

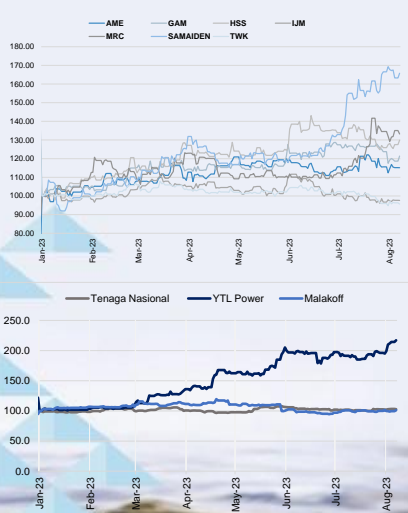
Thematic Note

“563 MWac of Corporate Green Power Programme allocated to 22 solar power producers”

Absolute performance (%)

	1M	3M	12M
Construction	6.2	-	(16.8)
AME	0.5	7.3	30.5
GAM	-	8.0	9.1
HSS	2.7	(2.5)	(14.5)
IJM	20.	22.6	8.6
MRC	7.3	-	18.0
SCGB	12.	38.0	96.9
SAMAIDEN	(1.8)	(4.8)	(14.9)
TWK	6.2	-	(16.8)
Utilities			
MLK	5.0	-8.6	-3.1
TNB	5.6	6.5	12.9
YTLP	19.	36.4	109.8

Relative performance (%)



Source: Bloomberg

Renewable Energy

Construction - OVERWEIGHT (maintain)

Utilities - OVERWEIGHT (maintain)

Virtual power purchase agreements kick off

- Energy Commission (EC) announced that 22 out of 71 applicants were allocated a total quota of 563.51 MWac to produce solar power under the Corporate Green Power Programme (CGPP)
- The companies under our coverage that were allocated solar production quota either solely or with partners are Sunway Construction (SunCon), HSS Engineers, Tenaga Nasional and Sime Darby Plantation
- We believe the solar EPCC companies will win EPCC contracts even if some of them were not successful in the quota allocation such as Samaiden. We remain OVERWEIGHT the Construction and Utilities sectors. Top BUYs are Gamuda, SunCon, HSS and Tenaga. Samaiden remains a conviction BUY

70% of total CGPP quota allocated

The application for the CGPP commenced on 9 May 2023 and will carry on until 31 December 2023 or until the total allocation quota of 800 MWac is fully subscribed. 22 out of 71 applicants thus far have been successful and allocated a total quota of 563.51 MWac. The remaining quota of 236.49 MWac is open to applications. We understand that the total quota of 800 MWac was oversubscribed, but some of the applicants were not successful in their applications as they did not comply with the stipulated requirements and/or did not submit all of the required documentation. The unsuccessful applicants are allowed to resubmit their applications until the year-end or upon full allocation of the remaining quota. There were no indications of total investments required for the 563.51 MWac allocated. Assuming 1.0 MWac converts to 1.5 MWp and capital expenditure (capex) excluding land cost of RM2.5m/MWp, total capex would be about RM2.1bn, an indication of the total engineering, procurement, construction and commissioning (EPCC) contracts to be awarded.

Solar EPCC companies among the successful applicants

Some of the listed solar EPCC companies were consortium partners in some of the successful applications, which include Solarvest (SOLAR MK, Not rated), Sunview Group (SUNVIEW MK, Not rated) and Pekat Group (PEKAT MK, Not rated). We believe that Solarvest's subsidiaries Atlantic Blue Sdn Bhd (SB) and Solarvest Asset Management SB are involved in 2 consortiums that are allocated 60 MWac. We gather that Solarvest is involved as an investor and/or potential EPCC contractor for several successful consortiums' CGPP projects with total generation capacity of 175 MWac.

SunCon is investing in a CGPP project but Samaiden missed out

We gather that Samaiden was not successful in its application for a 30 MWac quota. But some of the winning consortiums that it supported as a technical consultant were successful applicants and will likely call for EPCC tenders soon since the projects are required to be completed by 2025. SunCon was allocated 30 MWac and will invest in a solar PV plant to supply green energy to its related company Sunway REIT's (SREIT MK, RM1.51, BUY) malls and parent Sunway's (SWB MK, RM1.79, BUY) medical centres. Total investment is about RM130-150m and the equity portion is typically 20-30% of the total investment.

Listed investors in CGPP projects

There were a number of listed companies involved in renewable energy (RE) and solar power generation that are part of the winning consortiums. Tenaga is involved solely in 1 30 MWac CGPP project and is part of 2 consortiums with total generation capacity of 60 MWac. We expect more RE projects to be implemented under the National Energy Transition Roadmap (NETR) with a virtual power purchase agreement (VPPA) structure and the CGPP is just a start. We remain OVERWEIGHT the Utilities and Construction sectors that are the prime beneficiaries.

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Fig 1: Successful solar power producers of Corporate Green Power Programme

No.	Solar Power Producer	Export Capacity (MWac)	Listed co. involved
1	Cenergi EE Holdings Sdn. Bhd.	29.99	
2	Coara Solar Sdn. Bhd.	29.99	
3	Consortium of Angelaxy Power Sdn. Bhd. & Uzma Environergy Sdn. Bhd.	12.16	Uzma (UZMA MK)
4	Consortium of Atlantic Blue Sdn. Bhd. and TNB Renewables Sdn. Bhd.	29.99	Solarvest (SOLAR MK), Tenaga Nasional (TNB MK)
5	Consortium of Conextone Energy Sdn. Bhd. and ENGIE Renewable SEA Pte. Ltd.	29.99	
6	Consortium of JAKS Solar Power Sdn. Bhd., Ann Joo Green Energy Sdn. Bhd. and Fabulous Sunview Sdn. Bhd.	29.99	Ann Joo Resources (AJR MK), JAKS Resources (JAKS MK), Sunview (SUNVIEW MK)
7	Consortium of KVC Corporation Sdn. Bhd, Meriah Suria Sdn. Bhd. and Kuala Berang Solution Sdn. Bhd.	29.52	
8	Consortium of Nestcon Infra Sdn Bhd. and Pristine Multivision (M) Sdn. Bhd.	10.00	Nestcon (NESTCON MK)
9	Consortium of Reservoir Link Renewable Sdn. Bhd., Sumitomo Corporation and Maqo Engineering Sdn. Bhd.	29.99	Reservoir Link Energy (RLEB MK)
10	Consortium of Salcon Berhad and KAB Smart Solar Energy Sdn. Bhd.	7.00	Salcon (SALC MK), Kinergy Advancement (KAB MK)
11	Consortium of Savelite Engineering Sdn. Bhd., Blazing Solar Sdn. Bhd. and TNB Renewables Sdn. Bhd.	29.99	Tenaga Nasional (TNB MK)
12	Consortium of Shizen Malaysia Sdn. Bhd., HSS Engineering Sdn. Bhd., Solarvest Asset Management Sdn. Bhd. and Aziho Trading Sdn. Bhd.	29.99	HSS Engineers (HSS MK), Solarvest (SOLAR MK)
13	Consortium of Solar Citra Sdn. Bhd. and Total Energies Renewables SAS	29.99	
14	Gading Kencana Sdn. Bhd.	30.00	
15	Mega First Power Industries Sdn. Bhd.	29.99	Mega First Corp (MFCB MK)
16	Pekati Teknologi Sdn. Bhd.	29.99	Pekati Group (PEKAT MK)
17	Sime Darby Plantation Renewable Energy Sdn. Bhd.	14.99	Sime Darby Plantation (SDPL MK)
18	Solarcity REIT Sdn. Bhd.	29.99	
19	Starken AAC Sdn. Bhd.	10.00	
20	Sunway Construction Sdn. Bhd.	29.99	Sunway Construction (SCGB MK)
21	Tanah Matahari Sdn. Bhd.	29.99	
22	TNB Renewables Sdn. Bhd.	29.99	Tenaga Nasional (TNB MK)
	Total allocated quota	563.51	
	Balance unallocated quota	236.49	

Source: Energy Commission, Affin Hwang

Peer comparison for utility companies

Company Name	Stock Code	Rating	Share Pr	TP	Mkt Cap	Core PE (x)	Core EPS growth (%)	EV/EBITDA (x)	P/BV (x)	ROE (%)	Div Yield (%)	CY23E	CY24E	
			(RM)	(RM)	(RMm)									
MALAKOFF	MLK MK	HOLD	0.64	0.63	3,103.2	22.2	11.5	(75.7)	92.6	5.0	0.6	2.6	4.6	8.0
TENAGA	TNB MK	BUY	9.56	11.00	55,326.9	12.6	11.5	13.9	9.8	5.1	0.9	7.2	4.8	5.2
YTL POWER	YTLP MK	BUY	1.50	1.35	12,153.2	10.9	14.2	91.3	(23.5)	9.7	0.8	7.2	3.3	3.3
Average					70,583.3	12.6	12.0	12.4	5.3	5.7	0.8	6.3	4.2	5.5

Source: Bloomberg, Affin Hwang forecasts. Note: Closing prices as at 7 August 2023

Peer comparison for construction companies

Company Name	Stock Code	Rating	Share Pr	TP	Mkt Cap	Core PE (x)	Core EPS growth (%)	Upside (%)	P/BV (x)	ROE (%)	Div Yield (%)	Div Yield (%)	RNAV/share (RM)	Sh Pr disc to RNAV (%)		
			(RM)	(RM)	(RMb)											
AMELITE	AME MK	BUY	1.38	1.66	0.9	13.2	12.6	(10.2)	4.6	20.3	1.1	8.0	2.9	3.2	2.28	39
GAMUDA	GAM MK	BUY	4.40	5.00	11.7	13.3	11.8	2.2	13.3	13.6	1.4	8.1	7.8	2.7	5.77	22
HSS ENGINEERING	HSS MK	BUY	0.54	0.80	0.3	10.6	9.5	16.5	11.8	48.1	1.0	9.6	1.5	1.7	NA	NA
UM CORP	UM MK	HOLD	1.51	1.66	5.3	15.7	13.3	11.6	18.1	9.9	0.5	3.2	4.3	4.0	2.77	47
MRCB	MRC MK	HOLD	0.38	0.33	1.7	30.8	22.1	(15.1)	39.7	n.m	0.4	1.2	2.6	2.6	0.82	52
SAMAIDEN GROUP	SAMAIDEN MK	BUY	1.29	1.52	0.5	27.4	19.1	42.0	42.9	17.8	4.6	16.8	0.0	0.0	NA	NA
SUNWAY CONSTRUCTION	SCGB MK	BUY	1.77	2.00	2.3	16.7	16.3	(4.9)	2.2	13.0	2.9	17.8	3.1	3.1	2.22	24
TALIWORKS	TWK MK	HOLD	0.80	0.85	1.6	26.3	20.7	30.8	27.0	6.3	2.3	8.6	8.3	8.3	1.06	23
Average					24.3	15.5	13.4	5.1	15.5	9.1	1.8	4.7	3.8	3.2		34

Source: Bloomberg, Affin Hwang forecasts. Note: Closing prices as at 7 August 2023

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