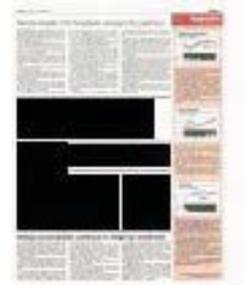


Headline	More power to Malakoff`s earnings		
MediaTitle	The Star		
Date	23 Mar 2023	Language	English
Circulation	175,986	Readership	527,958
Section	StarBiz	Page No	5
ArticleSize	314 cm ²	Journalist	N/A
PR Value	RM 47,590		



More power to Malakoff's earnings

Significant impact from its Kelantan hydro plants

ENERGY

PETALING JAYA: Malakoff Corp Bhd's venture into the proposed development of three hydropower plants in Kelantan will have a significant positive impact on the independent power producer's earnings, according to RHB Research.

The assets could add an average of RM30mil to RM35mil in profit after tax and minority interest (Patami) per year for Malakoff. This would value the project at two sen per share, it said.

This assessment was based on an estimated capital expenditure (capex) of RM1.2bil, a 70% equity in the project, an 80:20 debt-to-equity ratio and a 7% weighted average cost of capital, the brokerage added.

Malakoff announced that it had signed heads of agreement with Rising Promenade Sdn Bhd, RP Hydro (Kelantan) Sdn Bhd (RPHK) and Rising O&M Engineering Services Sdn Bhd to develop, own, operate, and maintain three hydroelectric power plants in Kuala Krai, Kelantan. These three small hydropower plants would come with a combined installed capacity of 84 megawatt (MW).

Following a series of agreements, which were expected to be completed within the next three months, Malakoff would own 70% of the ordinary shares in RPHK and operations and maintenance company ROMES. Malakoff would also progressively inject

"Based on our preliminary calculation, these assets could add an average Patami of RM30mil to RM35mil per annum (9% to 10% of our 2023 earnings forecasts for the company)."

RHB Research

RM250mil into RPHK for preference shares.

RHB Research maintained its "buy" recommendation on Malakoff, with an unchanged target price of 86 sen, following the announcement.

"We are positive on the potential development of three hydropower plants in Kelantan with a combined installed capacity of 84MW, as this would increase Malakoff's net renewable energy (RE) portfolio to around 100 MW – in line with its long-term target of 1,400 MW by 2031," the brokerage explained.

"Pending further details, we maintain our earnings estimates on Malakoff. Based on our preliminary calculation, these assets could add an average Patami of RM30mil to RM35mil per annum (9% to 10% of our 2023 earnings forecasts for the company) and potentially be valued at two sen per share," it added.

RPHK was awarded the three hydroelectric projects in July 2018 by the Kelantan state government. Three RE power purchase

agreements had been signed with Tenaga Nasional Bhd in June 2021 for 21 years, with targeted commercial operation date set at mid-December 2025.

"We are guided that total capex required is estimated at RM1.23bil, which is around RM14.6mil per MW. This appears to be on the higher side, which could possibly due to various reasons, that is, design, technology, location and access to the national grid," RHB Research said.

"While the tariffs are not disclosed, we are also guided that project investment rate of return is estimated at high single-digits while tariffs are comparable with other hydro projects," it added.

Malakoff said in its announcement that the estimated total cost of the project would be financed via the issuance of the Asean Green SRI sukuk wakalah and equity contribution based on a project financing structure with a finance to equity ratio of 80:20.