RM0.135 +18.6%

KLCI Index 1,448.38

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)	279.1
Par value per share (RM)	N.A.
52-week range (H)	0.85
52-week range (L)	0.53
Free Float	20%
Beta	0.9
3-mth avg daily vol	1,056,759

Major Shareholders

Hee Ir Chow Pui	34.1%
Foon Fong Yeng	22.6%
Chudenko Corp	15.2%

Summary Earnings Table

FY June (RM m)	2022A	2023F	2024F
Revenue	150.7	141.4	162.6
EBIT	17.3	19.9	22.9
PBT	16.4	19.4	22.4
Net Profit (NP)	11.9	14.5	16.8
Core NP (CNP)	12.4	14.5	16.8
Consensus CNP	19.0	23.0	
Earnings Revision (%)	-	-	
Core EPS (sen)	4.0	4.7	5.5
Core EPS growth (%)	112.7	16.9	15.6
DPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.3	0.3	0.4
Core PER (x)	18.0	15.4	13.3
Price/BV (x)	2.6	2.2	1.9
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 (%)	2.1%	8.2%	1.5%
Relative (%)	-2.4%	12.8%	6.4%

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Results Highlights								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY23	FY22		FY22		FY23	FY22	
Y/E : Dec (RM m)								
Revenue	40.8	53.7	-24.1%	23.7	71.8%	40.8	23.7	71.8%
Cost of sales	(35.1)	(45.9)	-23.5%	(19.5)	80.2%	(35.1)	(19.5)	80.2%
Gross profit	5.7	7.8	-27.3%	4.2	33.4%	5.7	4.2	33.4%
Other income	0.3	0.5	-37.7%	0.2	106.1%	0.3	0.2	106.1%
Administrative expenses	(2.4)	(3.4)	-30.1%	(1.5)	55.2%	(2.4)	(1.5)	55.2%
Operating profit	3.6	4.9	-26.4%	2.9	25.9%	3.6	2.9	25.9%
Finance costs	(0.3)	0.1	-470.5%	(0.2)	114.5%	(0.3)	(0.2)	114.5%
Impairments	0.0	(0.2)	-100.0%	0.0	-100.0%	0.0	0.0	-100.0%
Profit before taxation	3.3	4.8	-31.3%	2.7	19.9%	3.3	2.7	19.9%
Income tax expense	(0.8)	(1.4)	-38.3%	(0.7)	25.7%	(0.8)	(0.7)	25.7%
Non-controlling Interests	0.0	0.0	N.M.	0.0	N.M.	0.0	0.0	N.M.
Net Profit	2.4	3.4	-28.5%	2.1	18.0%	2.4	2.1	18.0%
Core Net Profit	2.4	3.6	-32.7%	2.0	19.4%	2.4	2.0	19.4%
Gross margin	13.9%	14.5%		17.9%		13.9%	17.9%	
Operating margin	8.9%	9.1%		12.1%		8.9%	12.1%	
PBT margin	8.1%	8.9%		11.5%		8.1%	11.5%	
Net margin	6.0%	6.4%		8.7%		6.0%	8.7%	
Core net margin	6.0%	6.8%		8.6%		6.0%	8.6%	
Effective tax rate	25.6%	28.5%		24.4%		25.6%	24.4%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
GAS MALAYSIA BHD	MP	3.38	3.43	1.48%	4,339.9	Y	12/2022	27.3	25.4	39.4%	-7.0%	12.4	13.3	3.7	30.6%	24.6	7.3%
MALAKOFF CORP BHD	OP	0.620	0.900	45.16%	3,029.9	Y	12/2022	5.6	6.3	-12.6%	11.8%	11.0	9.9	0.6	5.2%	4.5	7.3%
PESTECH INTERNATIONAL BHD	MP	0.300	0.350	16.67%	295.4	Y	06/2023	3.5	4.7	368.1%	32.0%	8.5	6.4	0.4	5.2%	0.0	0.0%
PETRONAS GAS BHD	MP	16.86	17.00	0.83%	33,361.4	Y	12/2022	90.1	95.4	-11.9%	5.8%	18.7	17.7	2.4	13.1%	76.6	4.5%
SAMAIDEN GROUP BHD	OP	0.725	0.860	18.62%	279.1	Y	06/2023	4.7	5.5	16.9%	15.9%	15.4	13.3	2.2	15.5%	0.0	0.0%
TENAGA NASIONAL BHD	OP	8.48	10.17	19.93%	48,786.1	Y	12/2022	76.0	91.5	-9.5%	20.5%	11.2	9.3	0.8	7.5%	38.0	4.5%
YTL POWER INTERNATIONAL BHD	OP	0.670	0.970	44.78%	5,428.4	N	06/2023	4.5	4.8	41.3%	7.9%	15.0	13.9	0.4	2.8%	5.0	7.5%
Simple Average								30.2	33.4	61.7%	12.4%	13.2	12.0	1.5	11.4%		4.4%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	★	☆
	Corporate Social Responsibility	★	★	★	
	Management/Workforce Diversity	★	★	★	★
	Accessibility & Transparency	★	★	★	★
	Corruption-Free Pledge	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	★
SPECIFIC	Occupational Health and Safety	★	★	★	★
	Waste Disposal and Pollution Control	★	★	★	☆
	Environmentally Friendly Construction	★	★	★	★
	Employee Welfare	★	★	★	
	Supply Chain Auditing	★	★	★	☆
	Energy Efficiency	★	★	★	★
OVERALL		★	★	★	★

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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.**

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