

Sunview Group Bhd

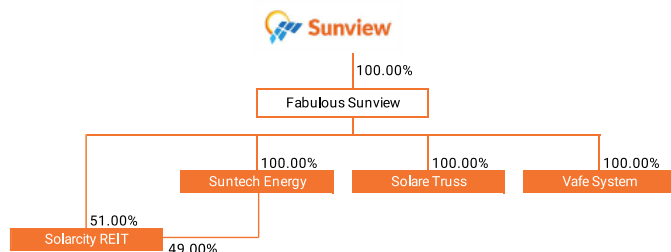
Reputable solar company backed by strong order book

- Local solar energy services provider that has completed 98 EPCC of rooftop solar PV facility projects and the provision of construction and installation for 6 LSS PV plants as a subcontractor.
- We project core earnings to be driven by strong unbilled order book which is expected to be completed in FY23-FY24, as well as the plan to expand the solar power supply business and venture into EPCC of biogas plant.
- Sunview is valued by pegging its FY24f core EPS of 4.8 sen to P/E of 13.0x, leading to a FV of RM0.63.

Company Background

- Sunview Group Bhd (Sunview) history traces back to 2013 following the establishment of its wholly-owned subsidiary, Fabulous Sunview Sdn Bhd (Fabulous Sunview) which was initially focusing on engineering, procurement, construction and commissioning (EPCC) of rooftop photovoltaic (PV) facilities for residential buildings. In 2018, Fabulous Sunview acquired Solare Truss Sdn Bhd that was involved in the installation of solar PV facilities and supply of related equipment.
- Following the incorporation of Solarcity REIT Sdn Bhd (Solarcity REIT) in 2019, Fabulous Sunview ventured into the business of investing in solar PV facilities for solar power generation and supply. Meanwhile, the company embarked into another business expansion to engage as a subcontractor for 4 Large-Scale Solar (LSS) projects under LSS2 programme in Pahang, Terengganu, and Perak.
- In 2021, Fabulous Sunview successfully secured the first EPCC project for LSS PV plant under the LSS 2 programme in Sandakan, Sabah, followed by additional 5 projects as an EPCC contractor under LSS 1, LSS 2, and LSS 4 programme. In the same year, Vafe System Sdn Bhd and Suntech Energy Sdn Bhd (both engaged in solar power and generation and supply) were acquired by the company.
- In 2022, the company secured an additional EPCC of a utility scale solar PV facility under the NEDA programme. As at 30th August 2022, the company has secured a total of 7 utility scale EPCC projects with an aggregated contract value of RM658.0m where Fabulous Sunview has been appointed as the EPCC contractor.

Fig #1 Post-IPO group structure



Source: Company, prospectus

IPO note report

Ng Hui Yee
hyng@msec.com.my
(603) 2201 2100

Not Rated

Share price	RM0.29
Target price	RM0.63
Previous TP	-
Capital upside	117.2%
Dividend return	-
Total return	117.2%

FBM KLCI	1,382.47
FBM Small Cap	13,659.88

Company profile

Sunview principally involved in the provision of solar PV construction related services, solar power generation and supply as well as associated services and products in Malaysia.

Stock information

Bursa Code	0256
Bloomberg ticker	SUNVIEW MK
Listing market	ACE
Share issued (m)	468.0
Market Cap (m)	135.7
52W High/Low	-
Est. Free float	38.3
Beta	-
3-mth avg vol ('000)	-
Shariah compliant	-

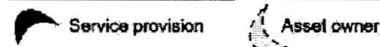
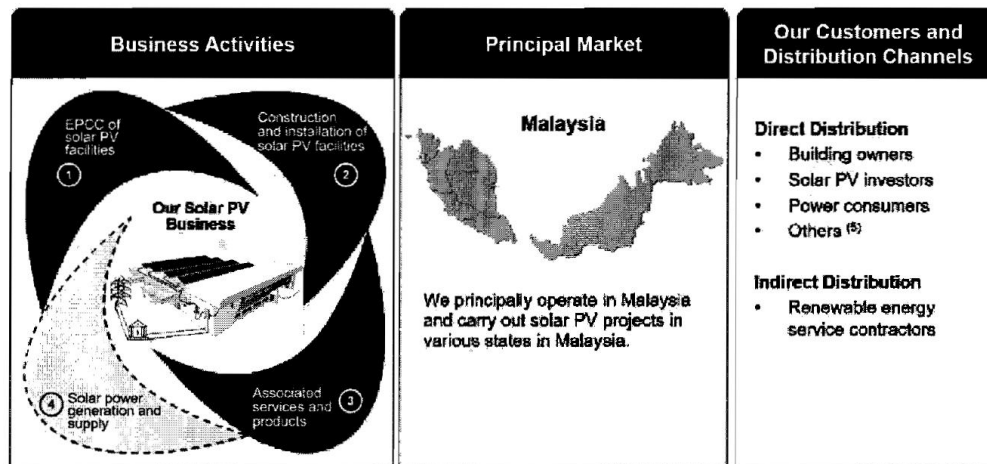
Major shareholders

	%
New Energy Capital Sdn Bhd	35.7
Basil Power Sdn Bhd	11.6
Stellar One Sdn Bhd	5.7

Earnings snapshot

FYE (Mar)	FY22	FY23f	FY24f
PATMI (m)	8.9	25.2	22.5
EPS (sen)	1.9	5.4	4.8
P/E (x)	15.3	5.4	6.0

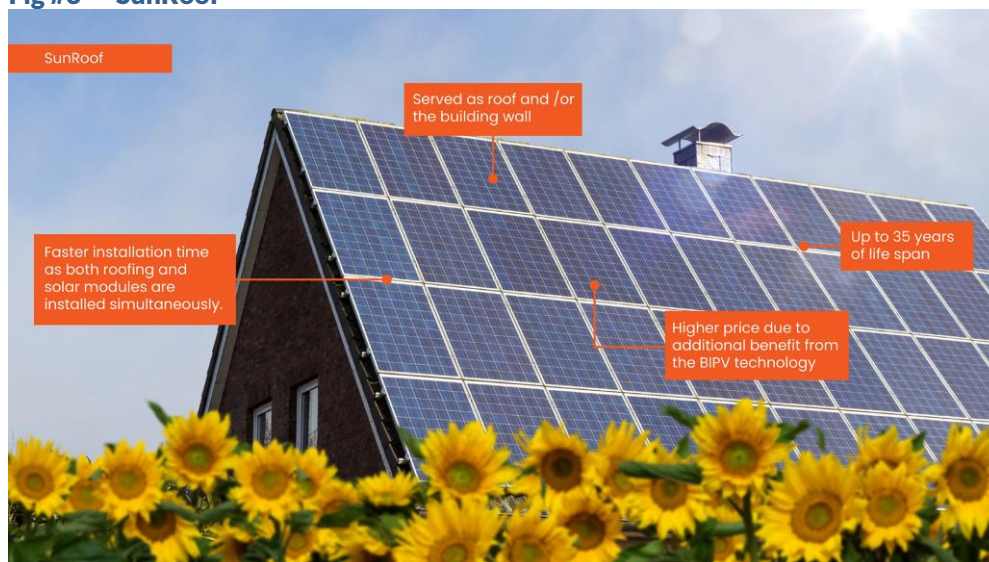
Fig #2 Business Overview



Source: Company, prospectus

- Sunview's EPCC of solar PV facilities business focuses on the provision of end-to-end services from engineering design, planning and procurement, construction and installation up to testing and commissioning. Project types include rooftop solar PV facilities for industrial, commercial, and residential buildings, as well as ground-mounted solar PV facilities – LSS PV plants.
- From FY19 to 30th August 2022, the group has completed 98 EPCC of rooftop projects with an aggregated installed capacity of 23.08MWp. For ground mounted projects, the group has secured 7 LSS PV facility projects under LSS 1, LSS 2, LSS 4, and the NEDA programme with aggregated contract value of RM658.0m.

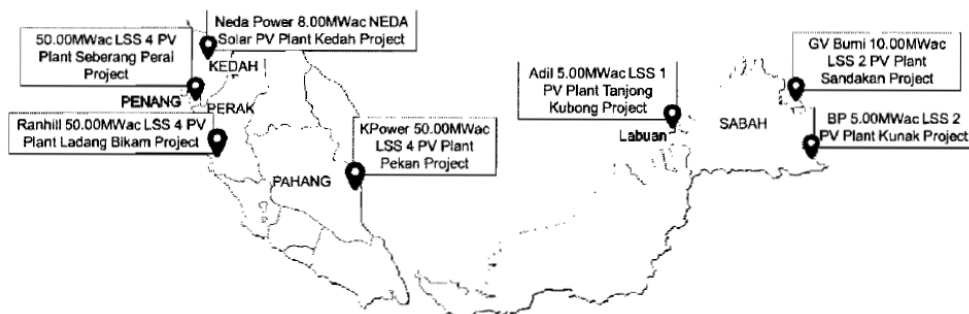
Fig #3 SunRoof



Source: Company

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Fig #4 EPCC of LSS PV Plant and NEDA Projects



Source: Company

- In addition, Sunview operates as a subcontractor to EPCC contractors, providing construction and installation for solar PV facilities which include LSS PV facilities projects. Services provided include site clearance and management, mechanical and electrical systems, piling, installation of mounting systems, solar PV modules and related equipment.
- To complement its core services in EPCC, and construction and installation services, Sunview also provides associated services and products such as solar PV consulting and engineering services, operations and maintenance services, as well as supply of related equipment and ancillary construction materials.
- Under the solar power generation and supply segment, Sunview generates solar power for sale to individual consumers and Tenaga Nasional Bhd (TNB). This diversification since 2019 enables the group to generate recurring revenue to supplement its project-based revenue stream.
- As at 30th August 2022, Sunview owns 18 solar PV facilities. Among those, 15 were owned through Acquire-Own-Operate (AOO), where Sunview acquired the solar PV facilities. The remaining 3 were owned through Build-Own-Operate (BOO) or Build-Own-Operate-Transfer (BOOT) where Sunview carried out the EPCC of the facilities. Regardless of ownership models, Sunview operates and maintains the facilities at its expense.

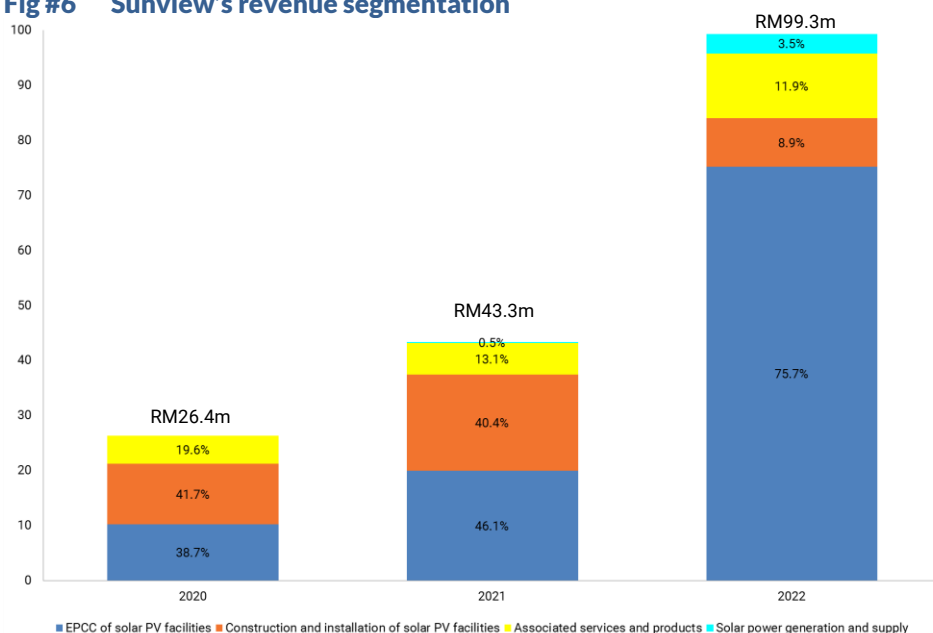
Fig #5 Sunview's solar PV facilities



Source: Company

- In FY22, the EPCC of solar PV facilities segment accounted for RM75.2m (75.7%) of total revenue, followed by the provision of associated services and products segment at RM11.8m (11.9%) of total revenue. The construction and installation of solar PV facilities (subcontractor services) was the third largest contributor, generating RM8.8m (8.9%) of total revenue. Meanwhile, the solar power generation and supply contributed a total of RM3.5m (3.5%) to total revenue in FY22.
- In FY20-22, contribution from EPCC of solar PV facilities increased from 38.7% to 75.7% of total revenue, while the contribution from construction and installation of solar PV facilities declined from 41.7% to 8.9% as Sunview focused on the EPCC segment. Moving forward, the group anticipates further growth for the solar power generation and supply segment.

Fig #6 Sunview's revenue segmentation



Source: Company

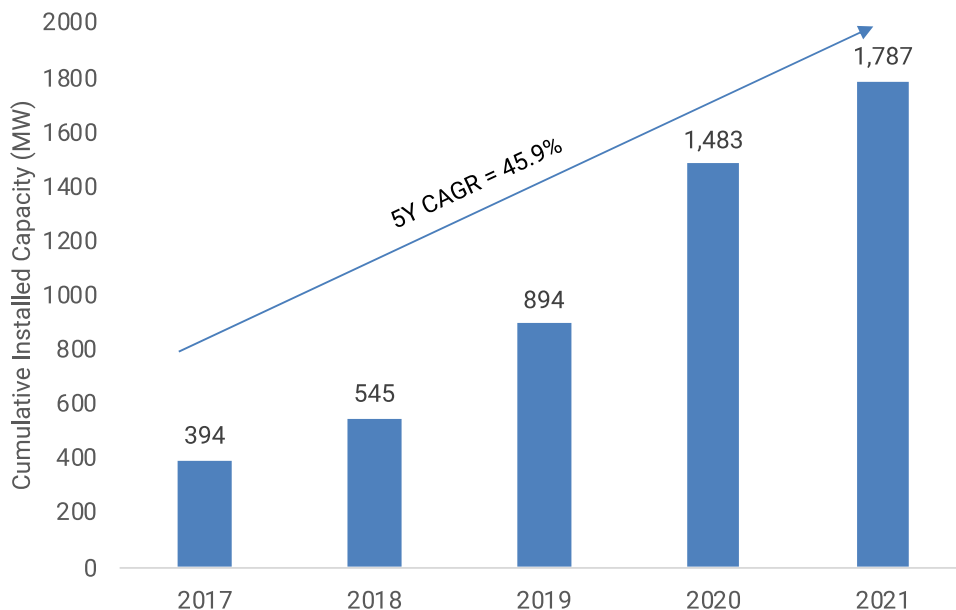
Industry Overview

Malaysia's solar photovoltaic industry outlook

- Primary energy sources for power generation include renewable sources such as solar, hydro, and bioenergy as well as non-renewable sources such as fossil fuels and nuclear fuels. In 2021, the installed capacity of renewable and non-renewable energy in Malaysia accounted for 23.0% and 77.0% respectively of the country's total installed capacity, in which solar energy represented 4.6%.
- Historically, Malaysia's cumulative solar PV installed capacity has been on the rise from 394MW in 2017 to 1,787MW in 2021 (5Y CAGR: 45.9%). This is in line with the Ministry of Energy and Natural Resources of Malaysia's (KeTSA) target to reach 31.0% of renewable energy share in national installed capacity mix by 2025, and 40.0% in 2035.

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Fig #7 Cumulative solar PV installed capacity in Malaysia, 2017-2021



Source: Vital Factor

- One of the key drivers of growth in Malaysia's solar PV industry are government-initiated programmes by Sustainable Energy Development Authority (SEDA), and the Energy Commission of Malaysia (Energy Commission). Programmes such as Net Energy Metering (NEM) and Self-consumption (SELCO) encourage consumers in the residential, commercial, industrial, and agriculture to generate solar PV power for self-consumption, in which the former allows excess solar energy to be exported to the grid to offset electricity bills but the latter does not.
- Meanwhile, the Large Scale Solar (LSS) PV plant programme is a competitive bidding programme to drive down the development cost of LSS PV plant, targeting the private developers, investors and owners. The programme has completed four rounds of competitive biddings since its launching in 2016.
- The governments have also initiated several solar PV programmes such as MySuria, BELB, and SARES where they are the owners of the solar PV facilities, mainly to provide power to remote areas. Besides, drivers include tax incentives such as GITA and GITE, green technology financing scheme, as well as liberalisation of electricity sector in Malaysia bode well for the growth of solar PV industry.
- According to Research and Markets, the Malaysian solar energy market is expected to register a CAGR of more than 9.0% in 2022-2027. We believe various government-implemented initiatives to increase the investments in the solar energy sector, coupled with the country's efforts to shift from fossil fuel-based power generation, will support the expansion of Malaysia's solar energy market and set the country on the path towards a low carbon emissions economy.

Investment merits

Established track record in the EPCC of solar PV facilities

- Establish in 2013, Sunview has evolved into a reputable provider of construction for solar PV facilities as well as subcontracting services to EPCC providers. As at 30th August 2022, Sunview has completed 98 EPCC of rooftop solar PV facility projects and the provision of construction and installation for 6 LSS PV plants as a subcontractor. Its past projects will serve as reference sites for the group to secure new customers and projects. In FY20-FY22, the group has delivered a 2-year CAGR of revenue growth at 94.0%.

Solid order book provides earnings visibility

- As at 30th August 2022, Sunview has a total unbilled order book of RM558.3m including the EPCC of 7 LSS PV plant projects as well as 28 rooftop projects which are expected to be completed progressively between FY23 and FY24. The continuity of its order book will leverage on its technical knowledge and expertise in its core business, coupled with its CEO (Ong Hang Ping), as well as COO, CPDO's aggregate experience of approximately 30 years in the renewable energy industry.

Expansion into other RE facilities and geographical market

- Leveraging on its current expertise in EPCC of solar PV facilities, Sunview intended to expand into EPCC of biogas plants which is designed to generate electricity by using waste materials. Besides, Sunview planned to set up a new office in Johor to address potential opportunities in the EPCC of rooftop solar PV facilities, targeting the commercial and industrial applications in the Southern region.

Construction of new solar PV facilities and purchase of equipment

- To support its continuing expansion, Sunview intends to construct 2 new solar PV facilities in Klang, Selangor by 1Q2023 for its solar power generation and supply business. Besides, the group will purchase operational equipment such as electrical testing instruments, mechanical and construction equipment, and IT related system. Sunview will also expand its technical team for the EPCC of biogas plant.

IPO Details

Fig #8 Utilisation of IPO proceeds

	Detail of utilisation	Estimated time frame for utilisation	RM ('m)	%
(i)	Business expansion	Within 30 months	1.7	4.9%
(ii)	Capital expenditure	Within 36 months	1.9	5.4%
(iii)	Working capital	Within 6 months	20.1	58.7%
(iv)	Repayment of bank borrowings	Within 36 months	7.0	20.5%
(v)	Estimated listing expenses	Within 2 months	3.6	10.5%
	Total		34.2	100.0%

Source: Company, prospectus

Fig #9 Project timeline

Project location	Type of programme	Expected completion
Kunak, Sabah	• LSS 2	• June 2023
Tanjung Kubong, Labuan	• LSS 1	• June 2023
Sandakan, Sabah	• LSS 2	• June 2023
Pekan, Pahang	• LSS 4	• June 2023
Pulau Pinang	• LSS 4	• February 2023
Bidor, Perak	• LSS 4	• June 2023
Pendang, Kedah	• NEDA	• February 2023

Source: Company, prospectus

Fig #10 Timetable

Events	Date
Opening of the application period for the IPO	23rd September 2022
Closing of the application period for the IPO	30th September 2022
Balloting of applications	4th October 2022
Allotment of IPO Shares to successful applicants	13th October 2022
Listing on the ACE Market	17th October 2022

Source: Company, prospectus

Financials

- Sunview's core net profit has reported solid growth in FY19-22, registering RM8.9m in FY22 (2Y CAGR +87.5%). The improvement in line with topline growth was primarily driven by increased revenue in EPCC of solar PV facilities, associated services & products, as well as solar power generation and supply segments. On the other hand, revenue from construction and installation of solar PV facilities segment reduced in FY22 following the group's increased focus in the EPCC segment. Their net margins saw improvement in FY21, mainly due to a decrease in solar module prices, while the lower margin in FY22 was largely resulted from increase in sub-contractor cost as well as materials cost and freight charges.
- Moving forward, we are projecting the core net profit to increase further, rising 183.9% YoY to RM25.2m in FY23f, contributed by the unbilled order book of RM558.4m including 7 EPCC for LSS PV plant projects which are expected to be completed in FY23-FY24. Meanwhile, we expect the margins to stay near to FY22 margin over the next 2 financial years.
- For FY23f, we expect that Sunview's top and bottom line to register mild decline at RM247.3m (-20.5%) and RM22.5m (-10.7%) respectively, in view of the rising inflation which could potentially cause higher material cost and delay in projects. Nevertheless, we expect higher contribution from the solar power generation and supply business following the construction of 2 new solar PV facilities in Klang, Selangor which is expected to commence by 1Q23.
- The expansion into EPCC of biogas plants will provide a new source of revenue as the group has conducted preliminary discussion with a prospective customer for the EPCC of biogas plant which could potentially contribute to its future order book. Meanwhile, Sunview's market expansion plan to set up new office in Johor will

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increase the market awareness of Sunview and generate sales leads for its business.

Fig #11 Financial Highlights

FYE Mar (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	26.4	43.3	99.3	311.0	247.3
EBITDA	3.6	9.4	15.4	45.7	37.4
PATMI - Core	2.5	5.8	8.9	25.2	22.5
PATMI - Reported	2.5	5.8	8.9	28.8	22.5
Revenue growth (%)	-	64.3	129.1	213.3	(20.5)
Core PATMI growth (%)	-	129.0	53.5	183.9	(10.7)
Core EPS (sen)	0.5	1.2	1.9	5.4	4.8
P/E (x)	53.7	23.4	15.3	5.4	6.0
DPS (sen)	0.2	-	-	-	-
Dividend yield (%)	0.0	-	-	-	-
P/B (x)	25.8	12.1	2.5	1.5	1.5
ROE (%)	48.1	51.8	16.2	28.4	24.1
Net Gearing (%)	27.8	267.8	59.9	32.0	31.2

Source: Company prospectus, MSSB Research

Valuation

- At an IPO offer price of RM0.29, Sunview's forward PE valuation for FY23f and FY24f stands at 5.4x and 6.0x, based on our estimated FY23f and FY24f EPS of 5.4 sen and 4.8 sen respectively. We arrived our fair value of RM0.63 (117.2% potential upside from its IPO price) by ascribing a target PE of 13.0x to its FY24f EPS.
- The assigned target P/E represents approximately 25.0% discount to the average P/E of solar related companies listed on Bursa Malaysia for 2023f at 17.3x. The discount is premised to Sunview's smaller market capitalisation.
- We like Sunview for its position as a reputable service provider in Malaysia's solar market that has a strong unbilled order book for the EPCC of solar PV facilities of RM558.3m. We also favour Sunview's ongoing expansion into new renewable energy segment as well as its commitment in expanding the core solar PV facilities business.
- While Sunview does not adopt a formal dividend policy, we believe preserving capital for their expansion into EPCC of biogas plant segment, purchase of operational equipment, as well as expansion of technical team would be their key focus over the near term.

Fig #10 Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM 'm)	P/E (x)		Gross DY (%)	Revenue RM 'm	Net Income RM 'm
					FY22	FY23f			
Sunview Group Bhd	ACE	Mar	0.290	135.7	15.3	5.4	-	99.3	8.9
Solarvest Holdings Bhd	Main	Mar	0.680	453.9	68.8	21.3	-	175.8	6.6
Samaden Group Bhd	Ace	Jun	0.705	271.4	22.4	13.3	-	150.7	12.1
Pekati Group Bhd	Ace	Dec	0.450	290.2	22.8*	-	-	178.5	12.7
Avg ex-Sunview Group Bhd					38.0	17.3	-	168.4	10.5

*FY21

Source: Company prospectus, Bloomberg