

NEW LISTINGS

Mooreast expands into green energy sector with push from IPO

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The earthquake which hit Japan in March 2011 did not just set off a tsunami. This unfortunate natural disaster also compelled Japan to take bolder steps to wean off its dependence on nuclear and fossil energy, following images of the rescue workers trying to contain the spill at the Fukushima Daiichi nuclear power plant.

Led by the Japanese government, the country is now shifting more towards clean and sustainable energy. It is aiming to have 40% of its power generated from clean and renewable sources by 2030 and bring zero-emissions sources to as high as 60%.

Japan's stepped-up transition to clean energy has resulted in better prospects for Singapore-based Mooreast, which specialises in the design and fabrication of mooring systems that can help fix floating structures to a specific location. The alternative is to build bigger, more unwieldy fixed bottom structures that will cost more and be more disruptive to marine life.

Mooreast traditionally services the offshore oil and gas (O&G) and marine industries, and while it may be in a niche business segment, the company sees a ready and growing market in the form of offshore wind farm projects and other renewable energy areas.

In 2013, just two years after Fukushima, Mooreast got involved in its first offshore wind turbine pilot project in Japan with the Japanese government. Since then, Mooreast has undertaken several green energy projects on behalf of the Japanese government, including a floating wind and current hybrid power generation system with offshore and marine (O&M) company MODEC, as well as a floating wind project in Kitakyushu for Japan's New Energy and Industrial Technology Development Organisation (NEDO).

Apart from the Japanese market, Mooreast has also been commissioned for similar projects in other countries such as France, Indonesia and Singapore. In Singapore, Mooreast is responsible for a tidal power project in Sentosa, as well as a floating solar photovoltaic (PV) project at the Upper Pierce Reservoir for energy company Sunseap.

"We are leveraging our deep domain knowledge and strong track record as a leading mooring solutions specialist in the O&G and marine sector, and diversifying our skillset to serve the offshore renewable energy sector," says Sim Koon Lam, executive director, CEO and deputy chairman of Mooreast, in an interview with *The Edge Singapore*.

To him, it is not a big hurdle from serving the traditional offshore customers to those in renewable energy. It is just a matter of applying similar mooring expertise to a different vessel.

"Amid rising concerns of climate change, demand for offshore renewable energy solutions will increase. Renewable energy players will need a mooring specialist to install floating platforms, which will be a vital component in harnessing wind, solar and tidal energy offshore," adds Sim.

Powering growth through IPO

Evidently, the growth prospects have started to materialise into a better bottomline for the company. Comparing the past three years, Mooreast has shown growth in both revenue and profit, with FY2018 recording revenue of \$15.0 million and profit of \$3.4 million; FY2019 saw revenue of \$16.3 million and a profit of \$2.9 million; FY2020's revenue was \$19.7 million, while profit was \$3.8 million.

In FY2020, the group attributed its 20.5% y-o-y increase in revenue to better showing from the mooring division and contributions from the marine supplies and services division and renewable energy division. The overall revenue growth was partially offset by a decrease in revenue from the rigging and heavy lifting division.

The company has an order book of around \$7.7 million to be fulfilled by December 2022. The bulk of it, or \$6.3 million, is for the rental of mooring equipment. According to the company, customers typically place a rental order with a lead time of between one and six months. Another chunk of the order book of some \$1.4 million is for the sales of equipment or components.

Remarkably, despite the economic downturn over the last couple of years, the company managed to record steady if not growing earnings. For Sim, who has more than three decades' experience in this industry, the ongoing pandemic has caused one of the worst economic crises ever.

"Back in days when oil prices were on a downturn, those were short periods. Today, the winters are getting colder and with the pandemic, it feels like we are in the ice age. We see several com-



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panies, even the well-established ones, struggling to cope, which then leads to a lot of restructuring and consolidation within the industry as you can see," says Sim.

Even as the O&G sector experiences a downturn, Mooreast sees this as an opportunity as it also has a leasing business to help those that want to downsize during the period. For this business segment, Sim explains it as helping the O&G players "turn capex to opex" and a good recurring revenue for the group.

Luckily for Mooreast, Sim has noticed the growth in the alternative energy sector and thus plans to build on it. "We have to prepare ourselves for the next big trend, which is the renewable energy sector. So, I think we have to take this opportunity with the market," he says.

OPEC has estimated the demand for renewable energy to grow by 7% per annum, significantly faster than other sources of energy. The International Renewable Energy Agency has forecast that the offshore wind capacity will represent 17% of total global installed wind capacity of 6,044GW by 2050. Floating wind farms are expected to comprise 5% to 15% of global offshore wind installed capacity by 2050. The demand for offshore wind in Asia is expected to see an upsurge over the next few years.

According to the Institute for Energy Economics and Financial Analysis, demand for solar energy in Southeast Asia is also growing at a compounded annual rate of 63.0% from 1,988MW in 2015 to 22,845MW in 2020, with the floating solar PV market potential in Southeast Asia estimated to be at least 24GW.

To capture this growing market, Mooreast plans to raise new capital to fund the next stage of the company's development. On Nov 17, it launched its IPO on the Catalist board of the **Singapore Exchange** (SGX). The company aims to raise gross proceeds of around \$8.5 million by selling shares at 22 cents each. A total of 800,000 shares will be available for retail investors to apply and another 38.05 million shares will be up for institutional investors to subscribe.

With funds from the listing, Mooreast intends to develop and grow its renewable energy division, expand and upgrade its current facilities, as well as expand and diversify its products and services offerings and capabilities.

At the offer price of 22 cents, the shares are sold at an historical PE ratio of 15.07 times, based on FY2020 earnings of 1.46 cents per share, which is calculated using the post-invitation share base. Based on the issue price, the company's market capitalisation stands at \$57.0 million. The application list will close on Nov 22 at 12pm and trading will start on Nov 24.

W Capital Markets is the sponsor, issue manager and placement agent — the first IPO handled by this homegrown corporate finance firm. UOB Kay Hian is the underwriter for this IPO. "We are very excited about Mooreast's long-term prospects in the offshore renewable energy sector and glad that Mooreast will be W Capital Markets' first IPO on the SGX," says Wayne Lee, chairman and CEO of W Capital Markets.

Furthermore, Mooreast has a notable investor in the form

of EDB Investments (EDBI), the venture capital arm of national economic promotion agency Singapore Economic Development Board (EDB). As described in the prospectus, EDBI is investing a total of \$10 million in the company to support its ongoing business transformation with an increased focus on offshore renewables and sustainability.

The investment is made in two equal tranches. The first \$5 million will be used to subscribe convertible notes and be converted into around 29.5 million shares two days before the listing date.

The second tranche of \$5 million, which will mature in five years' time, will be converted when the company upgrades to the Mainboard. In the meantime, it carries an interest of 9% per year. The conversion price of the second tranche is based on a premium of 30% to the market capitalisation of the company at listing.

Winds of the future

Going forward, Sim wants to invest more to develop more capabilities to let the company better capture more growth in the renewable energy projects. "We already have such R&D works in our pipeline. We would also like to develop our engineering capabilities towards that direction," he says.

The company will be stepping up its marketing and business development efforts in key markets such as Europe and Asia, increase manpower to meet anticipated demand, and deploy a R&D team to source for new products and technology. It also intends to expand and diversify its products and service offerings and capabilities through own investments or potential mergers and acquisitions, joint ventures and/or strategic collaboration.

Now, with oil prices staying firm because of supply disruption, will it slow down the transition from fossil fuel to renewable energy?

Sim agrees that there is still a certain level of demand from the traditional customer base. In fact, they are still the largest revenue contributor and therefore Mooreast will continue to serve this sector.

However, Sim does not expect revenue from the offshore and marine sector for Mooreast to grow significantly in the coming one, or two decades. He is even thinking of leaving this market in time to come. "Our focus is on the renewable energy segment because I think a lot of our O&M base customers are shifting their focus towards renewable energy," says Sim.

The way Sim sees it, servicing both the renewable energy and O&M sectors is not contradictory. "I don't think that there is a contradiction at all. Although the O&M sector has given people a lot of negative impressions, there is still a need for this sector and oil and gas," says Sim.

"The fact that we are familiar with the O&M industry and their ESG needs has also helped us implement equally or more stringent ESG measures for our renewable energy segment," he adds.

Mooreast's listing on the Catalist Board is just the beginning of the group's growth journey. Sim aims to one day take the company to the Mainboard. ■