Samaiden Group

A Cloudy Patch

By Nigel Ng / nigel@kenanga.com.my

SAMAIDEN's 1QFY24 results disappointed due to weak progress billings. Its 1QFY24 core net profit rose 21% YoY driven by Large Scale Solar (LSS) jobs and lower solar penal prices. Its earnings visibility is strong underpinned by an order backlog of RM351m. We cut our FY24F earnings forecast by 16%, reduce our TP by 20% to RM1.44 (from RM1.80) but maintain our OUTPERFORM call.

Within expectation. Its 1QFY24 core net profit of RM3m disappointed, coming in at only 16% and 14% of our full-year forecast and the full-year consensus estimate, respectively. The variance against our forecast came largely from weaker-than-expected progress billings from EPCC jobs.

Results' highlights. YoY, its 1QFY24 revenue rose 13% driven largely by EPCC jobs for LSS projects (which have an end-CY23 completion deadline). Its core net profit rose by a sharper 21%, we believe, due to lower solar panel prices, which more than compensated for typically lower margins of LSS projects.

QoQ, its 1QFY24 revenue was flattish but its core net profit fell 17% as it delivered more low-margin LSS projects.

Outlook. SAMAIDEN's long-term growth is well-supported by the National Energy Transition Roadmap (NETR) as announced by the government which sets an ambitious target of RE to make up 31% of total power generation capacity by 2025, and 70% by 2050. Also, businesses, driven by commercial reasons (i.e. to save cost) and ESG considerations, have voluntarily invested in solar energy generation assets following the recent hikes in electricity tariffs.

Notably, SAMAIDEN has emerged a major winner in the recent Corporate Green Power Programme (CGPP), securing a total capacity of 43.32 MWac for solar power generation. We believe the CGPP offers higher return vs. the LSS programme as the CGPP uses a willing-buyer willing-seller model with an estimated tariff rate of 25-28 sen/kWh (vs. 17-24 sen/kWh under LSS). In addition, we believe it is also poised to secure at least 15% of the total EPCC contracts under the CGPP, given its strong position in the solar EPCC market. Currently, its outstanding order book stands at RM351m (vs. RM373m three month ago) which can keep it busy for at least over the next 18 months.

Forecasts. We cut our FY24F earnings forecast by 16% to reflect weaker progress billings from EPCC jobs but keep our FY25F numbers.

Consequently, we cut our TP by 20% to RM1.44 (from RM1.80) based on 30x fully-diluted FY25F EPS of 4.8 sen, in line with the average forward PER of peers such as SVLEST (Not Rated) and SUNVIEW (Not Rated). Our TP imputes a 5% premium given its 4-star ESG rating as appraised by us (see page 4).

We continue to like SAMAIDEN for: (i) the bright outlook of the RE market in Malaysia; (ii) its strong market position, being the second largest solar EPCC contractor locally, (iii) its ability to provide end-to-end services, including financing, (iv) its strong execution track record, and (v) its strong earnings visibility backed by a sizeable outstanding order book. Maintain **OUTPERFORM.**

Risks to our call include: (i) the government dials back on its RE policy, (ii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iii) escalating cost of inputs, particularly, solar panel and labour.

OUTPERFORM ↔

Price:	**RM1.12**
Target Price:	**RM1.44** ↓

Expected Capital Gain:	***+RM0.32***	***+28.6%***
Expected Divd. Yield:	***+RM0.00***	***+0.0%***
Expected Total Gain:	***+RM0.32***	***+28.6%***

KLCI Index 1,444.75

Stock Information

Bloomberg Ticker	SAMAIDEN MK Equity
Bursa Code	0223
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	410.7
Market Cap (RM m)	460.0
Par value per share (RM)	N.A.
52-week range (H)	1.35
52-week range (L)	0.72
Free Float	27%
Beta	1.0
3-mth avg daily vol	640,412

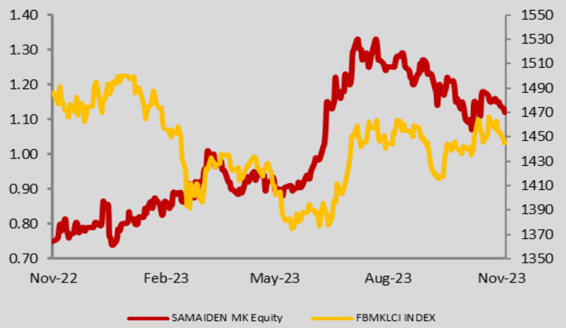
Major Shareholders

Hee Ir Chow Pui	32.0%
Foon Fong Yeng	21.1%
Chudenko Corp	14.2%

Summary Earnings Table

FY June (RM m)	2023A	2024F	2025F
Revenue	170.8	212.9	284.9
EBIT	15.1	22.1	32.5
PBT	13.4	20.9	31.3
Net Profit (NP)	**10.1**	**15.6**	**23.5**
Core NP (CNP)	**12.5**	**15.6**	**23.5**
Consensus CNP	-	21.9	27.6
Earnings Revision (%)	-	-15.9	-
Core EPS (sen)	2.8	4.1	5.2
Core EPS growth (%)	0.9	48.3	26.3
DPS (sen)	0.5	0.0	1.0
BV/Share (RM)	0.2	0.3	0.3
Core PER (x)	40.6	27.4	21.7
Price/BV (x)	5.2	4.4	3.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	-	-	-

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	1.8%	-8.9%	49.3%
Relative (%)	1.6%	-9.3%	52.1%

Results Highlights

FYE Dec (RM m)	1Q FY24	4Q FY23	QoQ	1Q FY23	YoY	3M FY24	3M FY23	YoY
Revenue	46.2	45.2	2.0%	40.8	13.2%	46.2	40.8	13.2%
Cost of sales	-39.4	-37.5	5.2%	-35.1	12.3%	-39.4	-35.1	12.3%
Gross profit	**6.7**	**7.8**	**-13.4%**	**5.7**	**18.8%**	**6.7**	**5.7**	**18.8%**
Other income	0.7	0.9	-20.4%	0.3	122.0%	0.7	0.3	122.0%
Administrative expenses	-3.2	-4.0	-20.5%	-2.4	33.2%	-3.2	-2.4	33.2%
Operating profit	**4.3**	**4.7**	**-8.8%**	**3.6**	**18.9%**	**4.3**	**3.6**	**18.9%**
Finance costs	-0.3	-0.3	2.1%	-0.3	5.5%	-0.3	-0.3	5.5%
Impairments	0.0	-0.5	-100.0%	0.0	#DIV/0!	0.0	0.0	#DIV/0!
Profit before taxation	**3.9**	**3.9**	**0.8%**	**3.3**	**20.2%**	**3.9**	**3.3**	**20.2%**
Income tax expense	-1.0	-0.8	22.5%	-0.8	17.0%	-1.0	-0.8	17.0%
Non-controlling Interests	0.0	-0.0	-100.0%	-0.0	-100.0%	0.0	-0.0	-100.0%
Net Profit	**3.0**	**3.1**	**-5.5%**	**2.4**	**21.2%**	**3.0**	**2.4**	**21.2%**
Core Net Profit	**3.0**	**3.6**	**-17.4%**	**2.4**	**21.2%**	**3.0**	**2.4**	**21.2%**
Gross margin	14.5%	17.1%		13.9%		14.5%	13.9%	
Operating margin	9.3%	10.4%		8.9%		9.3%	8.9%	
PBT margin	8.5%	8.7%		8.1%		8.5%	8.1%	
Net margin	6.4%	6.9%		6.0%		6.4%	6.0%	
Core net margin	6.4%	7.9%		6.0%		6.4%	6.0%	
Effective tax rate	24.9%	20.5%		25.6%		24.9%	25.6%	

Source: Company, Kenanga Research

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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAS MALAYSIA BHD	MP	3.14	3.33	6.1%	4,031.8	Y	12/2023	28.6	25.7	-6.6%	-10.0%	11.0	12.2	2.9	27.5%	20.0	6.4%
MALAKOFF CORP BHD	MP	0.615	0.600	-2.4%	3,005.5	Y	12/2023	(10.9)	4.0	-226.8%	-63.6%	N.A.	15.4	0.6	-10.5%	3.0	4.9%
PETRONAS GAS BHD	MP	16.84	17.45	3.6%	33,321.8	Y	12/2023	95.8	97.2	9.8%	1.4%	17.6	17.3	2.5	14.3%	81.5	4.8%
SAMAIDEN GROUP BHD	OP	1.12	1.44	28.6%	460.0	Y	06/2024	3.8	5.7	24.8%	50.5%	29.4	19.5	4.0	14.8%	0.0	0.0%
TENAGA NASIONAL BHD	OP	9.89	11.45	15.8%	57,236.7	Y	12/2023	63.3	78.7	-5.6%	24.2%	15.6	12.6	0.9	6.1%	31.7	3.2%
YTL POWER INTERNATIONAL BHD	OP	2.31	2.82	22.1%	18,716.0	N	06/2024	35.3	28.1	45.9%	-20.5%	6.5	8.2	1.0	16.5%	6.0	2.6%
Sector Aggregate					**116,771.8**					**-1.7%**	**12.6%**	**14.2**	**12.6**	**2.0**	**11.4%**		**3.6%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★	★	
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Transition to Renewables	★	★	★	★	
	Reliable Energy & Fair Tariff	★	★	★	☆	
	Effluent/Waste Management	★	★	★	★	
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★	☆	
	Customer Satisfaction	★	★	★	★	
	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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KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

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