



17 APR, 2024

'Neutral' call kept for renewable energy sector

New Straits Times, Malaysia



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STRONG SHARE PRICE

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KUALA LUMPUR: MIDF Research sees the engineering, procurement, construction and commissioning (EPCC) sub-sector as a key immediate-term beneficiary of Malaysia's renewable energy (RE) initiative.

The research firm said although the announcement by the Energy Transition and Water Transformation Ministry on Monday fell short of mentioning details on supply of RE for the export scheme, local RE plants are expected to enter into power purchase agreements for supply of energy for export, based on details in the latest Cross Border Electricity Sales guideline.

For a start, a pilot 100MW export to Singapore will be auctioned out to interested purchasers that have a generating/retailing licence for the republic's electricity market.

"The pilot 100MW export capacity is small, but in the longer term, we note that Singapore is looking to import up to 3.5GW of

green electricity by 2035," MIDF Research said.

"We view this as a positive development, but news of RE export has been around for a year now, following a mini announcement in March 2023 prior to the release of the National Energy Transition Roadmap."

MIDF Research kept a "neutral" call on the sector given its stocks' strong share price performance and stretched valuations.

It kept "buy" calls on Samaiden Group Bhd (RM1.62 target price), Pekat Group Bhd (68 sen target price) and Sunview Group Bhd (88 sen target price).

The companies are seen as the key immediate-term beneficiaries of Malaysia's RE initiatives.

"In the asset owner space, we still like YTL Power ('buy' call, RM4.22 target price) for a potential earnings recovery at Wessex Water, its expansion into data centres and as a potential beneficiary of LSS5 and RE exports," said MIDF Research.