

Renewable Energy

OVERWEIGHT

Record-Breaking Order Books with More to Come



By Nigel Ng | nigel@kenanga.com.my

We maintain OVERWEIGHT on the sector, underpinned by the government’s robust execution of RE initiatives and expanding solar quota allocations. Looking towards 2025, rising electricity costs and corporate requirements to report energy-saving initiatives are set to accelerate solar adoption, driving solar EPCC players' order books to all-time highs. Key catalysts include RM2.4b in EPCC contracts from the 800MW Corporate Green Power Programme (CGPP), with earnings recognition beginning in 1QCY25, and RM5b in LSS5 EPCC contracts set to be awarded in the same period, as the successful bids—reportedly already decided—are gradually being disclosed. These initiatives, which are expected to sustain the sector’s growth until 2028, also dovetail with declining panel prices due to oversupply, boost margins of solar EPCC contractors, and stimulate investment in solar power systems. Our sector top picks are SLVEST (OP; TP: RM1.91) and SAMAIKEN (OP; TP: RM1.51).

A new heat wave of solar EPCC jobs. In recent months, we have seen a strong surge in job wins and order book growth within our coverage driven by EPCC contracts under the CGPP. With the CGPP set to wrap up by end-2025, we expect the momentum of job opportunities to continue. To date, listed firms have secured ~RM1.2b in contracts, well below our RM2.4b CGPP target over the past three months. Thereafter, the Energy Commission (EC) will embark on the 2GW LSS5, the largest LSS programme thus far, in four packages. We estimate that there will be at least RM5b worth of PV system EPCC jobs coming from the LSS5. Developers whose bids for LSS5 are unsuccessful may shift to CRESS as an alternative for project development, potentially creating further EPCC contract opportunities for the sector.

LSS5 winners partially revealed, and we expect SLVEST to be among remaining winners. While bidders have been shortlisted recently, the EC has not revealed winners or the winning bid range likely due to timing sensitivities. According to *The Edge*, companies that have finalised their agreements are gradually making their way into the news (see Exhibit 1). However, 510MW of capacity remains unidentified, likely awaiting finalisation of details, and we believe this portion may consist of similar or smaller capacity. Most of the revealed winning capacities of the 2GW LSS5 typically ranged around 100MW each, and thus we estimate that if the remaining awards are also at 100MW, there is no less than five awards remaining of which **SLVEST** would be in our view among the winners, securing up to 20% of the 510MW. This projection is based on **SLVEST’s** prior success in LSS4, where it secured 67MW, and its extensive experience in executing similar projects, positioning it as a strong contender. However, our checks suggest a few likely winners, with those under our coverage expected to capture at least 8% of the market share, aligning with our expectations. Given the current solar panel prices, we estimate the winning rates to fall between RM0.14/kWh and RM0.18/kWh, yielding a project IRR of 8%. For **SLVEST** specifically, we expect the bid to fall within the mid-high teen range, consistent with its strategy of targeting high IRR projects.

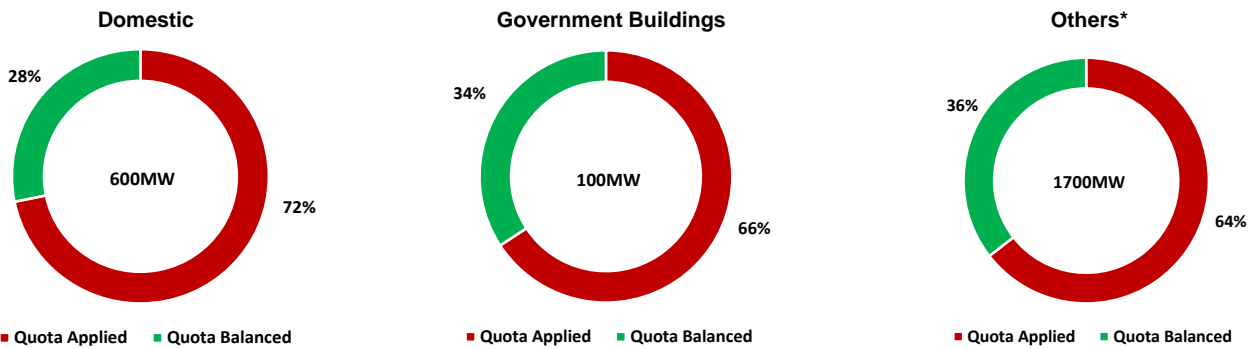
Exhibit 1: Winners of the LSS5

| No. | Winner | Capacity (MWac) |
|-----|--|-----------------|
| 1 | TNB Renewable Sdn Bhd | 500.00 |
| 2 | Edra Power Holdings Sdn Bhd and Worldwide Holdings Bhd | 300.00 |
| 3 | Gentari Sdn Bhd | 100.00 |
| 4 | Ditrolic Energy Holdings Sdn Bhd | 100.00 |
| 5 | Samaiden Group Bhd | 99.99 |
| 6 | Parkland Renewable Energy Sdn Bhd | 99.99 |
| 7 | Wawasan Demi Sdn Bhd | 99.99 |
| 8 | Nusantara Suriamas Sdn Bhd | 99.99 |
| 9 | Conextone Energy Sdn Bhd | 90.00 |
| 10 | Others | 510.04 |

Source: Energy Commission, Kenanga Research

RP4 spurs investments in rooftop solar. Recently, **TENAGA (OP; TP: RM17.00)** announced a base tariff increase to 45.62 sen/kWh (from 39.95 sen/kWh in RP3) set to take effect from 2HCY25. This 14% rise in base tariff is driving increased investment in solar installations by both businesses and residential space, primarily due to cost-saving motives and ESG considerations. In addition, the NEM initiative has introduced a new additional quota of 450MW (residential: 150MW; commercial: 300MW) to further support business investments in solar energy assets, with the deadline extended to 30 June 2025. Meanwhile, the Solar For Rakyat Incentive Scheme (solarIS) for the residential segment will continue to offer rebates ranging from RM1,000/kWac up to RM4,000/kWac, with the extended deadline now set for 30 April 2025. The residential segment is still significantly untapped. Based on our estimates, **TENAGA** has approximately 10.2m domestic customers but only ~54K have installed the rooftop solar thus far.

Exhibit 2: NEM Quotas

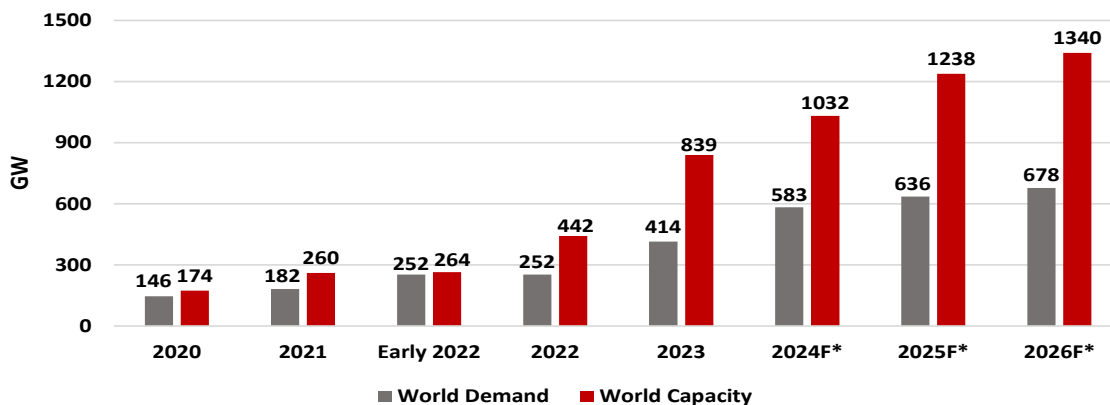


*Commercial, Industrial, Agriculture and Mining Buildings
 Source: SEDA, Kenanga Research

Solar panel prices decline near inflection point though likely in 2025. There are early indications that the severe oversupply in the solar industry may be starting to ease. Solar panel prices have reached an all-time low of 9 US cents/W, falling below production costs. In this highly competitive environment, Chinese solar manufacturers are struggling to maintain market share, and the sustained low prices are putting significant pressure on them. We anticipate that most solar manufacturers will report losses this year, with some unable to withstand the financial strain and ultimately exiting the market. While this pressure could set the stage for a potential recovery, a substantial rebound is unlikely in 2025. We believe therefore RE players are still in a season of being able to enjoy a good runaway on margins.

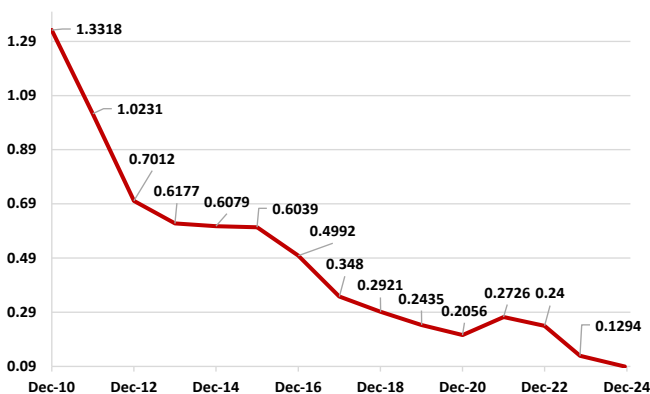
Moreover, Chinese solar manufacturers are halting production at Southeast Asian plants due to weak export outlook, following a US tariff increase on solar panels imported from China—rising to 50% from 25% as of 1 Aug 2024. Recall, Longi has halted all five production lines at its plant in Vietnam, and is winding down its operations in Malaysia, Trina is shutting down its plants in Thailand and Vietnam. Despite this adjustment, global solar panel supply remains excessive (see Exhibit 3). All in all, we expect solar module prices will be reaching 9 US cent/W by end of this year, an extension to its multi-year decline (see Exhibits 4 & 5).

Exhibit 3: Global Supply/Demand for Solar Panels (GW)



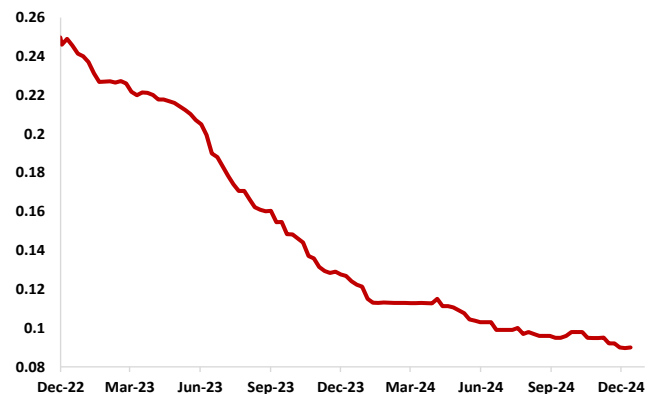
*Kenanga Research's estimates
 Source: Bloomberg, Kenanga Research

Exhibit 4: Solar Module Price (USD/W) (2010–2024)



Source: Bloomberg, Kenanga Research

Exhibit 5: Solar Module Price (USD/W) (2022–2024)



Source: Bloomberg, Kenanga Research

30 December 2024

Hidden potential for renewable energy certificates (RECs). There is a growing market for RECs backed by demand from corporations as they commit themselves to the RE100 initiative (i.e. the goal of using renewable resources for one's all energy needs) as well as data centres (to achieve the "green" status). **TENAGA** has received over 70 applications for electricity supply to data centre projects, with a combined maximum demand of 11GW. Based on our estimates, the REC market could potentially generate ~RM1.1b annually with this capacity. **SLVEST** stands out in our coverage, offering RECs at a competitive price of USD5–6/MW, vs. USD10/MW of Green Electricity Tariff (GET) of **TENAGA**. Moving forward, electrifying the entire economy will require at least three times the current electricity usage by 2050, driven by the shift to electric processes and rising power demands from AI technologies.

Our sector top picks are **SLVEST** and **SAMAIDEN** where we see near-term prospects centred on the upcoming EPCC contracts from the CGPP which are expected to see a more active flow of contract awards in the coming months, followed by the 2GW LSS5 project.

- **SLVEST** for its strong market position, execution track record, clientele and value proposition of its PV system financing programme, and its strong earnings visibility backed by sizeable outstanding order and tender books, and recurring incomes from a growing portfolio of solar assets.
- **SAMAIDEN** given its focus on residential and commercial projects that typically fetch higher margins, and similarly, its ability to provide end-to-end solutions, including financing to its customers, and strong earnings visibility backed by sizeable outstanding order and tender books.

30 December 2024

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 | 0.97 | NR | N.A. | 625.6 | Y | 12/2024 | 2.6 | 4.8 | 24.5% | 82.1% | 37.5 | 20.3 | 5.7 | N.A. | 0.0 | 0.0% |
| SAMAIDEN GROUP BHD | OP | 1.25 | 1.51 | 20.8% | 523.3 | Y | 06/2025 | 5.3 | 5.9 | 50.0% | 12.5% | 22.1 | 19.7 | 4.7 | 22.7% | 0.0 | 0.0% |
| SOLARVEST HOLDINGS BHD | OP | 1.64 | 1.91 | 16.5% | 1,185.0 | Y | 03/2025 | 6.8 | 8.5 | 62.5% | 24.2% | 23.4 | 18.8 | 4.0 | 19.5% | 0.0 | 0.0% |
| SUNVIEW GROUP BHD* | NR | 0.46 | NR | N.A. | 258.3 | Y | 03/2025 | 1.7 | 2.5 | 21.8% | 52.4% | 25.0 | 17.3 | N.A. | N.A. | 0.0 | 0.0% |
| Sector Aggregate | | | | | 2,333.9 | | | | | 45.7% | 39.6% | 27.7 | 19.6 | 4.8 | 21.1% | | 0.0% |

Source: Kenanga Research

*Note that Pekat & Sunview numbers based on Bloomberg consensus

This section is intentionally left blank

30 December 2024

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% |

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

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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