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Advancecon turns to RE for new earnings stream

ADVANCECON Holdings Bhd plans to make headway into renewable energy (RE), as the sector holds high growth potential for the group.

The earthwork specialist is in need to diversify its business portfolio which is currently heavily dependent on the construction services, the group's main revenue contributor since its inception in 1997.

Its CFO Teh Heng Wee said the RE business, in particular, solar energy, offers great potential for local and regional growth.

Teh noted that the RE option is within the group's core expertise in earthworks and civil engineering services and the case of Large Scale Solar (LSS) projects.

"We have already obtained our first customer for this new RE segment," he said.

In February 2020, the group's subsidiary Advancecon Solar Sdn Bhd entered into a memorandum of understanding (MoU) with latex glove manufacturer, Oon Corp Resources (M) Sdn Bhd, to install solar photovoltaic (PV) systems under the net energy metering (NEM) scheme on the rooftop of Oon Corp's two premises in Senawang Industrial Estate.

Subsequently, the group signed an MoU with Solarvest Energy Sdn Bhd to jointly cooperate in undertaking solar energy projects in Malaysia.

As the owner of the solar PV systems, Teh said the net profit margin will rise gradually over the ownership period of 21 years.

"Consistent with our intention to obtain shareholders' approval on proposed diversification and with the long-term nature of the RE contract, we are fairly confident of achieving a quarter of the group's total net profit after tax (financial year 2019: RM 10.8 million) within three to five years," he said.

Teh said the group's priority is to ensure the contract with Oon Corp becomes a successful pilot project for Advancecon Solar, so that Advancecon could leverage on it and further attract new customers on-board.

"Our long-term strategic growth plan includes enhancing our presence in the NEM segment, securing LSS projects, and playing our part to support any RE initiatives rolled out by the government.

"In realising our strategies mentioned above, we are open to collaborate with the right strategic partner(s) and/or joint venture agreement(s)," he said.

Teh believes the recent announcement of LSS@MEnTARI on May 31, 2020, which offers a total of 1,000MW solar quota speaks volumes of the outlook of the solar energy segment in the country.

"This is especially interesting because the previous LSS3 bidding process had just ended barely months ago. LSS@MEnTARI is open exclusively for local companies and this adds to its attractiveness, unlike the previous LSS3.

In 2019, the country tapped into about 2% of RE, which the government targets to increase to 20% by the year 2025.

Advancecon expects to announce its upcoming first quarter ended March 31, 2020, financial results tomorrow.