AUTHOR: No author available SECTION: STARBIZ PAGE: 6 PRINTED SIZE: 396.00cmï¿½ REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 20,006.00 ITEM ID: MY0065424232

05 SEP, 2025

Malakoff eyes growth with new solar project

The Star, Malaysia

CORPORATE

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New 470MW plant pushes firm closer to 2031 target

PETALING JAYA: Malakoff Corp Bhd's fifth large-scale solar (LSS5+) project win with Solarvest Holdings Bhd is a major leap in Malakoff's energy transition journey and a significant catalyst to its "Malakoff 2.0 Strategic Transformation" launched in 2021.

CGS International (CGSI) Research said the contract win boost Malakoff's installed renewable energy (RE) capacity by 3.8 times to 669 megawatt (MW) (2024: 173 MW).

Notably, the group had set a long-term goal of reaching 1,400 MW of RE capacity by 2031 in the Malakoff 2.0 Strategic Transformation plan.

The research house said Malakoff's latest award is a "significant catalyst", bringing the group to 48% of its 2031 target RE capacity.

"We view this development positively, as it materially increases the size of Malakoff's secured RE capacity portfolio.

"It will also add a new incremental recurring income stream to the group from 2028, and gradually tilt its earnings mix towards cleaner energy (while diluting the earnings from its coal assets)," CGSI Research said in a report yesterday.

On Wednesday, Malakoff announced that it has received a letter of notification from the Energy Commission (EC) to develop a new 470 MW ground-mounted solar farm under the LSS5+ competitive bidding tender which closed in February 2025.

The bid was won through a consortium that comprised Malakoff (80% stake) and Solarvest (20% stake).

The project, located in the Larut and Matang district of Perak, will be backed by a 21-year solar power purchase agreement to be signed with Tenaga Nasional Bhd.

Based on its preliminary calculations, CGSI Research said it estimate this project can contribute RM15mil to RM20mil in annual profit after tax to the overall group once fully operational from 2028 onwards, assuming a capital expenditure of RM1.1bil, project internal rate of return (IRR) of about 7% and 80% stake.

"We have yet to factor these into our forecasts, pending further clarity from management," CGSI Research said.

The research house added that Malakoff's share price has staged a recovery from its lows, but it sees scope for further upside, supported by "a pipeline of unpriced opportunities", including Malakoff's mini-hydro and waste-to-energy (WTE) projects, its stake in E-Idaman, as well as potential extensions of expired/expiring plants, such as GB3 Power Plant, Prai Power and Segari.

"We also believe Malakoff is well positioned to secure new gas-fired power contracts," the research house said.

CGSI Research maintained its "add" call on Malakoff with a target price of RM1.20, which conservatively factors in just a single joint venture win.

The research house said collectively, those opportunities could unlock at least RM1.2bil (about 25 sen per share) (excluding this LSS5+ win) of additional value, not yet reflected in the current valuation.

TA Research meanwhile said Malakoff had indicated at its recent analyst briefing that its tariff bid in the LSS5+ auction is "competitive" after having failed to secure capacity under the original LSS5 bidding cycle, with enough "buffer" to achieve a reasonable IRR that meets internal hurdle rates.

The research house estimated an average annual earnings contribution of RM31mil from the latest contract win which could potentially enhance Malakoff's annual earnings by 10% compared with its current financial year 2027 (FY27) net profit forecast.

"The LSS5+ asset win, albeit smaller in contribution relative to conventional assets, adds to the strong prospects of capacity replenishment alongside the group's bids for PPA extension and development of new gas power plants under the EC's recent tender.

"Along with up to 2.8 GW potential new combined-cycle gas turbine capacity in Negri Sembilan and Kedah currently under negotiations with the regulators, as well as 22 MW WTE plant in Sungai Udang, Melaka which is expected to commence construction in the second quarter of FY26," the research house said.

TA Research maintained a "buy" call on Malakoff with a target price of RM1.04.

Meanwhile, Maybank Investment Bank Research maintained a "hold" call on Malakoff with a target price of 90 sen.

It said the momentum on new project wins is thus building but possibly priced-in, as Malakoff seeks to buffer against the concession expiry of Tanjung Bin Power (its biggest earnings contributor) in 2031.

On Malakoff's latest LSS5+ solar project win, it said assuming a RM2bil project value and 8% project IRR, it forecast the project to contribute an average of about RM80mil per year of net profit over the concession tenure.

"We assume a 70% payout ratio going forward, implying dividend yields of about 3% to 5%.

"Malakoff remains on the lookout for new generation projects and PPA extensions," the research house said.