Renewable Energy

Tailwind From Positive Regulatory Framework; Record Orderbook Wins

Highlights

- The Minister of PETRA announced that DCs in Malaysia will be required to source at least 30% of their total energy consumption from RE. To date, the CRESS programme has attracted 11 applicants with 3GW of CRESS potential. Apart from Gamuda's and Tenaga's CRESS announcements, Northern Solar announced yesterday that they had also received a letter of award for 189MW CRESS project. We believe there is another 500MW-1GW of CRESS contracts that will be dished out by Dec 26.
- The LSS6 bidding for Package 1 and 2 closed on 27 Oct 26 and we expect successful applicants to be announced by 1H27. The total EPCC market size is estimated at RM10b-11b.
- Tailwinds from the positive regulatory framework will drive sector outperformance in the near term. Maintain OVERWEIGHT. Top picks: Solarvest, Pekat.

Analysis

- **PETRA officially declares the 30% RE rule for DCs.** The Minister of Energy Transition and Water Transformation (PETRA), Datuk Seri Fadillah Yusof, recently announced in Parliament that the government has approved a requirement for data centres (DC) in Malaysia to source at least 30% of their energy from renewable energy (RE), based on their total installed capacity or energy consumption. This directive will be backed by a comprehensive regulatory framework and implementation guidelines, to be developed by the Energy Commission (EC), outlining the obligations for DCs to source at least 30% of their energy from RE, including provisions for on-site self-generation.
- **A total addressable market of RM20b.** Against this backdrop, we expect a total addressable market of RM20b, based on a development cost of RM5m/MW and 4GW of cumulative demand over the next five years. Tenaga expects a total of 13GW of power demand from DCs over the next 3-5 years. At 30% of the 13GW demand outlook, we believe at least 4-5GW of RE is up for negotiations in the next 3-5 years. Sizeable landbank is an important leverage when negotiating for CRESS projects.
- **500MW-1GW CRESS to be dished out in the near term.** PETRA previously disclosed that the CRESS programme has attracted 11 applicants representing a combined capacity of 3GW. We expect the pace of CRESS wins to accelerate by Dec 26, considering that only about 50% of the identified CRESS projects have been publicly disclosed thus far (Tenaga with 600MW DayOne CRESS contract and the Gamuda, SD Guthrie, and Gentari consortium's announcement of a 680MW CRESS contract). Against this backdrop, we believe Solarvest, Pekat and Northern Solar will have to finalise CRESS projects within the next two months. Based on the terms of the CRESS Acceleration Package, the plant must be commissioned by 31 Dec 28. Construction period takes 18-24 months.

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Renewable Energy	OVERWEIGHT (Maintained)

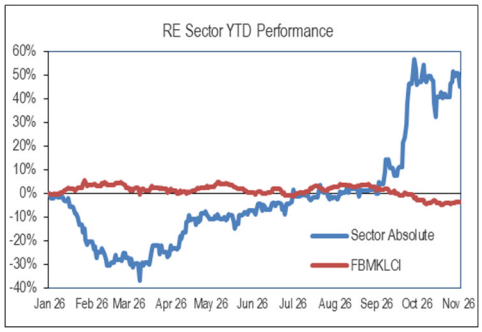
Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Solarvest	SOLAR MK	BUY	4.11	5.30
Pekat Group	PEKAT MK	BUY	2.85	3.60

Source: Bloomberg, UOB Kay Hian

Sector Share Price Performance



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 2 Nov 26 (RM)	Target Price (RM)	Last Year End	PE 2026F/27F (RM)	PE 2027F/28F (RM)	EV/EBITDA 2026F/27F (RM)	EV/EBITDA 2027F/28F (RM)	Yield 2026F/27F (%)	ROE 2026F/27F (%)	Market Cap. (RMm)	Price/ NAV (x)
Solarvest Holdings	SOLAR MK	BUY	4.11	5.30	3/26	34.9*	25.2**	20.2*	14.7**	–	12.0*	4,027.4	4.2
Pekat Group	PEKAT MK	BUY	2.85	3.60	12/25	36.9	27.7	13.9	11.0	0.4	10.9	2,024.2	4.0
Samaiden	SAMAIDEN MK	NOT RATED	3.01	N/A	6/26	32.7*	24.7**	19.8*	13.4**	0.8	17.5	1,688.0	5.1

** Data for 2027; ** Data for 2028*

Source: Bloomberg, UOB Kay Hian

- **2.5GW LSS6 tender award expected in 1H27.** Tender submission for Package 1 and 2 of Large-Scale Solar 6 (LSS6) tender closed on 27 Oct 26. We expect the government to announce the successful bidders in 1H27. To recap, the tender involves the development of 2.5GW of solar capacity coupled with 1.25GW of battery energy storage system (BESS), alongside a dedicated 150MW allocation for Bumiputera solar developers in Peninsular Malaysia. The projects are scheduled to be commissioned in phases and targeted to achieve full commercial operation by 31 Dec 29.
- **LSS6 to further lift EPCC earnings.** We expect LSS6 EPCC contracts to be progressively dished out in 2H27, paving the way for construction activities to begin in 2028 and meet the targeted commercial operation date of 31 Dec 29. Based on an estimated capex of RM4m-4.5m/MW for a solar plus BESS system, we expect a total of RM10b-11b in EPCC jobs to be dished out under LSS6. Solarvest is poised to remain a primary beneficiary, as the group aims to maintain 25% share of the utility-scale EPCC market. Our channel checks suggest that Solarvest and Pekat each possess the execution capacity to undertake 500MW of EPCC contracts, while Northern Solar is capable of delivering approximately 150MW of EPCC works.

Utility-scale Solar Programmes

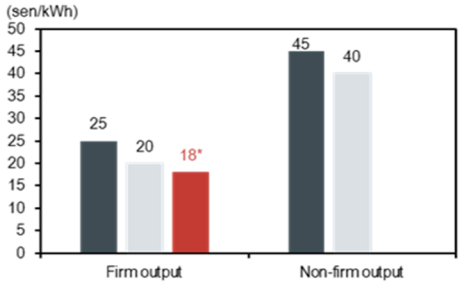
Programmes	Estimated EPCC Contract Value	Timeline
LSS5	RM4b-5b (1,780MW)	– Financial close achieved in 4Q25 – Construction to begin in 2026 – Commercial operation date slated for 2H27
LSS5+	RM4b-5b (1,975MW)	– EPCC jobs expected to be awarded in 4Q25/1Q26 – Financial close expected in 1H26 – Construction to begin in 2H26 – Commercial operation date slated for 4Q27
LSS6	RM8.5b-9.0b (Solar PV: 2,500MW + 150MW) (BESS: 1250MW)	– Tender closes in Oct 26 – Project to be awarded in 1H27 – Mandatory BESS inclusion for Package 1 (2,200MW) and Package 2 (300MW) – To be commissioned in phases and targeted to achieve full commercial operation by 31 Dec 29
CRESS	RM14-16b (4,000MW)	– A slew of project announcements to begin in 4Q26 – Construction to begin by mid-27 – CRESS acceleration package projects to be commissioned by 31 Dec 28 – Project to be gradually announced in tandem with data centre plant ups

Source: EC, PETRA, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT; elevated orderbook driven by 8GW of solar plant-ups over the next five years.** We expect total EPCC opportunities of approximately 8GW over 2027-32, driven by the take-off of CRESS projects in 4Q26/1Q27 and the government awarding the tender for LSS6 in 1H27. Our top picks are Solarvest and Pekat Group.
- **Solarvest (BUY/Target: RM5.30).** We expect Solarvest to announce its first CRESS contract win in the next two months (300-500MW), suggesting high orderbook visibility for the stock. The group looks to double its orderbook from RM2.5b to RM5b in the near term. Our SOTP-based target price captures: a) RM4.60/share for the RE EPCC orderbook; and b) RM0.70/share for long-term CRESS power assets. We assume Solarvest can win 500MW in CRESS contracts in the near term, underpinning a three-year earnings CAGR of 36% (FY27-29).
- **Pekat Group (BUY/Target: RM3.60).** We believe Pekat is well positioned to benefit from a blue-sky 2GW of CRESS wins in the next three years, with a highly probable 150MW CRESS win by Dec 26. We are pencilling in 500MW of CRESS and LSS6 contract wins by 2029, lifting orderbook from the current RM780m to RM2.2b. This reinforces our three-year earnings CAGR projection of 29% (2026-28). Our SOTP-based target price captures: a) a RM2.70/share for its RE EPCC orderbook; and b) a RM0.90/share for long-term CRESS power assets. We assume Pekat can win 500MW in CRESS contracts in the near term.

SAC Revision



** Includes 4 sen/kWh SAC GC under CRESS Acceleration Package*
Source: PETRA, UOB Kay Hian

LSS Projects And Tariff Range

Programme	Capacity (MW)	Tariff Range (sen/kWh)
LSS1	451	39.00-65.00
LSS2	562	33.98-53.00
LSS3	491	17.78-58.00
LSS4	823	14.99-26.10
LSS5	1,780	15.00-18.00
LSS5+	1,975	13.00-17.00
LSS6	Solar: 2,500+ BESS: 1,250MW	> 20.00

**Includes BESS and SAC charge of 18-20 sen/kWh*
Source: Energy Commission, UOB Kay Hian

LSS6 Packages

	Capacity	Remarks
Package 1	Solar PV: 2,200MW BESS: 1,100MW	Allowable capacity between 60-500MW per project Open to all solar developers
Package 2	Solar PV: 300MW BESS: 150MW	Allowable capacity between 60-500MW per project Special allocation for Bumiputera solar developers
Package 3	Solar PV: 150MW BESS: –	Allowable capacity between 10-30MW per project Special allocation for Bumiputera solar developers

Source: PETRA, UOB Kay Hian

Sector PE Band



Source: Bloomberg, UOB Kay Hian

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