Renewable Energy

OVERWEIGHT
(Maintained)

LSS6: A Catalyst For The Sector; EPCC Players Continue To Exhibit Strong Earnings Visiblity In The Near Term

Analyst(s)
Chong Lee Len
leelen@uobkh.com
+603 2147 1992
Hifzhan Raziq
hifzhanraziq@uobkh.com
+603 2147 1949

Highlights

- After a long wait, PETRA finally announced the implementation of the LSS6 programme. The tender calls for a total quota of 2,500MW of solar capacity coupled with 1,250MW BESS, as well as 150MW of solar capacity dedicated to Bumiputera solar developers in Peninsular Malaysia.
- As the tender is a catalyst for the RE sector, we expect robust orderbook replenishment and healthy earnings visibility over the next 3-5 years for EPCC players. We estimate a total of RM9b of EPCC contract opportunities to be awarded under the LSS6.
- Maintain OVERWEIGHT. Our sector top picks are Solarvest, Pekat Group and Northern Solar.

Analysis

- **PETRA finally calls for LSS6 tender.** The Ministry of Energy Transition and Water Transformation (PETRA) have officially called for the implementation of Malaysia's sixth edition of the Large-Scale Solar (LSS6) programme. The tender calls for a total quota of 2.5GW (higher than our estimated 2GW) of solar capacity together with 1.25GW of battery energy storage system (BESS), as well as 150MW of solar capacity dedicated to Bumiputera solar developers in Peninsular Malaysia (see package breakdown on RHS table). The projects are scheduled to be commissioned in phases and targeted to achieve full commercial operation by 31 Dec 29.
- **Long awaited by industry players, this development is positive, in our view.** The launch of the flagship LSS6 programme tender reinforces our investment thesis that solar engineering, procurement, construction and commissioning (EPCC) players will continue to benefit from strong orderbook replenishment and healthy earnings visibility over the next 3-5 years. This is further bolstered by the higher-than-expected capacity allocation of 2.5GW and the inclusion of 1.25GW of BESS. Based on capex of RM3.5m/MW for a solar plus BESS system, we expect a total of RM9b in jobs to be dished out under LSS6. Solarvest is a primary beneficiary, assuming it maintains its estimated 30% share of the utility-scale EPCC market. Meanwhile, Northern Solar is well positioned to capture EPCC contracts for smaller-scale projects (<100MW).
- **Priority given to strategic landbanks and experienced developers.** Based on the announcement, the LSS6 development will focus on the southern region of Peninsular Malaysia, driven by the area's rising power demand. As such, experienced solar developers with strategic landbanks located within that region command a competitive advantage in securing the tender. The government's emphasis on the use of locally manufactured renewable energy (RE) components further enhances the prospects of developers with strong domestic supply chain networks. Separately, we anticipate the LSS6 programme will allocate a higher capacity allocation for floating solar farms (LSS5: 399.99MWac; LSS5+: 200MWac), benefitting EPCC as floating solar projects typically command a premium of about 20% in contract value relative to ground-mounted installations.

Sector Picks

Company	Rec	Target Price (RM)	PE (x)	Div Yield (%)
Solarvest	BUY	3.50	25.6*	0.0
Pekat Group	BUY	2.00	23.2	0.6
Northern Solar	BUY	1.00	11.9*	0.0

**FY27 data*
Source: Bloomberg, UOB Kay Hian

LSS6 Packages

Plant Name	Capacity	Remarks
Package 1	Solar PV: 2,200MW BESS: 1,100MW	- Allowable capacity between 60-500MW per project - Open to all solar developers
Package 2	Solar PV: 300MW BESS: 150MW	- Allowable capacity between 60-500MW per project - Special allocation for Bumiputera solar developers
Package 3	Solar PV: 150MW BESS: –	- Allowable capacity between 10-30MW per project - Special allocation for Bumiputera solar developers

Source: PETRA, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 16 Jul 26 (RM)	Target Price (RM)	Market Cap (RMm)	PE 2026F/27F (x)	PE 2027F/28F (x)	EV/EBITDA 2026F/27F (x)	EV/EBITDA 2027F/28F (x)	Dividend Yield 2026F/27F (%)	Dividend Yield 2027F/28F (%)
Solarvest Holdings	SOLAR MK	BUY	3.02	3.50	2,902	25.6*	21.6**	14.8*	12.1**	0.0	0.0
Pekat Group	PEKAT MK	BUY	1.78	2.00	1,261	23.2	19.6	8.8	7.1	0.6	0.6
Northern Solar	NORTHERN MK	BUY	0.68	1.00	267	11.9*	7.1**	6.8*	3.7**	0.0	0.0

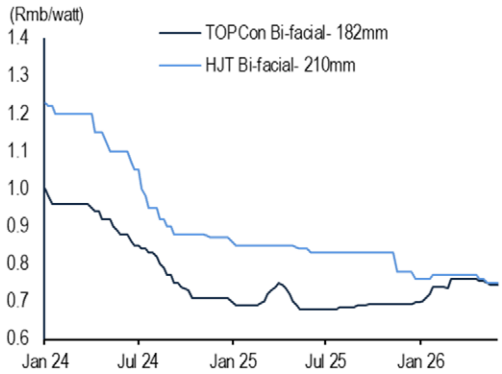
** Data for 2027F; ** Data for 2028F*
Source: Bloomberg, UOB Kay Hian

Utility-scale Renewable Energy Programmes in Malaysia

Programmes	Estimated Contract Value	Timeline
LSS5	RM4b-5b (1,780MW)	- Financial close 2H25 - Construction to begin in 2026 - Commercial operation date slated for 2H27
LSS5+	RM4b-5b (1,975MW)	- EPCC jobs expected to be awarded in 4Q25/1Q26 - Financial close in 1H26 - Construction to begin in 2H26 - Commercial operation date slated for 4Q27
MyBeST	RM1.6b (400MW/1,600MW)	- 4x 100MW/400MWh utility-scale BESS projects - Awarded in 4Q25 - Commercial operation date slated for Apr 27 (15-year PPA)
LSS6	RM6b-7b (Solar PV: 2,500MW + 150MW) (BESS: 1250MW)	- Bidding kicks off in end-Jul 26 - Construction to begin in 2027 - Mandatory BESS inclusion for Package 1 (2,200MW) and Package 2 (300MW) - To be commissioned in phases and targeted to achieve full commercial operation by 31 Dec 29.

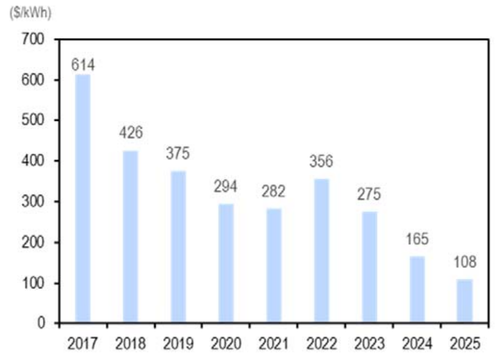
Source: PETRA, EC, UOB Kay Hian

Solar Module Prices



Source: InfoLink, UOB Kay Hian

Turnkey BESS Historical Prices



Source: BNEF, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT; elevated orderbook driven by over 6.5GW of solar plant-ups.** We expect total solar photovoltaic (PV) capacity to exceed 6.5GW over 2026-29 as the government calls for tenders for the LSS6 and the take-off of CRESS projects. Assuming a construction cost of RM2.0m-3.5m per MW, total EPCC replenishment opportunities are estimated at a staggering RM13b-23b in the next four years.
- **Our sector top picks are Solarvest, Pekat Group and Northern Solar.**
- **Solarvest Holdings (SOLAR MK/BUY/Target: RM3.50).** We believe Solarvest's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth. The partnership will pave the way for the group to develop and operate at least 1.5GW of utility-scale solar and BESS projects within the next 3-5 years. As such, we expect the announcement of the group's first CRESS contract win to materialise in the near term.

Sector Catalyst/Risk

- **Solar + BESS is the new norm.** With BESS now a mandatory component under the LSS6 programme, we believe the Solar + BESS model will become the prevailing structure for future large-scale solar developments in Malaysia. As RE penetration rises and installed RE capacity (currently at 4.5GW) approaches the grid's 6GW injection threshold, BESS will play an increasingly important role in preserving grid stability and enhancing dispatch flexibility. Consequently, this is positive for EPCC players as Solar + BESS projects command significantly higher contract values without materially extending project execution timelines. Nevertheless, the lower margin profile of BESS equipment could dilute blended project margins, suggesting that EPCC net margins are unlikely to exceed high single-digit levels despite larger contract sizes.
- **CRESS projects should see a pickup in 2H26.** Bilateral power purchase agreements (PPAs) under the Corporate Renewable Energy Supply Scheme (CRESS) are expected to kick off by 2H26. This is underpinned by expectations that the government may lower system access charges (SAC) to make CRESS more attractive to DC offtakers. As such, we expect EPCC jobs to materialise by 1H27. Assuming a construction cost of RM2.5m-3.0m per MW, total EPCC opportunities are estimated at a staggering RM1.3b-1.5b per project, requiring up to two years to complete.