



AmInvestment Bank

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ESG - POWER

Getting Grid-dy

NEUTRAL

(Maintained)

Rationale for report: Sector Update

Investment Highlights

Stock Universe

Tenaga Nasional

TP: RM14.18

Rec: HOLD

Upside/Downside: +2.8%

YTL Power

TP: RM4.37

Rec: BUY

Upside/Downside: +11.8%

Malakoff

TP: RM0.88

Rec: HOLD

Upside/Downside: +2.3%

Mega First

TP: RM5.18

Rec: BUY

Upside/Downside: +40.0%

Solarvest

TP: RM1.90

Rec: HOLD

Upside/Downside: -13.6%

Green electricity trading in Asean is gaining traction with various interconnector and electricity linking projects. In March 2025, Sembcorp Industries and Sarawak Energy entered into a preferred supplier agreement with Prysmian, an Italian cabling firm, in respect of the undersea cable project between Singapore and Sarawak. In May 2025, companies from Malaysia, Singapore and Vietnam signed an agreement to develop a new electricity link. In May also, companies in Singapore and Indonesia signed a MoU relating to an undersea cable project between the two countries. Other projects include the Trans Borneo Power Grid between Sarawak, Sabah and Kalimantan, the Australia-Asia Power Link between Singapore and Darwin and the Peninsular Malaysia-Sumatra Interconnection. We believe that the main beneficiaries of the projects are the large utility companies such as Tenaga Nasional (TNB) and Sembcorp and international engineering companies like Siemens. Although the projects are gaining momentum, we believe that they will take time to come into fruition. Hence, we are Neutral on the power sector. We have Buys on YTL Power (TP: RM4.37/share) and Mega First (TP: RM5.18).

- Main issues are project cost and cost recovery.** An undersea cable project is estimated to cost between US\$30,000 and US\$50,000 per km. The 4,200km Australia-Singapore Power Link was reported to cost US\$20bil inclusive of a massive solar farm and battery storage. We believe that companies undertaking undersea or interconnection projects would be charging not only for the cost of construction and generation but also system access fees for the cables or grid network. In Malaysia under CRESS (Corporate Renewable Energy Supply Scheme), the system access charge is 45 sen/kWh for companies without battery storage. Also, the floor price for electricity exports to Singapore under Enegem (Energy Exchange) was reported to be 83 sen/kWh. Incidentally, TNB enjoys a rate of return of 7.3% on its regulated assets i.e. transmission and distribution.
- Environmental and jurisdiction approvals could slow progress of projects.** Apart from costs, the other challenges are the legal framework and various approvals required from each participating country. It will take time to legalise the framework on issues such as pricing and third party access and conduct the environmental impact assessments. Countries may also need to upgrade their grid or inter-connectors first.
- Electricity link between Malaysia, Singapore and Vietnam is an alternative to the Laos-Thailand-Malaysia-Singapore Power Integration Project.** The electricity link between Malaysia, Singapore and Vietnam involves Vietnam sending electricity from its offshore wind farms to Malaysia and Singapore via an undersea cable from Vietnam to north-east Peninsular Malaysia and the grid from north-east Peninsular Malaysia to Singapore. The consortium members are Sembcorp, PetroVietnam, TNB and Petronas. According to news reports, the undersea cable will be underwritten by TNB and Petronas. Under the Laos-Thailand-Malaysia-Singapore Power Integration Project, Laos sold 100MW of electricity to Singapore. Under Phase 2 of the project, Singapore will import another 200MW of electricity from Laos. Singapore's target is to import 6,000MW of low-carbon electricity by 2035F.

EXHIBIT 1: VALUATION MATRIX

	Share price	FY25F EPS	FY26F EPS	FY25F PE	FY26F PE	Target price	Rec	Upside/(Downside)
	(RM)	(sen)	(sen)	(x)	(x)	(RM)		
Tenaga Nasional	13.80	75.4	78.8	18.3	17.5	14.18	Hold	2.8%
Malakoff	0.86	5.2	6.3	16.6	13.8	0.88	Hold	2.3%
Solarvest	2.20	7.7	8.5	28.6	25.9	1.90	Hold	-13.6%
Mega First	3.70	42.9	51.8	8.6	7.1	5.18	Buy	40.0%
YTL Power	3.91	26.8	30.6	14.6	12.8	4.37	Buy	11.8%

Source: AmInvestment Bank

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