

## SUNVIEW GROUP BERHAD

(0262 | SUNVIEW MK) ACE | Industrial Products & Services

### About to Shine Brighter

#### KEY INVESTMENT HIGHLIGHTS

- **Largest outstanding order book among peers at RM547.9m**
- **Overseas expansion plans underway; engaged discussions with offtakers from Singapore and Eastern Europe**
- **Meticulous procurement management and upstream expansion to aid in better control over margins**
- **Initiate with BUY at a TP of RM1.32**

#### INVESTMENT THESIS

**Overseas expansion.** In an extremely tight business environment with hundreds of industry players vying for their share of the solar photovoltaic (PV) pie, a sustainable approach would be to venture out and this is the direction that Sunview Group Berhad is heading towards. While the group's growth momentum will continue to be anchored by the optimistic outlook of renewable energy (RE) in Malaysia, its expansion plans overseas expected to strengthen its growth prospects. For one, Sunview has already engaged in discussions with several potential offtakers in Singapore following the lifting of the RE export ban in May-23 as it awaits official guidelines by the authorities. It is also holding discussions with potential clients from Eastern Europe. The group will be able to benefit from the higher tariff rates and the exchange rate differences.

**Flexibility of contracts.** Sunview employs different models for its various contracts, mainly cost-plus and fixed price contracts. This enables the group to widen its exposure to more projects, allowing it to also better manage its business risks. Conventional wisdom would suggest that fixed price contracts are riskier than those with floating prices. Even so, Sunview has a meticulous arrangement in terms of the procurement management for solar modules, which is known for its price fluctuations. It has an inventory turnover period of only six days as it avoids holding its stocks for too long, especially solar modules.

**Upstream expansion.** The group recently acquired a 20% stake in Winstar Aluminium Manufacturing Sdn Bhd for RM12.0m in Apr-23, enabling the group to tap into Winstar's expertise to offer a wider range of high-quality products to its customers. This allows Sunview to gain access to its own aluminium alloy solar mounting system thus, reducing its dependency on external suppliers. This will enable the group to better optimize its costs moving forward.

**Vast experience in EPCC.** Sunview carries out end-to-end services from the engineering design, planning, procurement, construction and installation, up to testing and commissioning. It has since worked on 131 EPCC projects with a total contract value of RM89.2m, with an aggregated installation capacity of 32.5MWp. It now has on its plates 35 ongoing projects with a total contract value of RM917.7m and aggregated installation capacities of 17.4 MWp and 203.4 MWav. Sunview is also

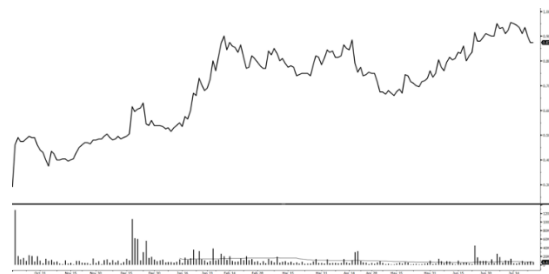
**Initiate with BUY**

**Target Price: RM1.32**

#### RETURN STATISTICS

Price @ 26 <sup>th</sup> July 2023 (RM)	0.875
Expected share price return (%)	+50.86
Expected dividend yield (%)	0.00
<b>Expected total return (%)</b>	<b>+50.86</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.6	-4.6
3 months	-3.8	14.6
12 months	-	-

#### INVESTMENT STATISTICS

FYE Dec (RM'm)	2023A	2024E	2025F
Revenue	347.0	399.0	478.9
Operating Profit	5.6	4.7	5.6
Profit Before Tax	21.5	34.2	41.0
Core Net Profit	12.9	21.9	29.1
Core EPS (sen)	2.8	4.7	6.2
PER (x)	28.3	28.0	21.3
DPS	-	-	-
Dividend Yield	-	-	-

#### KEY STATISTICS

FBM KLCI	1,449.29
Issue shares (m)	468.00
Estimated free float (%)	100.00
Market Capitalisation (RM'm)	409.50
52-wk price range	RM0.36-RM0.98
3-mth average daily volume (m)	6.72
3-mth average daily value (RM'm)	5.71
Top Shareholders (%)	
Kenanga Funds Bhd	0.23
Kenanga Trust Management Bhd	0.02
-	-

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capable of carrying out EPCC of building integrated photovoltaic (BIPV) rooftop solar PV facilities where the solar modules are used as roofing materials.

**Stellar order book.** Out of the RM917.7m of ongoing projects, Sunview's outstanding order book portion stands at RM547.9m, which is among the largest as compared to its peers. Some of the projects will be completed by Dec-23 while some have been extended until Mar-24. We remain optimistic that Sunview will be able to grow its order book further and to secure some of the 800MW Corporate Green Power Programme (CGPP) quota where Sunview submitted about seven applications for a quota of 200MW. Management targets to win about 50% of what it applied for.

**Figure 1: Orderbook comparison among peers**

	Pekat	Sunview	Samaiden	Solarvest
Market cap (RM'm)	293.5	437.6	484.7	874.5
Listed on:	ACE	ACE	Main	Main
Outstanding order book (RM'm)	209.0	547.9	427.0	550.0

Source: Companies, MIDFR

**Figure 2: Sunview's ongoing EPCC projects**

Programmes	Number of projects	Aggregated installation capacity	Aggregated contract value (RM'm)
Net Energy Metering (NEM) 3.0 programmes	25	16.5 MWp	42.5
Self-consumption	1	1.0 MWp	1.3
Large-scale solar (LSS)	9	234.0 MWac	873.9
<b>Total</b>	<b>35</b>		<b>917.7</b>

Source: Company, MIDFR

**Figure 3: Sunview's ongoing LSS projects**

	Aggregated installation capacity (MWac)	Aggregated contract value (RM'm)	Expected completion date
LSS4 PV Plant Pulau Pinang	50.0	188.4	Jun-23
NEDA Solar PV Plant Kedah	8.0	29.0	Jun-23
BP LSS2 PV Plant Kunak	5.0	26.0	Jun-23
Adil LSS1 PV Plant Tanjung Kubong	5.0	20.6	Jun-23
GV Bumi LSS2 PV Plant Sandakan	10.0	57.0	Jun-23
Reneuco (Kpower) LSS4 PV Plant Pekan	50.0	179.5	Sep-23
Ranhill LSS 4 PV Plant Ladang Bikam	50.0	157.6	Nov-23
TPG LSS4 PV Plant Selangor	26.0	93.8	Nov-23
Nextenaga LSS4 PV Plant Bukit Badong	30.0	122.0	Sep-23
<b>Total</b>	<b>234.0</b>		<b>873.9</b>

Source: Company, MIDFR

**Initiate with BUY.** We are initiating our coverage on **Sunview** with a **target price** of **RM1.32** by pegging a forward PER of 28x to its FY24F EPS of 4.7 sen. The PER is almost similar to its larger capitalised peer Solarvest Berhad at 28.8x, which

we believe is justifiable due to the potential growth trajectory of Sunview and the size of its outstanding order book, which is the largest among its peers. We are initiating our coverage on Sunview with a **BUY** recommendation.

## **BUSINESS OVERVIEW**

**Company background.** Sunview's history began in 2013 when it commenced operations under the name Fabulous Sunview Sdn Bhd as a solar energy system solution provider that comes with engineering, procurement, construction and commission (EPCC) capabilities. Today, the Sunview Group is an investment holding company and through its subsidiaries, is principally involved in the EPCC of solar photovoltaic (PV) facilities, solar PV construction and installation services, solar power generation and supply of associated services and products. It went public on the ACE Market of Bursa Malaysia on Oct 17, 2022.

### **Business activities.**

#### ***I. EPCC of Solar PV Facilities***

Sunview acts as the main contractor responsible for the entire project, starting from planning and continuing through commercial operation. They offer comprehensive services that encompass engineering design, planning, procurement, construction, installation, testing, and commissioning. As an EPCC contractor, it engages subcontractors to carry out construction and installation works for the solar PV facilities under their supervision.

#### ***II. Construction and Installation of Solar PV Facilities***

Almost similar to the above, this is where Sunview acts as a subcontractor to EPCC main contractors.

#### ***III. Associated Services and Products***

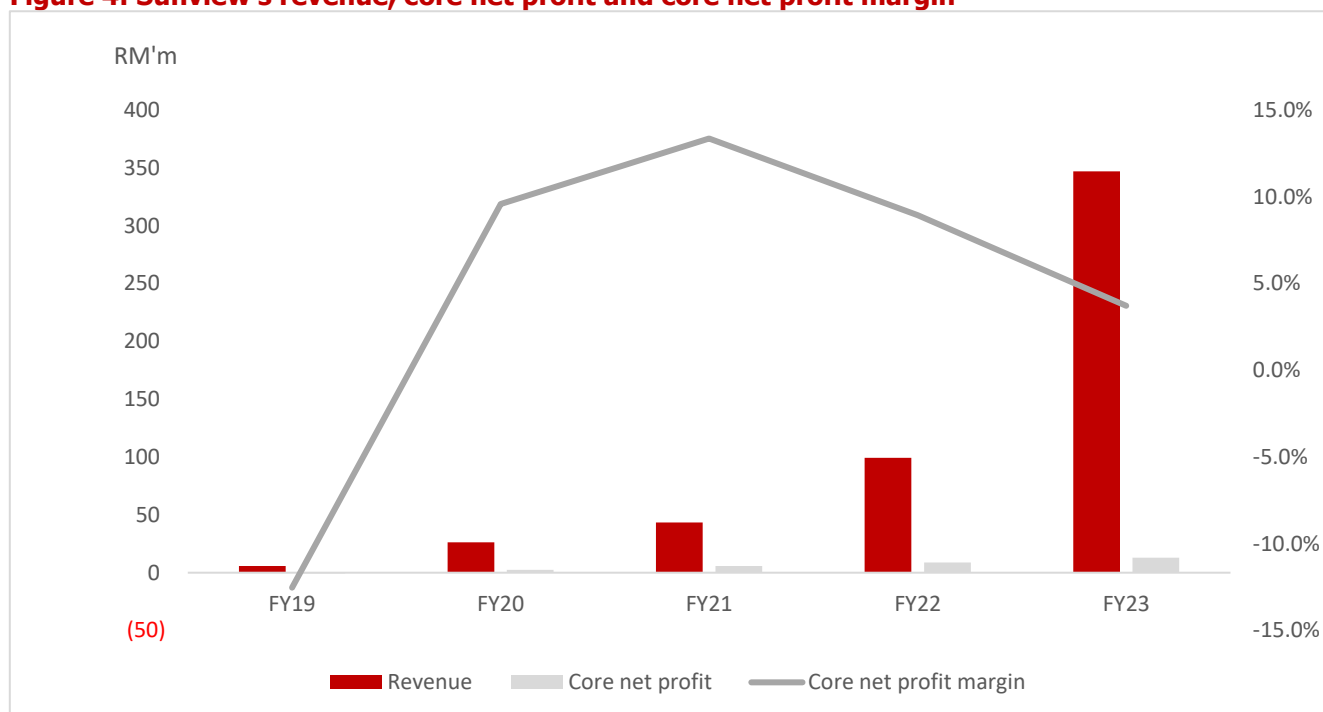
The group also offers associated services and products that complement its core business, such as the provision of solar PV consulting and engineering, and O&M services, as well as supply of solar PV equipment and ancillary systems such as gutter and mounting systems.

#### ***IV. Solar Power Generation and Supply***

Business from this segment is based on asset ownership, comprising solar PV facilities that the group build, own, operate transfer (BOOT); build, own, operate (BOO) and acquire, own, operate (AOO). The group currently owns 20 solar PV facilities with 8.12 MWp of total installed capacity. These facilities generate and supply solar power to Sunview's clients, providing the group with recurring income to complement its project-based EPCC, construction and installation of solar PV facilities.

## **FINANCIALS**


**Snapshot of FY23 results.** For the fiscal year ended Mar-23, Sunview recorded a core net profit of RM12.9m, which came in +45.3% higher as compared to RM8.9m in FY22, before the group was listed. This was mainly due to the progress of its ongoing LSS and EPCC projects. The provision of product and services related to RE is the main revenue generator of the group, making up 98.8% of the total revenue for FY23 and 96.6% in FY22. The core net profit margin was lower at 3.7% as compared to 9.0% in FY22, mainly due to the listing expenses, tax underestimated in prior year, tax penalty due to changes of its reporting framework and the net impact derived from the irredeemable convertible preference shares (ICPS) due to its conversion to ordinary shares.

**Figure 4: Sunview's revenue, core net profit and core net profit margin**

Source: Company, MIDFR

**Strong net cash position.** Sunview is in a net cash position of RM34.6m as at Mar-23. This will augur well for Sunview's expansion into other markets and to fund its growth into other RE facilities such as biogas plants. Moving forward, the group also aspires to venture into the EV, wind and hydro fields.

**Strong expansion in the coming years.** We project a 15% improvement in the group's FY24 revenue to RM399.0m and a 70% improvement in its core net profit to RM22.0m, led by its strong order book and expectations of improving margins, backed by its sound procurement management and its recent 20% acquisition of Winstar Aluminium Manufacturing. Management is confident maintaining a 20% to 30% growth level over the next few financial years.

**Target price and recommendation.** We value Sunview at **RM1.32** as by pegging a forward PER of 28x to its FY24F EPS of 4.7 sen. The PER pegged is close to Solarvest's forward PER of 28.8x, which we deem as the domestic benchmark for solar EPCC players. We are initiating our coverage on Sunview with a **BUY** recommendation. 

**Figure 5: Peer comparison**

	Pekat Group	Sunview Group	Solarvest Holdings	Samaiden
<b>Market</b>	<b>ACE</b>	<b>ACE</b>	<b>Main</b>	<b>Main</b>
<b>Bloomberg ticker</b>	PEKAT MK	SUNVIEW MK	SOLAR MK	SAMAIDEN MK
<b>Share price (RM) @ 26/7/23</b>	0.445	0.875	1.30	1.22
<b>1-year range (RM)</b>	0.375 - 0.58	0.36 - 0.985	0.665 - 1.32	0.60 - 1.25
<b>Mkt cap (RM'm)</b>	287.0	409.5	868.0	483.3
<b>Financial year end</b>	Dec	Mar	Mar	June
<b>Latest Revenue (FY22/FY23)(RM'm)</b>	179.2	347.0	365.5	150.7
<b>EPS (sen)</b>	1.6	3.4	2.9	3.2
<b>Dividend yield (%)</b>	-	-	-	-

Source: Bloomberg, MIDFR

## **RISKS TO BUSINESS AND INDUSTRY**

**Cost overrun in fixed lump sum contracts.** Due to the volatility of solar module prices, there may be risks of unanticipated cost increases where Sunview would be unable to pass on to its clients. This would affect the group's profit margins.

**Claims against defect and performance guarantees.** Sunview provides several warranties, including for common equipment offered by equipment manufacturers therefore, subjecting it to risk of claims against facility and equipment defect for the EPCC and solar PV facilities. It also provides power guarantees based on the performance ratio guarantee during the term of the PPA.

**Dependence on subcontractors.** The group engages subcontractors to carry out earthworks, site clearance and preparations, mounting structures and installation of solar modules and other equipment. It would be subject to risks of non-performance, delays or poor job qualities.

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024E	2025F
Revenue	43.3	99.3	347.0	399.0	478.9
Cost of sales	(30.5)	(78.9)	(310.3)	(337.0)	(404.5)
Gross profit	12.9	20.3	36.7	62.0	74.4
Administrative expenses	(4.0)	(7.8)	(16.3)	(25.1)	(30.1)
Profit before tax	9.1	13.4	25.9	41.6	50.2
Tax	(2.6)	(2.0)	(8.5)	(8.9)	(10.6)
Reported net profit	5.8	8.9	13.0	21.9	29.1
Core net profit	5.8	8.9	12.9	21.9	29.1

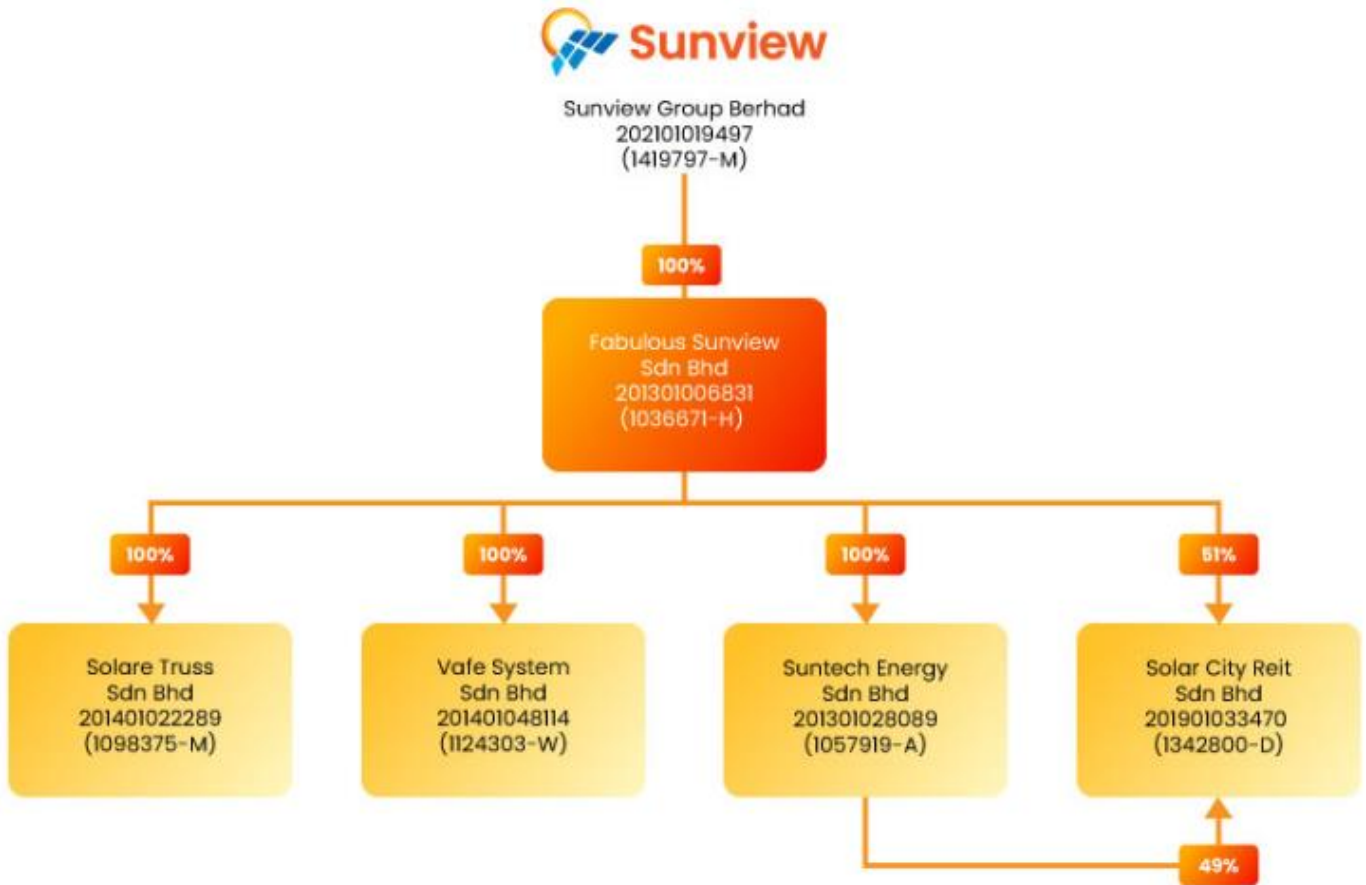
Balance Sheet (RM'm)	2021A	2022A	2023A	2024E	2025F
Fixed assets	33.8	39.2	40.6	44.6	48.6
Intangible assets	17.3	17.3	17.3	17.3	17.3
<b>Non-current assets</b>	<b>51.0</b>	<b>57.2</b>	<b>57.9</b>	<b>61.9</b>	<b>65.9</b>
Cash	16.9	20.1	87.4	78.7	86.6
Trade debtors	18.3	31.4	44.6	32.8	39.4
<b>Current assets</b>	<b>41.2</b>	<b>101.1</b>	<b>226.6</b>	<b>251.4</b>	<b>284.9</b>
Trade creditors	31.2	19.3	38.4	46.2	55.4
Short-term debt	3.9	10.1	58.1	63.9	70.3
<b>Current liabilities</b>	<b>37.9</b>	<b>60.4</b>	<b>148.2</b>	<b>161.8</b>	<b>177.4</b>
Long-term debt	42.9	42.7	31.9	24.6	17.2
<b>Non-current liabilities</b>	<b>43.2</b>	<b>43.1</b>	<b>32.7</b>	<b>26.1</b>	<b>18.9</b>
Share capital	2.3	24.2	81.6	81.6	81.6
Retained earnings	8.8	17.7	30.7	52.6	81.7
<b>Equity</b>	<b>11.2</b>	<b>54.7</b>	<b>103.5</b>	<b>125.4</b>	<b>154.5</b>

Cash Flow (RM'm)	2023A	2024E	2025F
PBT	21.5	34.2	41.0
Depreciation & amortisation	3.2	5.1	6.2
Changes in working capital	3.9	7.9	(7.9)
<b>Operating cash flow</b>	<b>2.0</b>	<b>14.0</b>	<b>(1.8)</b>
Capital expenditure	(4.2)	(4.6)	(5.3)
<b>Investing cash flow</b>	<b>(3.0)</b>	<b>(3.3)</b>	<b>(3.6)</b>
Debt raised/(repaid)	(15.0)	(11.5)	(10.0)
Equity raised/(repaid)	32.6	-	-
Dividends paid	-	-	-
<b>Financing cash flow</b>	<b>56.6</b>	<b>24.1</b>	<b>22.6</b>
<b>Net cash flow</b>	<b>55.5</b>	<b>34.8</b>	<b>17.2</b>
<b>Beginning cash flow</b>	<b>1.9</b>	<b>57.4</b>	<b>92.2</b>
<b>Ending cash flow</b>	<b>57.4</b>	<b>92.2</b>	<b>109.4</b>

Profitability Margins	2021A	2022A	2023A	2024F	2025F
Gross profit margin	29.7%	20.5%	10.6%	15.5%	15.5%
Operating profit margin	21.1%	13.5%	7.5%	10.4%	10.5%
PBT margin	19.3%	10.9%	6.2%	8.6%	8.6%
PAT margin	13.4%	9.0%	3.7%	5.5%	6.1%
Core PAT margin	13.4%	9.0%	3.7%	5.5%	6.1%
PER (x)	-	-	28.3	28.0	21.3

Source: Bloomberg, MIDFR

**APPENDIX**  
I. Corporate Structure



Source: Company

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(Bank Pelaburan)  
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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology