



Media Release

RAM Ratings affirms Sarawak Energy's AAA sukuk rating

RAM Ratings has affirmed the AAA/Stable rating of Sarawak Energy Berhad's (SEB or the Group) RM30.0 bil Sukuk Musyarakah Programme (2011/-), reflecting its critical role as Sarawak's vertically integrated electricity utility company and its central position in the Sarawak Corridor of Renewable Energy (SCORE).

The rating incorporates SEB's full ownership by the Sarawak government, active oversight by state-appointed directors, and supportive state policies, which together indicate a 'very high' likelihood of extraordinary government support if needed. This assessment is consistent with RAM's support assessment criteria for government-linked entities. Through its wholly owned Syarikat SESCO Berhad, SEB operates and owns all of Sarawak's transmission and distribution infrastructure, while also acting as Sarawak's exclusive single buyer and power retailer. The Group's business profile is underpinned by long-term power purchase agreements (PPAs) with bulk customers at SCORE and a growing portfolio of clean energy assets, dominated by hydropower. However, revenue concentration remains high with Press Metal Aluminum Holdings Berhad (Press Metal, debt facility rated AA₁/Stable by RAM) representing a significant portion of earnings.

SEB's top line grew modestly to RM7.30 bil (+2.20% y-o-y) in FY Dec 2024, supported by stronger electricity sales. However, higher generation and finance costs kept its operating profit before depreciation, interest and tax, and pre-tax profit broadly stable at RM3.46 bil and RM1.76 bil, respectively. In 1H FY Dec 2025, revenue and pre-tax profit remained flat at a respective RM3.69 bil and RM1.04 bil, amid steady demand while maintaining its existing customers base. The Group's gearing eased further to 1.05 times as at end-1H fiscal 2025 (end-December 2024: 1.11 times) on continued earnings accumulation and lower total debt, while annualised funds from operations debt coverage (FFODC) edged up to 0.21 times (end-December 2024: 0.19 times).

To address rising electricity demand, SEB expects annual capital outlays to double to around RM4.50 bil, targeting a 2030 capacity of 10 GW from 5.898 GW of current available capacity. Although these investments will be primarily debt-funded, phased earnings from new bulk customers' upcoming plant commissioning and stronger electricity demand should support new borrowings. Under RAM's more gradual demand growth scenario, projected FFODC and gearing are expected to average 0.18 times and 1.02 times, respectively, for fiscal 2026-2028.

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Reliance on SCORE customers, particularly Press Metal (including PMB Silicon Sdn Bhd), which contributed 40% of revenue in 1H 2025, is mitigated by Press Metal's robust financial performance and take-or-pay clauses in PPAs with SCORE offtakers. The Group's dependence on the Bakun hydroelectric plant is somewhat alleviated by its stellar operational track record and new additional generation capacity in the pipeline.

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