UOBKayHian

Sector – Update | Malaysia

Monday, 21 September 2026

Renewable Energy

It Is Hot, It Is Hazy, It Is Expensive, And So, Solar Gets A Boost

Highlights

- The government introduced the CRESS Acceleration Package with a lower SAC of 14 sen/kWh for firm output. This exceeded our earlier expectation of 15 sen/kwh. More importantly, this CRESS Acceleration Package mandates a 10-year PPA with COD no later than 31 Dec 28.
- To meet the timeline, we expect a slew of positive CRESS announcements in the next three months. This represents a positive catalyst for Solarvest, Pekat and Northern Solar, which underpins strong earnings visibility given the doubling of the orderbook and layering of the low-margin EPCC business with higher-margin asset ownership.
- Maintain OVERWEIGHT. Our sector top picks are Solarvest, Pekat Group and Northern Solar.

Analysis

- **Goodie for the solar players: CRESS Acceleration Package.** The Ministry of Energy Transition and Water Transformation (PETRA) announced the Corporate Renewable Energy Supply Scheme (CRESS) Acceleration Package – which is intended to drive a faster renewable energy (RE) adoption in Malaysia. Key points of the CRESS Acceleration Package:
  - A 30% reduction in system access charge (SAC) to 14 sen/kwh for firm output;
  - A mandatory 10-year contractual period power purchase agreement (PPA) to be enforced by PETRA to ensure the project is bankable;
  - Must achieve commercial operation date (COD) by 31 Dec 28 to enjoy the CRESS Acceleration Package terms; and
  - The programme is open to existing registered RE developers and offtakers, as well as newcomers who can meet the set requirements.
- **SAC revision: Exceeded our expectation**. We note that PETRA have reduced the SAC from 20 sen/kwh to 14 sen/kwh for firm output (with battery storage). This exceeded our expected 15 sen/kWh revision – please refer to our publication on 14 Sep 26. The regulator is also implementing several other CRESS enhancements, including: a) simplifying the CRESS procedures, b) enhancing technical requirements for solar photovoltaic (PV) and Battery Energy Storage System (BESS), and c) enhancing the principles for determining SAC from Regulatory Period 5 (RP5) starting from 2028.
- **Expect meaningful CRESS wins for RE players in the next three months.** Given that the COD is no later than 31 Dec 28, developers like Solarvest, Pekat and Northern Solar will have to finalise CRESS projects within the next three months to catch the CRESS Accelerated Package (14 sen/kwh firm SAC). Assuming a construction period of 18-24 months, financial close is likely within the next six months.
- **A meaningful catalyst for the sector.** Such positive regulatory undertaking represents a key re-rating catalyst for the sector. Our sensitivity analysis suggests every 50MW CRESS win will raise the market caps of Solarvest/Pekat/Northern Solar by 5%/10%/55% respectively.

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Renewable Energy	OVERWEIGHT (Maintained)

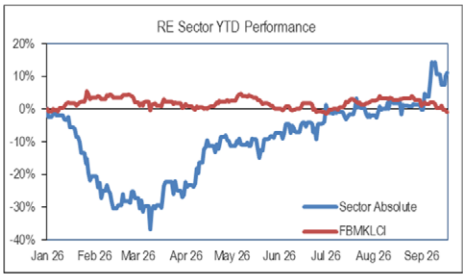
Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Solarvest	SOLAR MK	BUY	3.33	4.20
Pekat Group	PEKAT MK	BUY	2.11	2.30
Northern Solar	NORTHERN MK	BUY	0.69	1.00

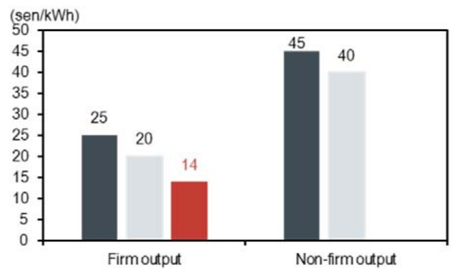
Source: Bloomberg, UOB Kay Hian

Sector Share Price Performance



Source: PETRA, UOB Kay Hian

SAC Revision



Source: PETRA, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 11 Sep 26 (RM)	Target Price (RM)	Last Year End	PE 2026F/27F (RM)	PE 2027F/28F (RM)	EV/EBITDA 2026F/27F (RM)	EV/EBITDA 2027F/28F (RM)	Yield 2026F/27F (%)	ROE 2026F/27F (%)	Market Cap. (RMm)	Price/NAV (x)
Solarvest Holdings	SOLAR MK	BUY	3.33	4.20	3/26	28.3*	23.8**	17.2*	14.2**	–	12.0*	3,204.1	3.4
Pekat Group	PEKAT MK	BUY	2.11	2.30	12/25	27.5	23.2	10.4	8.6	0.5	10.8	1,497.0	3.0
Northern Solar	NORTHERN MK	BUY	0.69	1.00	3/26	12.1*	7.2**	6.8*	3.7**	–	21.3*	273.0	2.6

** Data for 2027F; ** Data for 2028F*
Source: Bloomberg, UOB Kay Hian

- **The economics of CRESS: Project IRR of 10-12%.** We previously highlighted that a 15 sen/kwh SAC charge will lift CRESS project IRR from 7% to 9% – a level that is deemed attractive for solar RE players. The CRESS Acceleration Package of 14 sen/kwh will lift CRESS project IRRs further to 10-12%. This makes it more attractive for solar EPCC players to enter into a long-term CRESS agreement.
- **RM14b worth of CRESS jobs in the next decade...** The Data Centre Task Force under the Malaysian Investment Development Authority requires new DC developments to source at least 30% of their electricity consumption from RE. Based on Tenaga Nasional's 13GW DC project pipeline, a total of 4GW of new capacity will have to materialise through the CRESS pathway. At RM3.5m/MW project capex, this translates to a potential orderbook of at least RM14b in the next decade. We believe the main DC clusters that will start implementing CRESS would be in Johor and Klang Valley.
- **...with strong DC names looking to tender out CRESS in the near term.** We note that there are jobs aplenty for EPCC players to participate in the CRESS programme. We understand that the likes of the Elmina Google campus have called for a tender under the CRESS programme. We also expect the DayOne and Airtrunk DC clusters in Johor to tender out their RE needs via a CRESS programme. Key contenders for the Elmina Google campus CRESS programme include Gamuda (BUY/Target: RM5.25), Tenaga Nasional (HOLD/Target: RM14.60) and Solarvest (BUY/Target: RM4.20).

1 x 50MW CRESS Win Yields An Equity Value of RM150m

	Market Cap (RMm)	Net profit of a 50MW CRESS (RMm)	% of FY28 net profit	Equity value enhancement of a 50MW CRESS	Comment
Solarvest	3,204.10	6	4%	5%	• A 50MW CRESS will yield a contract value of RM175m, based on RM3.5m/MW – inclusive o BESS • Brookfield tie-up indicates a 1.5GW CRESS wi in the next 3-5 years. • This suggests an orderbook of RM5b – lifting current orderbook of RM2.37b by 111%.
Pekat	1,497.04	6	8%	10%	• We believe Pekat can deliver a comfortable 100MW of CRESS project with total orderbook RM350m – or about 20% of its current market cap. • This will lift current orderbook of RM780m by 45%.
Northern Solar	272.96	6	16%	55%	• A 50-100MW CRESS size may double NS' earnings by FY30, lifting its current orderbook significantly from RM189m to RM364m.

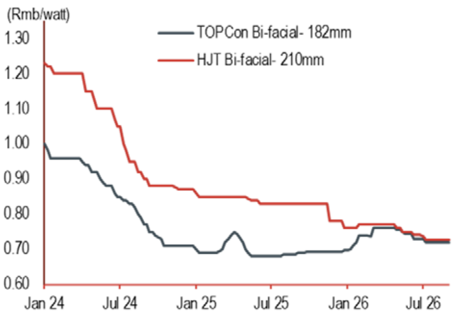
Source: UOB Kay Hian

LSS Projects And Tariff Range

Programme	Capacity (MW)	Tariff Range (sen/kWh)
LSS1	451	39.00-65.00
LSS2	562	33.98-53.00
LSS3	491	17.78-58.00
LSS4	823	14.99-26.10
LSS5	1,780	15.00-18.00
LSS5+	1,975	13.00-17.00
LSS6	Solar: 2,500+ BESS: 1,250MW	25.00-28.00
CRESS*	–	40.00-50.00

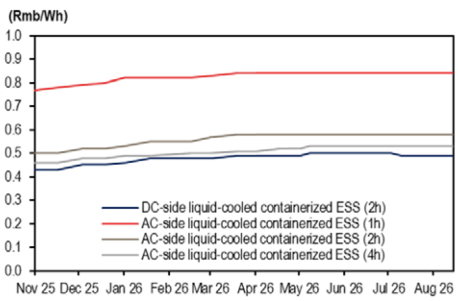
**Includes BESS and SAC charge of 14 sen/kWh*
Source: Energy Commission, UOB Kay Hian

Historical Solar Module Prices



Source: Infolink, UOB Kay Hian

Historical BESS Prices

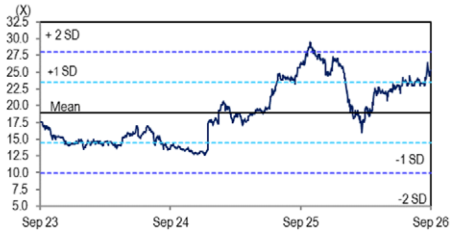


Source: Infolink, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT; elevated orderbook driven by 8GW of solar plant-ups over the next five years**. We expect total EPCC opportunities of approximately 8GW over 2027-32, driven by the take-off of CRESS projects in 4Q26/1Q27 and the government awarding the tender for LSS6 in 1H27. Assuming a construction cost of RM3.5m per MW, total EPCC replenishment opportunities are estimated at a staggering RM16b-24b over the next five years. Our sector top picks are Solarvest, Pekat Group and Northern Solar.
- **Solarvest (BUY/Target: RM4.20).** We expect Solarvest to execute its first CRESS contract win in the next three months, suggesting high orderbook visibility for the stock. We recently raised our target price to reflect our expectations of: a) a maiden CRESS project announcement; b) ability to secure high-quality offtakers (Tier 1 DC operators), lowering counter-party risk; and c) its Brookfield partnership promoting better financing structure and rates, hence achieving a competitive project WACC. Key earnings catalysts for the stock include: a) a stronger ringgit to offset fluctuating solar PV costs, b) the progressive commissioning of its targeted 1.5GW CRESS asset portfolio, c) external additional third-party CRESS EPCC contract wins, and d) eventual monetisation of solar assets either via a listing or trade sale.
- **Pekat Group (BUY/Target: RM2.30).** We continue to like Pekat for its strong set of management, good and prudent execution of orderbook and projects as well as a healthy balance sheet. Given that its share price has appreciated 25% ytd, we advocate BUY on share price weakness and to accumulate for its strong management team. Key re-rating catalysts for the stock include: a) maiden CRESS EPCC contract win, b) venture into CRESS asset ownership, c) growing dividend payout from its annual 1 sen/share net DPS, d) planned main board listing in 4Q26, and d) execution of earnings-accretive M&A(s) within the wider power equipment industry (transformer business) and district cooling solutions.
- **Northern Solar (BUY/Target: RM1.00).** Our target price is pegged to 11x FY28F EPS. Northern Solar is currently trading at an attractive 7x FY28F PE (sector average PE: 19x) with a three-year earnings CAGR of 50% over FY27-29. We believe a favourable CRESS project win can drive share price to our blue-sky fair value of RM1.35 (based on 13x mean PE). Key re-rating catalysts include: a) award of utility-scale EPCC contracts under CRESS and LSS6, b) venturing into utility-scale asset ownership under CRESS, c) a transfer to main board listing by 4Q26, and d) reinstatement of Shariah status after the biannual Shariah compliance review in Nov 26.

Sector PE Band



Source: Bloomberg, UOB Kay Hian

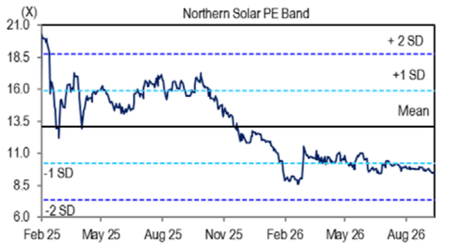
Solarvest PE Band

Source: Bloomberg, UOB Kay Hian

Pekat Group PE Band

Source: Bloomberg, UOB Kay Hian

Northern Solar PE Band



Source: Bloomberg, UOB Kay Hian