

Research Team

(603) 7890 8899

research.dept@apexsecurities.com.my

Stock	Rec.	Price* (RM)	Target Price (RM)
Solarvest Holdings Berhad	BUY	4.49	5.11
Samaiden Group Berhad	BUY	3.18	3.99
Pekati Group Berhad	BUY	2.98	3.42
Tenaga Nasional Berhad	BUY	12.72	16.37
Northern Solar Holdings Berhad	NR	1.29	NR
Southern Cable Group Berhad	BUY	2.97	3.35
Kinergy Advancement Berhad	BUY	0.41	0.67
Cheeding Holdings Berhad	BUY	0.66	0.96
Sunview Group Berhad	NR	0.40	NR

*As of 29/9/2026

Earnings Summary

Solarvest Holdings Berhad		BUY	TP: RM 5.11	
FYE Mar (RM m)	FY26	FY27F	FY28F	
Revenue (RM m)	757.1	1,220.4	2,375.4	
PATAMI (RM m)	79.8	109.4	208.3	
CNP (RM m)	72.1	109.4	208.3	
Core EPS (sen)	7.5	11.4	21.7	
P/E (x)	59.7	39.4	20.7	

Samaiden Group Berhad		BUY	TP: RM 3.99	
FYE Jun (RM m)	FY26	FY27F	FY28F	
Revenue (RM m)	364.5	626.2	957.5	
PATAMI (RM m)	39.1	60.7	84.6	
CNP (RM m)	36.0	60.7	84.6	
Core EPS (sen)	6.4	10.8	15.1	
P/E (x)	49.5	29.4	21.1	

Pekati Group Berhad		BUY	TP: RM 3.42	
FYE Dec (RM m)	FY26F	FY27F	FY28F	
Revenue (RM m)	914.2	993.5	1,091.0	
PATAMI (RM m)	82.3	96.5	105.7	
CNP (RM m)	80.6	96.5	105.7	
Core EPS (sen)	11.4	13.6	14.9	
P/E (x)	26.2	21.9	20.0	

Tenaga Nasional Berhad		BUY	TP: RM 16.37	
FYE Dec (RM m)	FY26F	FY27F	FY28F	
Revenue (RM m)	69,502.5	72,659.5	77,804.7	
PATAMI (RM m)	4,580.6	4,684.4	5,738.7	
CNP (RM m)	4,580.6	4,684.4	5,738.7	
Core EPS (sen)	78.6	80.4	98.4	
P/E (x)	16.7	15.8	12.9	

Southern Cable Group Berhad		BUY	TP: RM 3.35	
FYE Dec (RM m)	FY26F	FY27F	FY28F	
Revenue (RM m)	2,002.9	2,366.6	2,732.7	
PATAMI (RM m)	170.8	212.0	241.5	
CNP (RM m)	170.8	212.0	241.5	
Core EPS (sen)	13.5	16.8	19.1	
P/E (x)	22.0	17.7	15.5	

Kinergy Advancement Berhad		BUY	TP: RM 0.67	
FYE Dec (RM m)	FY26F	FY27F	FY28F	
Revenue (RM m)	527.9	553.9	650.0	
PATAMI (RM m)	41.2	47.6	64.2	
CNP (RM m)	41.2	47.6	64.2	
Core EPS (sen)	1.9	2.2	2.9	
P/E (x)	21.7	18.8	14.0	

Cheeding Holdings Berhad		BUY	TP: RM 0.96	
FYE Mar (RM m)	FY26	FY27F	FY28F	
Revenue (RM m)	110.7	147.1	197.6	
PATAMI (RM m)	35.3	38.4	44.3	
CNP (RM m)	39.0	38.4	44.3	
Core EPS (sen)	4.9	4.8	5.6	
P/E (x)	13.5	13.7	11.9	

Energy & Utilities Sector

Powering the Next Cycle

Overweight

- Solar has been given a push, moving from the national grid to private energy providers as updates to schemes such as CRESS reignite interest in corporate renewable energy offtake.
- With two large-scale solar (LSS) rounds under construction, LSS6 in bidding with, and the Corporate Renewable Energy Supply Scheme (CRESS) being nailed to a 2028 deadline. There are plenty of demand and contracts for all solar players to compete for.
- Recent CRESS updates such as the Acceleration Package set the pace. As PETRA cut the system access charge for firm green supply to 14 sen/kWh from 20 sen, for ten-year contracts on projects operating by the end of 2028, with non-firm supply still pays 40 sen. As the project timeframe receives a deadline of 2028, we expect the first EPCC contracts under the Acceleration Package to be awarded in 4Q26. The incentive is substantial, as at our estimated cost of about RM5.5m per MW for firm solar, PETRA's 3,148MW of registered capacity implies about RM17bn of investment.
- Gas cannot fill the gap in time. Only 1.9GW of new gas arrives before 2029, while 5.7GW of coal contracts expire from July 2029. Until then, firm solar is the fastest firm power to build. After 2029, NEWGEN26 and the Perlis rebuild bring gas back, which favours TENAGA and KINERGY.
- **OVERWEIGHT.** We upgrade SLVEST to BUY and raise TPs across our solar names. Top picks: TENAGA (BUY, TP: RM16.37), SCGBHD (BUY, higher TP: RM3.35), SLVEST (BUY, higher TP: RM5.11) and SAMAIEN (BUY, higher TP: RM3.99).

Sector Recap

NETR set the direction, and 2026 has been about delivery. The National Energy Transition Roadmap targets a 70% renewable share of installed capacity by 2050, and the 13th Malaysia Plan adds an interim target of 35% by 2030. Since the roadmap's launch in mid-2023, the government has released 6.7GW of large-scale solar quota, about three times the roughly 2.2GW offered across LSS1 to LSS4 combined, so solar volume is no longer the constraint. What the roadmap did not foresee was data centre demand, and the firm capacity and 500kV transmission it has since required. Much of this year's policy has been an attempt to fill that gap.

RP4 doubled the grid budget. Regulatory Period 4 allows RM42.82bn of regulated capex over 2025 to 2027, made up of RM26.55bn of base capex and RM16.27bn of contingent capex, at an unchanged 7.3% return. Counting contingent capex, that is roughly twice RP3's annual rate. Contingent capex covers projects the Energy Commission (ST) has pre-approved, each released only when a trigger occurs, such as a data centre signing a supply agreement or a smart meter or EV charging rollout. Tenaga projects 80% to 85% utilisation of contingent capex, which implies about RM40bn of spending over the period. Since FY2025, contingent capex has also earned the full 7.3% return, with revenue recognised in the year it is spent. Each trigger therefore feeds straight into Tenaga's earnings and, through the tenders that follow, into the order books of its suppliers.

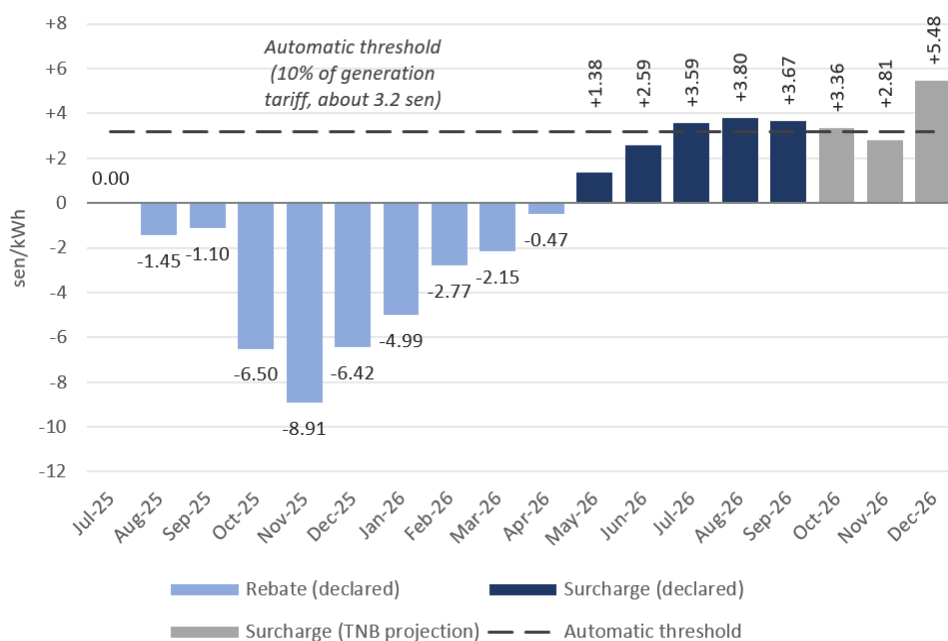
The transmission buildout. The Ayer Tawar to Lenggeng 500kV line was commissioned in December 2025, and on 28 August work began on the first substation of a new 500km backbone from Paka to Kulai East, due for completion by 2030. Of the other large substations, Gurun East was awarded in May 2025, reportedly at RM427.5m, while bids for Paka closed in February and have yet to be awarded. Tenaga does not publish a forward list of 500kV tenders, but according to channel checks, potential contractors have been informed that 500kV overhead line tenders will start in October and substation tenders in December.

New RP new pricing. The July 2025 tariff unbundled the bill around an average base tariff of 45.40 sen/kWh, 14% above RP3's 39.95 sen, but the burden fell unevenly. On our estimates, maximum demand charges for medium-voltage users rose by 115% to about 200%, depending on their old tariff, which strengthened the case for battery peak-shaving. High-voltage users' all-in cost barely moved, because higher energy charges replaced the old 16 sen ICPT surcharge. Data centres fared worse: we estimate the new Ultra-High Voltage class raised their all-in cost by about 25%.

Grid power therefore became dearer mainly for data centres and for medium-voltage users with peaky loads, the buyers CRESS and behind-the-meter storage now serve.

2026 has stress-tested the AFA's pass-through mechanism. Since July 2025, the Automatic Fuel Adjustment has moved monthly with coal and gas prices and the ringgit. Surcharges of up to 10% of the generation tariff, about 3.2 sen/kWh, apply automatically, while anything larger needs the Minister's approval. After nine months of rebates, the AFA turned into a surcharge in May after the Hormuz crisis. As of September, Tenaga projected December's surcharge to be 5.48 sen, well above the automatic band. In response, on 17 September the government raised the household exemption threshold from 600kWh/month to 800kWh/month for September to December, with Tenaga expecting to absorb about RM120m to RM150m of the cost. Management calls this a one-off contribution outside the regulatory framework, with the government working on a permanent fix to the AFA mechanism from January 2027.

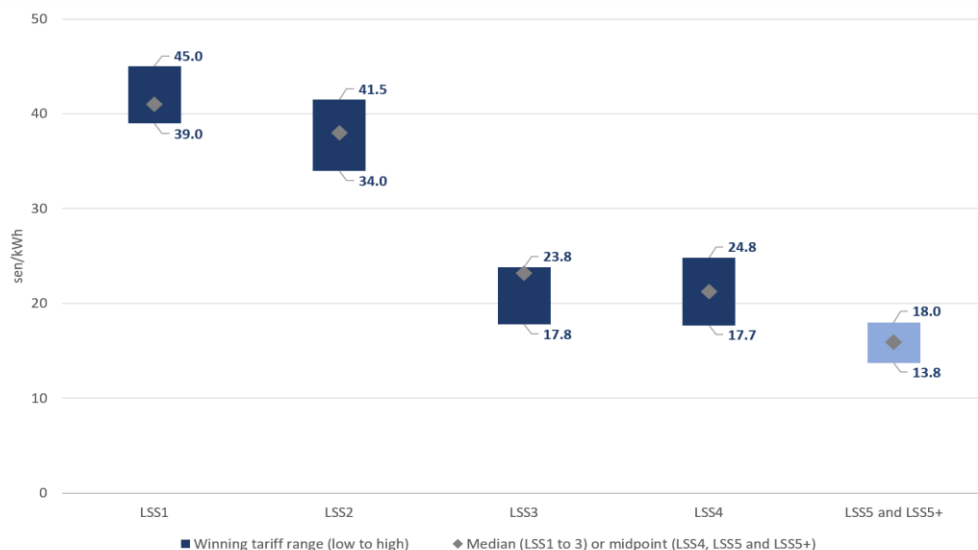
Figure 1: Monthly AFA, July 2025 to December 2026 (sen/kWh)



Source: Tenaga, ST, Apex Securities

LSS5 and LSS5+ have filled order books through 2028. The two rounds awarded about 1.9GW and 1,975MWac respectively, and the government puts their combined investment at about RM12bn, roughly RM6bn each, of which EPCC is the largest share. Tariffs from previous rounds were not published, but we estimate them at 13.75 to 18 sen/kWh. Every plant also needs a substation and a Tenaga interconnection, so the same awards that fill solar order books also add work for grid contractors.

Figure 2: Winning tariffs by LSS round (sen/kWh)

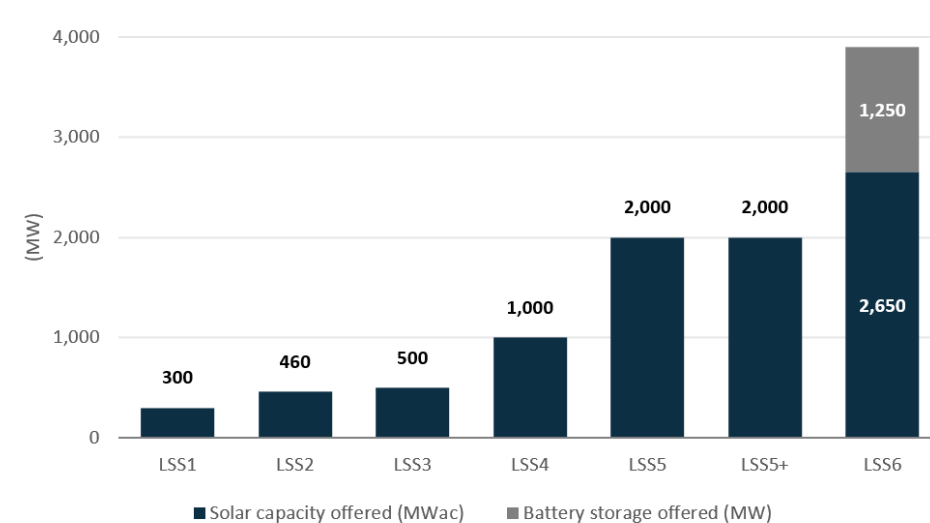


Source: ST, Apex Securities

LSS6 is the largest round offered so far, and the first with mandatory storage. Launched on 16 July, LSS6 offers 2.65GW of solar and 1.25GW of battery storage across three packages, with PETRA estimating approximately RM13bn to RM15bn in private investment. Projects were offered in 3 packages, with the two storage packages requiring between 60MW and 500MW of generation capacity, against a 1MW minimum in LSS5 and 30MW for ground-mounted plants in LSS5+. While ST has not announced a closing date, bids are expected to close in October and awards in 1H27, with EPCC contracts following from 2Q27.

Higher minimum requirements and mandatory storage also narrow the main packages to developers that can fund 60MW-plus projects with storage. Leaving smaller EPCC players to compete for the 150MW solar-only Bumiputera package or subcontracting. In our view, SLVEST is among the best placed to fund storage-backed projects, while SAMAIKEN's management targets about 20% of market share for LSS6 with plans to pursue contracts as both EPCC contractor or asset ownership with a consortium.

Figure 3: Capacity offered in each LSS round, with battery storage in LSS6 (MW)



Source: ST, Apex Securities

Figure 4: LSS6 packages

Package	Open to	Solar (MW)	Storage (MW)	Project size (MW)
1: solar and storage	All developers	2,200	1,100	60 to 500
2: solar and storage	Bumiputera developers	300	150	60 to 500
3: solar only	Bumiputera developers	150	None	10 to 30
Total		2,650	1,250	

Source: PETRA, ST, Apex Securities

The CRESS Acceleration Package. Launched in September 2024, CRESS lets developers sell green power to corporate buyers over Tenaga's grid in return for a system access charge. At the previous rates of 20 sen/kWh for firm supply and 40 sen for non-firm, the economics worked only for the largest users on our estimates. Almost no projects outside Tenaga reached construction. The 18 September Acceleration Package announcement is expected to provide a boost for CRESS, as the SAC has been cut to 14 sen for projects that sign ten-year contracts with the condition that it operates by 31 December 2028. Projects that miss the date will be reverted to prevailing rates with no extensions granted. With 3,148MW already registered with the Single Buyer across 11 developers and 8 buyers, the deadline turns a slow-moving scheme into an accelerated buildout. Demand should follow, as newly approved data centres could reportedly face a minimum 30% renewable energy requirement. PETRA has not said whether the 14 sen rate will be held for the full contract, but the ten-year minimum is expected to give developers, buyers and lenders cost certainty. ST's CRESS guidelines fix the charge for each regulatory period and cap any change at 15% at each reset. Should the rules carry over, two maximum increases would take 14 sen to about 18.5 sen by 2031, still below today's 20 sen standard rate. But PETRA plans new rules for setting the charge from RP5 in 2028, and a contract running to 2038 faces two more resets after 2031. As the charge is levied on the developer, unless its supply contract passes resets on to the buyer, the risk remains with the asset owner.

Solar ATAP has shifted rooftop economics towards self-consumption. Solar ATAP was introduced on 1 January 2026 after the end of NEM in June 2025. As households transition to credit for exported power at the energy charge only, rather than the full tariff, with unused credits lapsing at the end of each billing month. On our estimates, this lengthens the typical payback to seven to eight years from five to six under NEM, and means systems are best sized to cover 70% to 80% of consumption. As Solar ATAP has no quota, any volume may depend on economics, and on those economics household rooftop pays back too slowly for many buyers without a rebate. Residential installers therefore depend on Budget 2027. Commercial and industrial users are less exposed as they use most of their output during working hours, solidifying their case for rooftop solar.

SuRIA Home, the next rebate scheme. Announced on 22 May, the Sustainable Rebate and Incentive Assistance (SuRIA) Home programme was introduced as an effort to ease higher energy costs after the Hormuz crisis. Under this scheme, effective 1st June, Malaysian households that install under Solar ATAP, and have not had a SolaRIS rebate, can claim RM600 per kWac, capped at RM3,000, until the allocation is used up. The RM150m allocation covers 250MWac, which PETRA expects to reach 45,000 to 50,000 homes, based on our estimated average system value, this could translate into c.RM875m to RM1bn of total installation revenue for installers. Compared to SolaRIS, which paid RM1,000 per kWac, the SuRIA rebate is 40% less generous. With the rebate ending on 31 December, unless Budget 2027 extends this relief scheme, we could see residential demand fall back to what Solar ATAP supports on its own.

Gas was extended while coal was capped. Under NEWGEN25, about 4.7GW of expiring gas PPAs were extended, mostly to December 2029, plus 150MW of added capacity at Pengerang, and Tenaga won a new 1,400MW plant at Paka due in December 2028. On coal, the government has ruled out new plants and plans to let existing ones retire on schedule. Extensions buy time but add no capacity, and coal can only shrink, so new gas has become essential rather than optional.

Figure 5: Gas plants extended under NEWGEN25 (MW)

Plant	Owner	Capacity (MW)	Contract ends
SJ Tuanku Ja'afar (PD1), Negeri Sembilan	Tenaga	703	End 2029
SJ Gelugor, Penang	Tenaga	310	End 2029
SJ Putrajaya	Tenaga	249	End 2029
Segari Energy Ventures, Perak	Malakoff	1,303	End 2029
GB3, Perak	Malakoff	429	End 2029
Prai Power, Penang	Malakoff	350	Mar 2030
Panglima Power, Melaka	Edra	700	End 2029
Kuala Langat Power, Selangor	Edra	675	End 2029
Pengerang Power, Johor (added capacity)	PETRONAS	150	Not disclosed
Total		4,869	

Source: ST, Apex Securities

NEWGEN26 has put gas back at the centre. The tender for new gas-fired plants starting between 2029 and 2031 closed on 1 July. Tenaga has confirmed its bid, with the field totaling at five bids, including a 700MW Tenaga plant at Connaught Bridge. No award date has been set, but we expect results to be announced towards the year-end. ST's indicative list shows 7.8GW of new gas plants over the period, subject to final investment decision. Separately, and reportedly through direct negotiation, a KINERGY-led consortium plans to rebuild the retired 650MW Perlis plant at about 1.5GW. Tenaga is also co-developing a third regasification terminal at Lumut and underwriting its capacity in stages. The beneficiaries differ by timing. For Tenaga, a Connaught Bridge win and the Lumut terminal could add long-dated earnings, while for KINERGY, Perlis becomes the swing factor once the PPA is signed.

Figure 6: NEWGEN26 bids

Bidder	Capacity (MW)	Site
Genting	1,400	Gebeng, Pahang
YTL Power consortium	750	Pulau Indah, Selangor
Tenaga	700	Connaught Bridge, Selangor
Petronas and Edra venture	700	Not disclosed
Fifth bidder	Not disclosed	Not disclosed

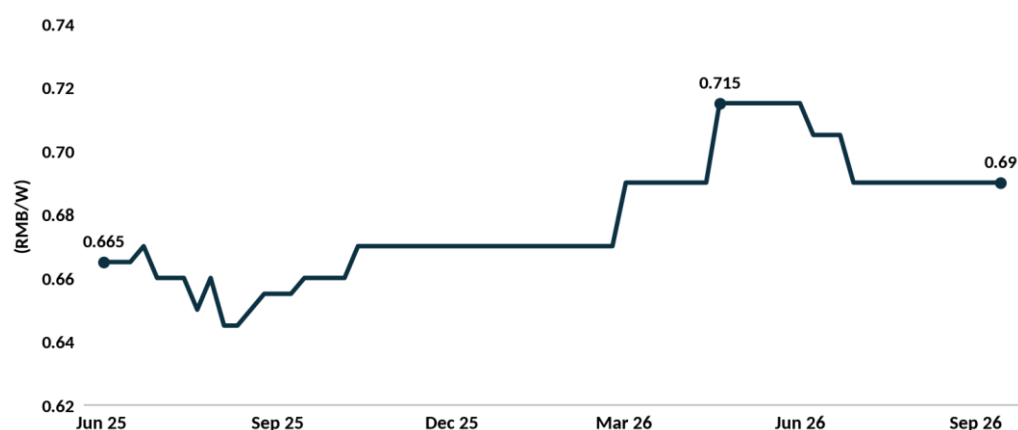
Source: Apex Securities

The EECA has made energy efficiency mandatory, with NEEAP 2.0 setting the benchmark. The Energy Efficiency and Conservation Act 2024, in force since January 2025, has made efficiency a legal requirement for large consumers. PETRA launched NEEAP 2.0 on 11 August, targeting energy demand 11.6% below business-as-usual by 2035 and RM36bn in private investments. For Tenaga the direct effect is limited, as its network revenue is trued up for sales volumes and only its retail segment carries volume risk. However, for contractors it creates a compliance-driven market in efficiency and cogeneration work, which suits KINERGY's energy efficiency arm.

The feed-in tariff keeps adding firm renewables. On 11 August, the day NEEAP 2.0 was launched, SEDA also awarded 331MW of small hydro, biomass and biogas capacity under the feed-in tariff (FiT) program, which the minister put at about RM4.3bn of investment. At that size it is modest next to the LSS program and too small to move earnings for our coverage. However, it also signals the government's efforts in adding alternative renewables.

Module prices have settled higher than in 2025, and that decides who earns a margin on fixed-price work. Chinese-made TOPCon modules have held at USD0.114 to 0.116/W for non-China markets since July, and at about USD0.12/W for Europe, just above the USD0.10 to 0.11/W range we flagged in January. Two forces are pulling against each other. On the cost side, China removed its 9% export VAT rebate on wafers, cells and modules on 1 April, and exporters have tried to pass it on. Silver, one of the largest non-silicon costs in a cell, has also risen about 46% over the past year. On the supply side, polysilicon inventories are still above 540,000 tonnes, producers have restarted idle capacity, and China's market regulator halted the industry's plan to cut overcapacity in January. As a result, the anti-involution campaign has lifted sentiment more than prices: ground-mounted TOPCon in China averages about RMB0.70/W, but few new orders are being signed. The net effect is a price floor above where 2025 contracts were struck. The losers are contractors holding fixed-price LSS5 and LSS5+ jobs without modules already bought, who must absorb the gap. LSS6 and CRESS bidders can price it into their bids.

Figure 7: China ground-mount TOPCon module price, range midpoint, since June 2025 (RMB/W)



Source: InfoLink, Apex Securities

Storage has gone from pilot to mandate at the wrong time. MyBeST awarded 400MW/1,600MWh of grid-scale storage for 2027, and the 100MW/400MWh Santong battery began operating in April, although no listed solar contractor was among the MyBeST developers. LSS6's storage packages and CRESS's firm-supply rate now make batteries part of most new utility projects. The timing is awkward as China cut its export VAT rebate on batteries to 6% in April with a full removal scheduled on 1 January 2027, which is likely to pull CRESS battery orders forward into 2H26. The bigger driver of battery costs, however, is lithium. As Lithium carbonate, the main input for LFP cells, roughly tripled from its mid-2025 low to a peak in May, lifting storage cell prices by about a fifth from late 2025. Futures have since eased to about RMB130,000/t in mid-September, but LSS6 bids now being prepared will still price storage well above 2025 levels, favoring bidders with secured supply or early buyer.

Figure 8: Lithium carbonate price in China, weekly (RMB/t)

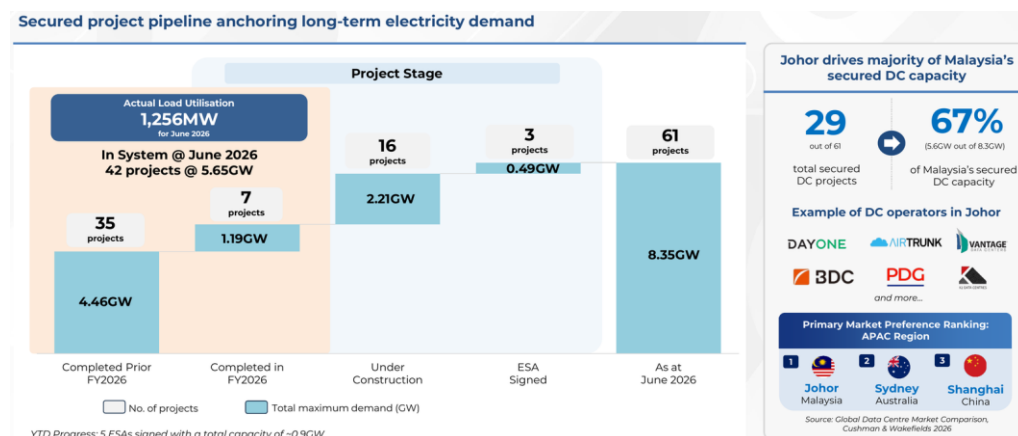


Source: Bloomberg, Apex Securities

Sector Outlook

Data centre demand is already committed. Tenaga has secured 8.35GW of data centre capacity across 61 projects, of which 5.65GW is already connected, yet actual load in June was only 1.26GW, or 22% of connected capacity. Load should rise as data halls fill up, and the remaining 2.7GW is already under construction or contracted. ST's CEO said on 8 September that data centres made up 9.28% of national electricity consumption in mid-August, up from about 7% at mid-year, and Johor alone holds 67% of secured capacity. Tenaga's Green Lane Pathway targets connections in as little as 12 months, so grid investment comes well before electricity sales. That is why contingent capex, not sales, is the near-term driver.

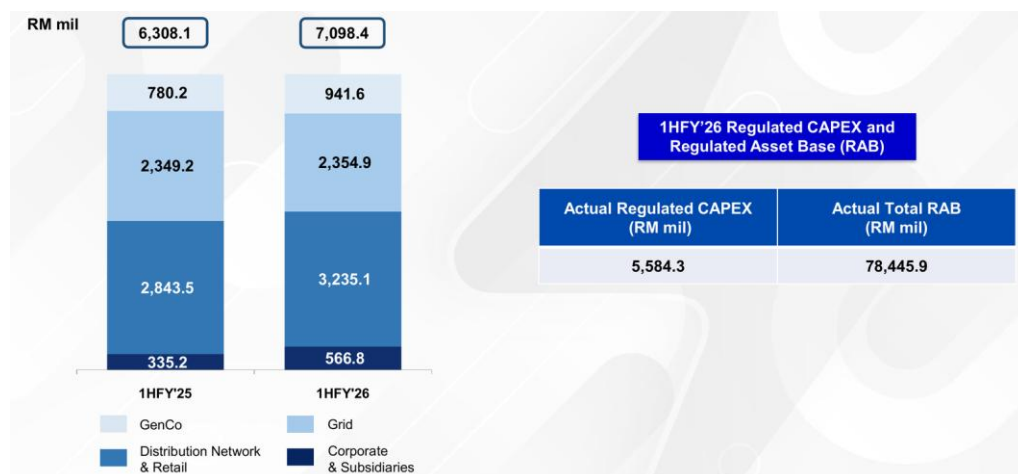
Figure 9: Tenaga's data centre pipeline by stage, June 2026



Source: Tenaga

Grid spend peaks in 2H26 and 2027. Tenaga spent RM5.6bn of its RM13bn FY26 regulated capex guidance in 1H26, leaving about RM7.4bn for 2H26. Its RP4 plan points to about RM15bn in FY27, of which we estimate about RM8bn is contingent. Tenaga does not publish a tender pipeline, but the 500kV backbone and Johor's data centre cluster will absorb a growing share of the transmission budget. After a slow first half for new awards, we expect order books at our grid names to rebuild through 2027 as 500kV tenders are called from October.

Figure 10: Tenaga Group capex, 1HFY25 against 1HFY26, with regulated capex and RAB (RM m)



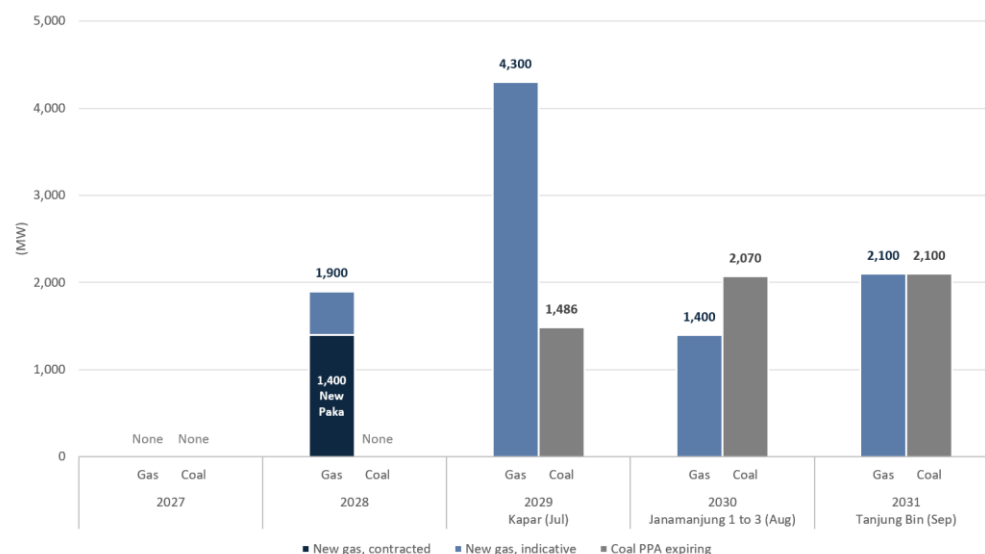
Source: Tenaga

Firm power gets tighter until 2029. The reserve margin was a healthy 25% in 2025, but little new gas arrives before 2029: only Tenaga's 1,400MW New Paka plant and one 500MW project, both in 2028. From July 2029, 5.7GW of coal PPAs begin to expire, running to September 2031, and the government has ruled out new coal plants. Until NEWGEN26 plants start coming online from 2029, the system has to rely on existing plants running harder and on the existing 500kV network

to move power where it is needed. We read the lower CRESS charge for firm supply and the LSS6 storage mandate as the government's answer to this gap.

Figure 11: New gas capacity against coal PPA expiries, 2027 to 2031 (MW)

2027 to 2031: 9,700MW of new gas indicated against 5,656MW of coal leaving, with no new gas before 2028



Source: ST, Tenaga, Apex Securities

The numbers favour firm supply, but the battery decides by how much. On our estimates, a data centre on the Ultra-High Voltage tariff would have paid about 62 sen/kWh at July 2026's AFA. After the 14 sen access charge, a developer supplying firm power can charge up to 48 sen and still undercut the grid. Firming solar to CRESS standards takes a four-hour battery sized at half the plant's capacity, about 2MWh per MW, and developers are likely to oversize it, because a project whose storage is unavailable pays the 40 sen non-firm charge. We estimate the battery costs about RM2.5m per MW of solar, which adds about 21 sen/kWh to a solar cost of about 15 sen, in line with LSS5 tariffs, and leaves about 12 sen/kWh of headroom to share between developer and buyer. Non-firm solar has a 22 sen ceiling after the 40 sen charge, only about 7 sen above cost before delivery risk. Firm supply therefore keeps about 1.7 times the headroom of non-firm, and for solar developers CRESS is in effect a solar-plus-storage scheme. An even split of the headroom would price firm supply about 10% below the grid, the low end of the 10% to 20% discounts buyers typically get on rooftop contracts, so buyers may push for more. The margin is thin: if storage costs approach RM3m per MW, the 26 sen gap is used up.

For Tenaga, growth is regulated and fuel costs are passed through. Tenaga's regulated earnings are driven mainly by its regulated asset base, which Tenaga reports at RM78.4bn and which earns a 7.3% return, and its network revenue is trued up for sales volumes. Every ringgit of approved capex therefore adds directly to earnings, and data centre connections keep pulling capex into that base. A NEWGEN26 win, CRESS supply and the Lumut terminal would sit outside it and add non-regulated growth on top. Fuel passes through to consumers and the government via the AFA, so demand and fuel prices barely touch the bottom line. Tenaga still carries recovery lags and one-off relief such as the 800kWh exemption. The variable that does matter is the allowed return set for RP5 from 2028.

Catalyst Calendar

Budget 2027 could decide the policy push for the next year. The table below sets out what we are watching, with our own estimates where no date has been set, and the names each is likely to move most.

Figure 12: Catalyst calendar

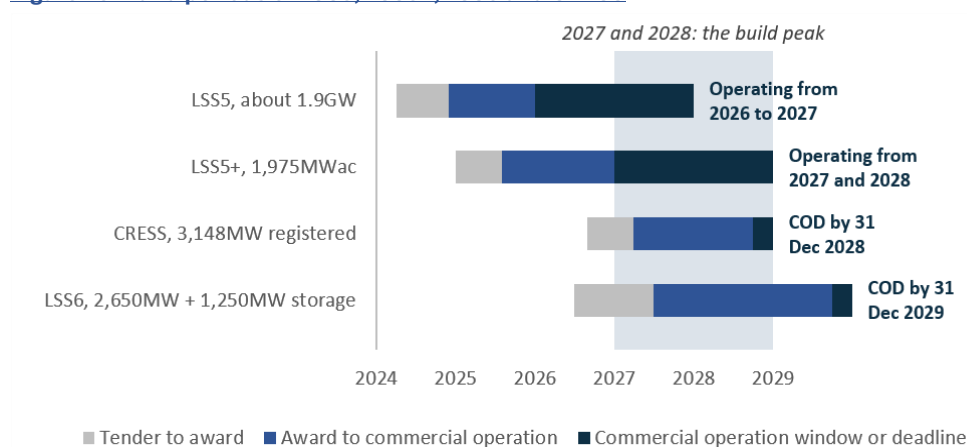
Date	Event	What to watch	Most exposed
2H26	Tenaga grid and distribution awards	About RM7.4bn of 2H26 regulated capex, across grid and distribution	TENAGA, grid names
9 Oct 2026	Budget 2027 tabled	GITA and GITE for storage; SuRIA; AFA relief; carbon tax	All; solar names most
Oct 2026 (our estimate)	Tenaga 500kV overhead line tenders begin	Scope and first-phase length	CHEEDING, TENAGA
4Q26 (our estimate)	LSS6 bids due	Bid volumes and tariff levels	SLVEST, SAMAIKEN, PEKAT
4Q26 (our estimate)	First CRESS EPCC awards under the Acceleration Package	Buyers, storage sizing, value per MW	SLVEST, SAMAIKEN
Dec 2026 (our estimate)	Tenaga 500kV substation tenders	Package sizes and timing	CHEEDING, TENAGA
By end-2026 (our estimate)	NEWGEN26 awards; Perlis PPA	Which bids win, and on what terms	TENAGA, KINERGY
1 Jan 2027	800kWh relief ends; China battery rebate ends	Whether the framework holds; storage costs	TENAGA; solar names
1H27	LSS6 awards	Winners, EPCC and interconnection	SLVEST, SAMAIKEN, PEKAT
31 Dec 2028	CRESS deadline	Projects not operating revert to prevailing rates	SLVEST, SAMAIKEN

Source: PETRA, ST, MOF, Tenaga, Apex Securities

Our View

The build peak lifts volumes but squeezes margins. LSS5's roughly 1.9GW is due to start operating from 2026 to 2027 and LSS5+'s 1,975MWac from 2027 to 2028. CRESS projects need to be operating by end-2028 to secure the 14 sen rate, and LSS6 construction will run through 2028 and 2029. That puts about 6.5GW of LSS solar and up to 3.1GW of CRESS in construction between 2026 and 2029, peaking in 2027 and 2028 before counting storage, all competing for the same labour, equipment, grid connections and working capital. Volumes are therefore not our concern; margins are. LSS6 bidding remains competitive, CRESS tariffs are capped by the price of grid power, and batteries have to be paid for before milestone payments come in. The gains will go to contractors with the balance sheet to fund storage upfront.

Figure 13: Build periods of LSS5, LSS5+, LSS6 and CRESS



Source: PETRA, ST, Apex Securities

Value is shifting from building to owning. An EPCC contractor earns its margin once, when it builds, while an asset owner earns a return for the life of the plant. LSS tariffs are bid close to cost. CRESS prices are negotiated directly with corporate buyers, and on our estimates, an even split of the roughly 12 sen firm-supply headroom with the buyer would price power about 17% above cost.

CRESS therefore makes owning more rewarding than LSS for a solar contractor, provided storage costs stay under control. Contractors that keep equity in CRESS projects will earn a recurring return that pure builders will not.

Budget 2027 Preview

The next test. The Green Investment Tax Allowance (**GITA**), which offsets green capex against taxable income, and the Green Income Tax Exemption (**GITE**), which exempts income from green services, close to applications on 31 December. GITA Asset already covers batteries, but GITA Project and GITE, which cover whole solar projects, do not. That matters because the allowances cut a project's tax bill in its early years, which lets developers bid lower LSS tariffs and CRESS prices. If they lapse, or storage stays outside them, firm solar becomes more expensive to build just as LSS6 and CRESS need it. This leaves the carbon tax in limbo as the environment minister said its timing may be reviewed, while in June the Finance Ministry told Parliament the policy was in its final drafting stage. When the Budget is tabled on 9 October, we will watch four things: whether the project incentives are extended to cover storage, whether SuRIA Home continues, what the permanent AFA fix from January looks like, and whether the carbon tax returns.

We expect Budget 2027 to back storage. GITA and GITE are likely to be extended, with storage added to the project incentives, as LSS6 alone needs 1.25GW of batteries and leaving them out would slow the private investment the NETR relies on. SuRIA Home is also likely to continue on a smaller allocation, as Solar ATAP cannot hold up rooftop volumes alone, however we note that fiscal room for rebates is tight. We expect the permanent AFA fix to keep fuel costs passing through, in line with Tenaga's expectation that it stays neutral on fuel costs, rather than leave Tenaga carrying household relief. We also expect the carbon tax to be deferred, as a new charge on bills while households already pay a fuel surcharge would undo the relief just given. None of these outcomes would change our OVERWEIGHT call. The upside surprise would be a standalone storage incentive on top of the project allowances, which would benefit SLVEST and SAMAIEN most.

AFA uncertainty going into 2027. The 800kWh relief ends on 31 December and the threshold reverts to 600kWh. The government is working on a permanent fix to the AFA mechanism from January, but has not said how it will work or who bears the cost. As long as commercial and industrial users keep paying the full surcharge, it adds to the case for self-generation, storage and CRESS.

Sector Coverage

Our coverage is closely tied to Tenaga. Apart from TENAGA itself, they also provide all of CHEEDING's revenue and is a key customer of SCGBHD and PEKAT's switchgear arm. Every LSS or CRESS project that SLVEST and SAMAIEN build also connects to its grid before it can operate. KINERGY's Perlis gas plant, if it goes ahead, is also expected to sell its power to Tenaga, which owns 20% of the project company. We therefore group the seven names by where they sit along the grid.

Figure 14: Our coverage along the grid

Company	Where it sits	What drives it	Impact
The regulated grid			
TENAGA	Grid owner, generator, retailer	RP4 capex, data centre connections, AFA relief, NEWGEN26, CRESS	Positive
Building the grid			
CHEEDING	Transmission EPCC up to 500kV	500kV line tenders from Oct, substation tenders from Dec, ASEAN grid link	Positive
SCGBHD	Power cable supply	EPCC contractors (grid, data centres, solar), Tenaga supply	Positive

		contracts, HV cable from 3Q26	
PEKAT	Switchgear, earthing, solar EPCC	Tenaga MV switchgear, data centres, LSS6 and CRESS	Positive
Solar, storage and energy solutions			
SLVEST	Solar and storage EPCC, asset owner	CRESS package, LSS6, storage	Positive
SAMAIDEN	Solar and storage EPCC, asset owner	LSS6, CRESS package	Positive
KINERGY	M&E engineering, gas engines, efficiency, RE, IPP	Perlis CCGT, NEEAP 2.0, data centre M&E, CRESS	Positive

Source: Apex Securities

Valuation and Recommendation

The structural case is strong, and the market has taken notice. SAMAIDEN and PEKAT rallied 39.6% and 34.2% in the week to 29 September on the CRESS package, but rolling our TPs to FY28F still leaves 25.5% and 14.8% upside, against 13.8% for SLVEST on our raised TP. From here, returns depend on earnings delivery rather than further rerating.

We favour three types of exposure. The first is regulated capex that compounds regardless of fuel prices, which we get through TENAGA. The second is the supply chain that turns that capex into orders, where we prefer SCGBHD for its order book visibility and CHEEDING for its gearing to a recovery in Tenaga awards. The third is solar contractors that can turn LSS6 and CRESS into storage-backed volume and owned assets, where SLVEST offers the stronger franchise and SAMAIDEN the purer exposure to CRESS.

We are OVERWEIGHT on Energy & Utilities sector. Policy now pays for firm solar and storage just as Tenaga's spending peaks, and we expect the next twelve months of awards to show both in earnings. Our top picks are **TENAGA (BUY, unchanged TP: RM16.37)**, **SCGBHD (BUY, higher TP: RM3.35)**, **SLVEST (BUY, higher TP: RM5.11)** and **SAMAIDEN (BUY, higher TP: RM3.99)**.

TENAGA (BUY, unchanged TP: RM16.37). We see Tenaga's capex cycle reaching full speed over 2026 and 2027, with about RM40bn of regulated spending on course over RP4. Growth outside the regulated base is building too, from four sources: the 1,400MW New Paka gas plant due in December 2028, its NEWGEN26 bid, a CRESS supply agreement with DayOne covering a 500MWac solar park and the 595MWac Kenyir hybrid project, and its planned stake in the new Lumut regasification terminal. We treat Tenaga's RM120m to RM150m share of the household AFA relief as a one-off and make no changes to our forecasts.

CHEEDING (BUY, unchanged TP: RM0.96). Cheeding remains the most direct way to play Tenaga's transmission buildout, as it is the only licensed contractor with 500kV certifications and licensing. That concentration cuts both ways. Its order book has thinned to about RM148m, against a tender book of about RM393m. Tenaga's 500kV tenders from October are the first phase of about 300km of a planned 1,000km north to south line linked to the ASEAN Power Grid, which should rebuild the order book through 2027. FY26 margins were lifted by savings on two overhead projects completed on time, and a larger share of underground work will pull them back: management targets a net margin of about 22% in FY27 and sees 25% to 28% as achievable, and we assume about 26%. The key risks are slippage in Tenaga's tender timetable and a faster shift towards underground work.

SCGBHD (BUY, a higher TP: RM3.35). SCGBHD offers the most visible earnings in our grid group. Orders in hand rose 16% year on year to about RM1.36bn at end-June, to be recognised until 2028, new purchase orders more than doubled to RM542.6m in 2Q26, and 1H26 net profit rose 24.9% to RM73.7m. Growth is now coming from contractors building grid, renewable and data centre projects, which made up 63% of 2Q revenue, and management puts data centres at about 40% of the quarter's sales. Tenaga remains an anchor, with about RM928m of supply contracts under RP4. The next leg of margin growth should come from high-voltage cable for data centre and solar farm substations, which starts contributing in 3Q and earns about 24%, against 17% for medium

voltage and 11% to 12% for low voltage. 132kV cables have also started to contribute, with orders won in 2Q26 and delivery to start from 3Q26, alongside the jump in data centre purchase orders. Larger 132kV sizes approved recently, including Milliken, open up bigger data centre jobs, with revenue likely from 2027. An extra-high voltage line is due for installation in 1H27 as capacity rises to 65,000km a year. Cost pass-through clauses cover copper and aluminium, while plastic compounds are covered by a price increase agreed with Tenaga and its expanded compounding plant, due in 3Q26. We raise FY26F and FY27F core net profit by 5% and 9% to RM170.8m and RM212.0m on stronger power order wins, which lifts our TP to RM3.35 from RM3.07.

PEKAT (BUY, a higher TP: RM3.42). Pekat is our way to play the switchgear side of the grid build. Its FY25 order wins tilted towards the grid, led by 60%-owned EPE Switchgear, which has won about RM377m of Tenaga contracts under RP4, while its solar EPCC arm keeps it in contention for LSS6 and CRESS work. On that mix, **we raise our core net profit forecasts by 19% to RM80.6m in FY26F and by 18% to RM96.5m in FY27F, and introduce FY28F at RM105.7m.** Its order book stood at RM632m at 3QFY26, RM291m of it at EPE. Rolling our SOP valuation to FY28F lifts our TP to RM3.42 from RM1.88. Even after a 34% rally in the past week, that leaves 14.8% upside, so we keep Pekat at BUY.

SLVEST (BUY, a higher TP: RM5.11). We upgrade SLVEST to **BUY** from HOLD because it is best placed to make the shift this report is about, from building solar to owning it. It is the strongest franchise in Malaysian solar, with a RM2.4bn order book at end-June, about 92% of it utility-scale (46% LSS5 and East Malaysia LSS, 38% LSS5+, 8% CGPP) and 8% C&I and residential, a tender book of about 11.8GWp as of August, of which about 10GWp is in Malaysia, and a Brookfield framework for at least 1.5GW of projects, held through 51%-owned project companies, that lets it own what it builds. Management guides to about 300MW to 500MW of CRESS capacity to be secured by the end of 2026, as developers must finalise projects within about three months to qualify for the 14 sen charge, and will size batteries to the CRESS requirement rather than oversize them. It guides to about 500MW of panel deliveries by 4QFY27 and 20MW of Powervest assets energised in FY27. We forecast core net profit of RM109.4m in FY27F, rising to RM208.3m in FY28F as LSS6 and CRESS construction peaks. Rolling our valuation to FY28F, at 30x earnings for EPCC, 12x for associates and a DCF for the solar assets, **we raise our TP to RM5.11** from RM3.31, even after trimming FY27F earnings by 4%. The main risk is execution through the 2027 and 2028 build peak.

SAMAIKEN (BUY, a higher TP: RM3.99). Samaiden is the cleanest way to own the CRESS theme in our coverage. Utility-scale work, which includes CRESS, makes up about 80% of its order book, and CRESS alone accounts for up to 70% of its RM3bn tender book excluding LSS6. It plans to pursue LSS6 both as an EPCC contractor and as an asset owner with a consortium, and plans to develop only one or two CRESS projects itself, given the capital involved. We raise our core net profit forecasts by 10% to RM60.7m in FY27F (+68% yoy) and by 23% to RM84.6m in FY28F, on the expectation of the company setting foot in CRESS. On 30x FY28F earnings for EPCC plus a DCF for its solar assets, we raise our TP to RM3.99 from RM2.41. The main risks are its balance sheet and execution. Gearing has risen to about 1.03x as it builds its own assets, which total about 210MWac including LSS5, LSS5+ and CGPP, leaving it more exposed than SLVEST to tight LSS6 tariffs and to funding storage ahead of milestone payments. We also believe project and material management will become one of its biggest constraints.

KINERGY (BUY, unchanged TP: RM0.67). Apart from TENAGA's New Paka plant, Kinergy is the only name in our coverage building gas-fired plants, which it does as an EPCC contractor. Its joint venture with Sinohydro is building a 120MW gas engine plant in Labuan for Rancho Power, a PETRONAS Gas-led venture, under a contract of about RM650m. Construction was due to start in February, for operation by 1 January 2028, so we expect recognition to peak from 4Q26 through 2027. The contract anchors a reported order book of RM1.14bn. The larger prize is the redevelopment of the retired 650MW Perlis plant into about 1.5GW of combined-cycle capacity, through a project company in which Tenaga holds 20%, although we ascribe no value to it until the power purchase agreement is signed. Beyond gas, its energy efficiency arm should gain from

NEEAP 2.0, and CRESS offers a route for the 1,800MW of potential projects it is developing with the Perak state development corporation.

Figure 15: Peers Comparison

Company	FYE	Market Cap (RM 'mil)	Price (RM) as at 29Sep26	P/E (x)		P/B (x)		Dividend Yield (%)	ROE		ESG Rating
				2027F	2028F	2027F	2028F		2027F	2028F	
Solarvest Holdings Berhad	Mar	4392.8	4.49	38.05	27.55	4.61	4.03	0.0%	12.7%	16.4%	★★★
Samaiden Group Berhad	June	1779.3	3.18	36.98	32.78	6.00	5.39	0.7%	17.8%	17.2%	★★★
Pekati Group Berhad	Dec	2114.3	2.98	37.72	31.37	4.66	3.47	0.3%	16.0%	16.0%	★★★
Tenaga Nasional Berhad	Dec	7446.7	12.72	16.68	14.49	1.41	1.32	4.2%	8.8%	9.2%	★★★
Northern Solar Holdings Berhad	Mar	510.3	1.29	20.81	13.44	3.58	2.63	0.0%	23.4%	27.3%	★★★
Southern Cable Group Berhad	Dec	3795.3	2.97	21.21	17.47	4.30	3.62	0.9%	19.0%	13.9%	★★★
Kinergy Advancement Berhad	Dec	895.9	0.41	21.58	19.52	2.50	2.20	0.0%	13.2%	15.1%	★★★
Cheeding Group Berhad	Mar	526.2	0.66	13.47	12.22	3.10	2.60	18%	23.4%	22.4%	★★★
*Sunview Group Berhad	Sept	246.7	0.40	43.89	26.33	197.50	197.50	0.0%	5.0%	8.7%	NR
Average				27.71	21.69				15%	16%	

*Based on Bloomberg Consensus

Source: Apex Securities

Key Risks

AFA cost recovery. While the calculated surcharge exceeds 10% of the generation tariff, about 3.2 sen, each month's pass-through needs the Minister's approval. If the permanent fix shifts part of the cost onto Tenaga, it would weaken the incentive-based regulation on which its valuation rests.

Slower capex activation and customer concentration. Contingent capex now earns the full 7.3% return, but only once a trigger activates each pre-approved project. Slower activation would thin our grid names' order books, as Cheeding's did this year. Cheeding is the most exposed, with Tenaga its only customer.

Execution during the 2027 and 2028 build peak. Overlapping construction strains labour, grid connections and working capital, and slippage risks liquidated damages. The CRESS deadline is the sharpest edge: a project not operating by 31 December 2028 loses the 14 sen rate with no extension, which at today's 20 sen standard rate would take about 6 sen/kWh off its headroom.

Battery costs. The CRESS economics hold only while storage costs less than about RM3m per MW of solar, and a first generation of batteries, oversized to protect availability, could approach that.

LSS6 tariffs and input costs. Developers have consistently bid LSS tariffs close to cost. With China's rebate removals lifting export module prices now and battery costs from January, contractors on fixed-price contracts without adjustment clauses are exposed.

Data centre demand. Only 22% of connected data centre capacity was being drawn in June, and a slower ramp-up would slow load growth and the connection capex that comes with it.

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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(a) nil.
