SOLARVEST HOLDINGS BERHAD

Main Market | Industrial Products and Services

Solarvest Holdings Berhad (Solarvest) is a solar photovoltaic (PV) solutions provider that has been in business for close to a decade. The Group has grown into a leading solar turnkey engineering, procurement, construction and commissioning (EPCC) provider over time.

Company profile

Stock Code	0215
Market Cap (RM m)	781.1
Share Outstanding (m)	667.6
Current Price (RM)	1.17
52-week range (H)	2.21
52-week range (L)	1.02

1. Could you give us a brief introduction to your company and history?

Solarvest was co-founded by Lim Chin Siu, Tan Chyi Boon, and Tan Paw Boon in 2012 as a provider of PV solutions. The company is among the first batch of grid-tied solar power installation providers that obtained certification from the Sustainable Energy Development Authority, Institute for Sustainable Power Quality and Grid-Connected Solar Photovoltaic in Malaysia.

In 2013, we secured our first EPCC turnkey contract for an industrial building. A year later, we built our own solar PV plant in Pokok Sena, Kedah with a capacity of 1 megawatt peak (MWp). In 2017, the Group was awarded its first large-scale solar PV (LSSPV) project and commissioned Malaysia’s first Large Scale Floating Solar PV Plant in 2020.

Solarvest was successfully listed on the ACE Market of Bursa Malaysia in 2019. One year later, we secured our maiden project in the Philippines and ventured into Taiwan via the acquisition of a 51% stake in Tailai Energy Co. Ltd., which were the Group’s first ventures beyond Malaysia. In 2021, we completed our transfer to the Main Market of Bursa Malaysia.

2. Describe your recent financial performance.

The first quarter ended 30 June 2021 (1QFY22) and second quarter ended 30 September 2021 (2QFY22) were not normal quarters for us. Like most companies in the country, we were impacted by the Full Movement Control Order (FMCO). Operation halts between May and August had caused revenue recognition to slow down.

For 2QFY22, net profit shrunk by 75% year-on-year to RM1.0 million as revenue declined by 51.4% year-on-year to RM30.2 million due to slower construction progress. On a quarter-on-quarter basis, net profit rose from RM0.2 million in 1QFY2022 to RM1.0 million this quarter while revenue improved by 32.8% as some of the construction activities resumed in August 2021.

We expect results to improve from the third quarter ending 31 December 2021 onwards with our operational activities back to 100% in October 2021. Recently, we have been picking up pace in clearing our backlogs. Supported by our robust outstanding orderbook of around RM630 million, we are confident of delivering a better performance ahead.

Solarvest’s financial result for the second quarter ended 30 September 2021

3. What is the Group's dividend policy? Will the Group maintain or change its dividend policy?

We are still at the high-growth stage of the business and as such, our priority is to conserve cash for future business expansion including plans to build our own solar plants assets. Hence, we are not committing to any fixed dividend policy at the moment as we believe reinvestment into high growth projects will generate greater value for our shareholders in the long run. Earlier this year, we issued bonus shares and warrants to reward our shareholders.

4. What are your key success factors?

We believe that the people make the organisation. Thus, we attribute our success to people management, all the way from talent acquisition to shaping an organisational culture that allows everyone to strive. In a company like ours, we are not only looking for hardworking and talented people but individuals who are passionate about the business and for the cause of creating a world generated by renewable energy (RE). With aligned goals between the organisation and its people, we were able to operate in the most efficient manner, achieving one target after another and ultimately bringing us to where we are today.

5. How has the Covid-19 impacted your business?

The disruption caused by the pandemic impacted the timeline of project rollouts, which were apparent during MCO 1.0 in 2020 and MCO 3.0 that was implemented between June and August 2021. With the resumption of activities, we are currently picking up the pace to catch up on our backlog.

Despite the pandemic, we managed to secure numerous project wins during the period and our unbilled orderbook had grown to an all-time high of around RM630 million mainly due to LSS4 project wins.

We expect global green energy to continue its upward trajectory. The pandemic has not dampened the carbon neutral agenda. Instead, we are seeing instances of governments allocating resources to stimulate and revive pandemic-hit economies through the RE industry. For instance, ASEAN has laid out its ambitious target of having a mix of 23% RE by 2025, which requires around 35 gigawatts (GW) to 40GW of additional RE capacity. Locally, the Malaysian government had recently added 300MW quota under the Net Energy Metering (NEM) Net Offset Virtual Aggregation (NOVA) programme to boost RE adoption locally.

6. What are the challenges you face in the current environment besides Covid-19?

Besides the pandemic, one of the biggest challenges for us right now is the solar panel price which has risen quite a bit in recent times. That said, we are navigating through the price hike by incorporating value engineering and technology to optimise our EPCC process and boost the output performance of our solar assets. We have also signed price agreements with suppliers and procured sufficient inventory to meet our operational requirements up to the end of the year.

In addition to that, as an EPCC player, we stand to benefit from economies of scale since we procure in bulk for several projects at once. The solar panels are only required for installation at a later stage of projects, hence there is still a time buffer to procure the materials for solar farms that are coming on stream in late 2022 and 2023. We believe solar panel prices will normalise in 2022.

7. Also, tell us more about your efforts in the area of sustainability.

Being in the business of advocating solar energy adoption, our day-to-day business is intertwined with environmental and sustainability efforts. We have our own solar power plant and invest in renewable energy plants to generate sustainable energy. Within the organisation, we conduct energy-saving and recycling programmes. We also leverage our business operations to enrich the community, for example, we have been contributing solar PV systems to schools, temples, and other non-government organisations. Recently, we donated solar panels to an Orang Asli community to help the children in remote learning.

8. What do you think investors may have overlooked about your business?

We are evolving our business model and target to increase our recurring income to around 30% of the Group's total revenue in the next two years. This will significantly improve the company's earnings visibility and quality.

9. What is the outlook of your industry?

In the grand scheme, we believe the industry is heading in the right direction. Just recently, the Minister of Finance said that the country will increase its focus on sustainability to further develop its circular economy going forward. Furthermore, with the growing importance of Environmental, Social, and Governance (ESG) as a metric among investors, we anticipate the adoption rate of solar to remain high.

In our view, we foresee exponential growth from the emergence of other RE verticals beyond the conventional value chain down the road. An example would be the impending electric vehicle (EV) revolution which was mentioned quite extensively during the tabling of Budget 2022.

10. What are the Group's plans for acquisitions and JVs?

We are constantly on the lookout for synergistic opportunities that will elevate the Group's growth and add long-term value to the shareholders. Most importantly, we will stick to our core competencies and remain interested in ventures that will strengthen our market presence within the RE industry.

11. Going forward, what is your strategy for growth? Tell us about any new developments you are working on or exciting projects you have in the pipeline.

Having been primarily a solar EPCC player since inception, we have also made successful inroads into becoming a solar asset owner. **Under the fourth cycle of the Large-Scale Solar programme (LSS4), we won the bid for 50MW of solar assets.** Once these LSS plants are commercially operational in 2023, the contribution from these assets will provide a steady stream of recurring revenue to the Group.

In addition, we are stepping up efforts in expanding regionally. **Currently, we are tendering for solar projects in Taiwan and the Philippines of around 300 megawatts (MW) worth of capacity in total. Besides that, we are setting up our new division in Vietnam which should be up and running sometime in 2022.**

In the longer term, we are also looking to diversify our business within the RE segment through vertical expansion to cover a wider scope of the ecosystem. This includes extension into supporting infrastructure and technology.

12. Lastly, what is your value proposition and why should investors invest in your company?

The global RE industry is expanding rapidly due to the growing concerns over climate issues. Even though Solarvest is one of the leading clean energy companies in Malaysia, we are still at the growth phase of our business lifecycle with huge upside potential ahead.

Currently, we boast a healthy orderbook of around RM630 million and a strong tender pipeline of approximately RM1 billion worth of solar projects. Moreover, we are also expanding regionally to Taiwan where we have set a target to build 1GW of solar energy by 2025. Other countries that we are involved in or about to get into are the Philippines and Vietnam, which have good market potential as well. We believe the additional revenue source from abroad will elevate our earnings to a new level going forward.

Corporate website: https://solarvest.my/

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