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Renewable sector growth driven by LSS

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EPCC deals worth RM5bil expected this year

ENERGY

PETALING JAYA: The renewable energy (RE) sector's long-term growth remains largely shielded from ongoing uncertainties, positioning it as a strong diversification play for investors.

The sector is poised to benefit from the rollout of several large-scale utility solar (LSS) programmes, including LSS5 (2GW), LSS5+ (2GW) and the highly anticipated LSS6 tender.

"LSS5 contract awards have commenced and are expected to gather momentum in the coming months, while the LSS5+ award is likely to take place by end-2025," Phillip Capital Research said.

It estimated the remaining LSS5 allocations could see an additional RM4bil to RM5bil worth of engineering, procurement, construction and commissioning (EPCC) opportunities, likely to be awarded this year.

The research house expected the steady rollout of government-backed green initiatives and the surge in RE demand is set to benefit companies including Solarvest Holdings Bhd, BM Greentech Bhd and Pekat Group Bhd.

"We reiterate our 'overweight' stance on the sector, backed by the ambitious national energy transition initiatives and a robust tender pipeline driving sector earnings growth of 22% to 52% over 2025 to 2026."

It added that the sector's valuation is undemanding, currently trading at a forward 2026 price earnings (PE) multiple of 17 times, which is well below the 30 to 38 times PE multiple observed during the previous LSS4 award cycle.

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The research house pointed out that Solarvest has emerged as an early beneficiary of the LSS5 programme, having secured RM504mil in contracts, bringing its total order book to RM1.4bil.

"This translates to a 3.1 times cover of its financial year 2024 revenue, the highest among its peers, with Pekat at two times, Samaiden at 2.3 times and Sunview at 0.9 times.

Phillip Capital Research pointed out that Solarvest has secured a combined 530MW in EPCC contracts and 60MW of approved capacity under the asset ownership model through its 60%-owned subsidiary.

"Solarvest is the prime beneficiary of the continued rollout of utility-scale solar projects.

"Backed by a strong execution track record and holding the largest market share of 30% in LSS projects, we believe Solarvest will continue to secure more contracts under upcoming solar EPCC tenders," the research house added.

Meanwhile, Samaiden has a tender book valued at RM1.8bil, of which 80% are solar EPCC projects, including multiple bids under LSS5, LSS5+ and the battery energy

storage system programme.

Sunview's tender book stood at RM1bil, including three projects for the Corporate Green Power Programme and 330MW of LSS5 projects.

Phillip Capital Research said among the RE companies, Solarvest, Pekat and Samaiden stand out with the highest level of institutional shareholding at 49%, 30%, and 18%, respectively.

This is partly due to their early market presence and proven track records.

BM Greentech's institutional shareholding stands at just 1%, based on the most recent data from June 2024.

Moving forward, the research house sees room for valuations to grow and re-ratings as key catalysts play out this year, including the continued rollout of LSS5 contracts, LSS5+ quota allocations and the anticipated launch of LSS6 bidding.

In addition, it said rooftop solar adoption is expected to accelerate, supported by the regular release of quotas under the Net Energy Metering programme and the new Community Renewable Energy Aggregation Mechanism initiative, slated to open in June.