

24 May 2024

Samaiden Group

A Cloudy Interval

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SAMAIDEN's 9MFY24 results disappointed on a low blended margin realised from its solar EPCC jobs. Its 9MFY24 core net profit still improved 15% YoY on strong project deliveries. We cut our FY24F earnings forecast by 5% but maintain our TP of RM1.51. Although strong solar EPCC job flow positively underpinned its prospects, we downgrade our call to MARKET PERFORM from OUTPERFORM due to the recent run-up in its share price.

Its 9MFY24 core net profit of RM10.2m disappointed coming in at only 61% and 52% of our full-year forecast and full-year consensus estimate, respectively. The variance against our forecast came largely from a lower-than-expected blended margin realised from its solar EPCC jobs.

YoY, its 9MFY24 revenue surged 35% as work progress for EPCC jobs accelerated, particularly the delivery of the RM188m EPCC job for the 50MW LSS4 project of **UZMA (OP; TP: RM1.45)**. However, its core net profit rose by only 15% due to: (i) the compression in its gross margin to 13% from 14% a year ago, weighed down by low-margin LSS projects, and (ii) higher staff and finance costs.

QoQ, similarly, its 3QFY24 core net profit surged 30% on a 54% expansion in its top line mainly attributable to significant deliveries of solar EPCC jobs.

Outlook. We expect a new wave of solar EPCC jobs in coming months underpinned by: (i) the 800MW Corporate Green Power Programme (CGPP) with an end-2025 completion deadline, (ii) the 2GW LSS5, the largest amongst the five LSS programmes, which also allows developers to bid up to 500MW (vs. only 50MW previously) with commissioning scheduled in 2026, (iii) an additional quota of 400MW (residential: 100MW; commercial: 300MW) from Feb to Dec 2024 under the Net Energy Metering (NEM) initiative, and (iv) the Solar For Rakyat Incentive Scheme (solaRIS) (using the additional 100W NEM quota for the residential segment) where participants will be offered rebates ranging from RM1,000/kWac up to RM4,000. We estimate that the CGPP and LSS5 will translate to at least RM2.4b and RM5b, respectively, worth of solar EPCC contracts. SAMAIDEN's earnings visibility will also be underpinned by an outstanding order book of RM354.3m that will keep it busy for at least the next 18 months.

Forecasts. We cut our FY24F earnings forecast by 5% to reflect a blended margin from its solar EPCC jobs but maintain our FY25F numbers.

Valuations. However, we maintain our TP of RM1.51 based on SoP valuation, valuing its EPCC segment at 30x fully-diluted FY25F EPS of 4.9 sen, in line with the average forward PER of peers such as **SVLEST (OP; TP: RM1.91)** and **SUNVIEW (Not Rated)** and DCF for its CGPP and biomass assets. Our TP imputes a 5% premium given its 4-star ESG rating as appraised by us (see page 4).

Investment case. We continue to like SAMAIDEN for: (i) the bright outlook of the RE sector in Malaysia, underpinned by the government's goal of RE making up 70% of total generation mix by 2050, (ii) the increased commercial viability of solar power projects on falling solar panel prices and the export potential of RE, (iii) its position as one of the top players in the local solar EPCC market, (iv) its ability to provide end-to-end solutions, including financing, and (v) its proven track record in delivering projects on time and within budget. Downgrade to **MARKET PERFORM** from **OUTPERFORM** as valuations have become rich after the recent run-up in its share price.

MARKET PERFORM

Price:	RM1.39	↓
Target Price:	RM1.51	↔
Expected Capital Gain:	+RM0.12	+8.6%
Expected Divd. Yield:	+RM0.00	+0.0%
Expected Total Gain:	+RM0.12	+8.6%

KLCI Index 1,629.18

Stock Information

Bloomberg Ticker	SAMAIDEN MK Equity
Bursa Code	0223
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	418.0
Market Cap (RM m)	581.0
Par value per share (RM)	N.A.
52-week range (H)	1.41
52-week range (L)	0.85
Free Float	29%
Beta	1.0
3-mth avg daily vol	590,981

Major Shareholders

Ir Hee Chow Pui	31.4%
Foon Fong Yeng	20.8%
Chudenko Corp	14.0%

Summary Earnings Table

FY June (RM m)	2023A	2024F	2025F
Revenue	170.8	232.9	314.9
EBIT	15.1	22.2	33.5
PBT	13.4	21.0	32.0
Net Profit (NP)	10.1	15.8	24.0
Core NP (CNP)	12.5	15.8	24.0
Consensus CNP	-	19.8	26.8
Earnings Revision (%)	-	-5.2	-
Core EPS (sen)	2.8	3.5	5.3
Core EPS Growth (%)	0.9	25.9	52.1
DPS (sen)	0.5	0.0	1.0
BV/Share (RM)	0.2	0.3	0.3
Core PER (x)	50.4	40.0	26.3
Price/BV (x)	6.5	5.6	4.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	-	-	-

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	8.6%	9.4%	48.7%
Relative (%)	4.3%	4.3%	33.2%

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Risks to our call include: (i) the government dials back on RE policy, (ii) influx of new players in the EPCC space, intensifying competition, (iii) project execution risks including cost overrun and project delays, and (iv) escalating cost of inputs, particularly, solar panel and labour.

Results Highlights								
FYE Jun (RM m)	3Q FY24	2Q FY24	QoQ	3Q FY23	YoY	9M FY24	9M FY23	YoY
Revenue	75.0	48.8	53.6%	44.6	68.3%	170.0	125.6	35.4%
Cost of sales	-66.6	-41.5	60.5%	-38.3	73.9%	-147.6	-107.5	37.3%
Gross profit	8.4	7.3	14.7%	6.2	34.3%	22.4	18.1	24.0%
Other income	1.1	1.0	8.8%	0.5	124.7%	2.9	1.3	127.7%
Administrative expenses	-3.5	-3.8	-8.0%	-3.8	-8.6%	-10.4	-9.0	16.0%
Operating profit	6.0	4.6	32.2%	3.0	104.5%	14.9	10.4	43.4%
Finance costs	-0.4	-0.4	18.7%	-0.2	86.6%	-1.1	-0.9	25.7%
Impairments	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	N.A.
Profit before taxation	5.6	4.2	33.3%	2.7	106.1%	13.8	9.5	45.1%
Income tax expense	-1.5	-1.0	44.4%	-0.8	83.8%	-3.5	-2.5	38.7%
Non-controlling Interests	-0.0	-0.0	-60.0%	0.0	N.A.	-0.0	-0.0	75.0%
Net Profit	4.1	3.2	29.6%	1.9	115.7%	10.2	6.9	47.5%
Core Net Profit	4.1	3.2	29.6%	3.9	5.2%	10.2	8.9	14.5%
Gross margin	11.2%	15.0%		14.0%		13.2%	14.4%	
Operating margin	8.0%	9.4%		6.6%		8.8%	8.3%	
PBT margin	7.5%	8.6%		6.1%		8.1%	7.5%	
Net margin	5.5%	6.5%		4.3%		6.0%	5.5%	
Core net margin	5.5%	6.5%		8.8%		6.0%	7.1%	
Effective tax rate	26.8%	24.7%		30.0%		25.6%	26.8%	

Source: Company, Kenanga Research

Exhibit 1: Sum-of-Parts (SoP) Valuation

Business/Asset	Value (RM m)	Basis
EPCC	719.9	30x FY25F PER
CGPP	28.3	DCF with a discount rate of 5.5%
Biomass	9.9	DCF with a discount rate of 5.6%
Asset Valuation	758.1	
Proceeds from warrant conversion	107.5	
	865.5	
Enlarged share base (m shares)	603.4	
Fully-diluted TP before ESG (RM/share)	1.43	
ESG premium (RM/share)	0.07	5% based on a 4-star rating
TP after ESG (RM/share)	1.51	

Source: 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. 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																	
PEKAT GROUP BHD*	NR	0.78	NR	N.A.	503.1	Y	12/2024	2.7	3.5	26.8%	29.3%	28.9	22.3	N.A.	N.A.	0.0	0.0%
SAMAIDEN GROUP BHD	MP	1.39	1.51	8.6%	581.0	Y	06/2024	3.5	5.3	26.4%	51.9%	40.0	26.3	5.6	14.9%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	1.66	1.91	22.4%	1,148.9	Y	03/2024	3.9	6.8	52.8%	74.4%	42.3	24.2	5.3	13.8%	0.0	0.0%
SUNVIEW GROUP BHD*	NR	0.67	NR	N.A.	343.7	Y	03/2024	1.7	3.6	-34.2%	114.6%	31.9	17.2	N.A.	N.A.	0.0	0.0%
Sector Aggregate					2,430.9					19.7%	65.5%	34.0	21.7	5.2	14.8%		0.0%

Source: Kenanga Research

*Note that Pekat & Sunview numbers based on Bloomberg consensus

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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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Published by:

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