

Shinfox Energy (6806.TW/6806 TT)

Forging ahead in offshore wind business

Outperform · Maintained

Price as of August 20 (NT\$)	141.5
12M target price (NT\$)	161.0
Previous target price (NT\$)	161.0
Unchanged (%)	0.0
Upside (%)	13.8

Key message

- Despite a delay in the foundation installation schedule, Shinfox still aims to complete Taipower offshore II construction by end-2025F.
- We see a solid business outlook beyond 2025F, boosted by recent grid allocation of 700MW of an offshore wind project.
- We project 2024-26F EPS CAGR of 60%.

Trading data

Mkt cap (NT\$bn/US\$m)	31.79 / 975
Outstanding shares (mn)	224.6
Foreign ownership (mn)	8.11
3M avg. daily trading (mn)	9.63
52-week trading range (NT\$)	92.20 –184.0

Performance	3M	6M	12M
Absolute (%)	16	14.1	47.7
Relative (%)	10.6	-5.5	10.8

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2023	0.26A	0.35A	0.56A	1.78A
2024	0.46A	0.64A	0.76F	1.67F
2025	1.47F	1.20F	1.25F	3.14F

Share price chart



Source: TEJ

Event

Shinfox Energy's 2Q24 EPS was NT\$0.64, missing our forecast, mainly attributable to: (1) delay of Taipower (TPC; TW; unlisted) offshore II project led to a revenue shortfall; and (2) higher-than-expected financing expenses for SFE Hercules, a heavy-lifting vessel.

Impact

TPC offshore II update. The firm has pushed back the foundation installation schedule by two quarters, and now expects installation of all 31 foundations to be completed by 1Q25, but reiterates the project will achieve its commercial operation date (COD) of end-2025. Management said the learning curve for maritime engineering has been longer than expected, but the firm aims to accelerate pin pile (PP) installation from seven days per set to three days. We project respective revenue contribution from TPC offshore II of NT\$15.6bn and NT\$21.5bn in 2024-25, with sequential growth in 3Q-4Q24.

Awarded 700MW in round 3.2 of offshore wind auction. Youde, the underlying project located off the coast of Changhua, Taiwan, has a target COD of 2029. With expected capex of well over NT\$100bn, we expect Shinfox Energy to seek investors and adopt an engineering, procurement, and construction (EPC) model for better financial leverage. Subsidiary Shinfox Far East (SFE; SG) aims to utilize its maritime engineering fleet to secure foundation and wind turbine installation orders in 2026-27 for Taiwan and northeast Asia. Along with Fox Power Nanker IPP, which is set for construction in 2026-28, we see a solid business outlook for Shinfox Energy beyond 2025.

We trim 2024F EPS to NT\$3.52, but forecast a 2024-26F EPS CAGR of 60%. Management expects the refinancing plan for SFE Hercules to be completed in 1Q25, which would lower financing costs as the underlying debt would be denominated in NT dollars, rather than the current US dollars. We lower 2024-25F EPS to a respective NT\$3.52 and NT\$7.07, up 20% and 101%, as we factor in an updated TPC offshore II schedule, as well as higher opex and interest expense guidance. Our estimates for other major projects, including Changpin (54.6MW) onshore wind project and a 100MW solar project in southern Taiwan, remain unchanged. Despite inevitable revenue decline in 2026F, we expect 2026F EPS to grow 27% YoY, as the maritime engineering business carries a much higher gross margin.

Valuation & Action

We maintain Outperform on Shinfox Energy, with a 12M target price of NT\$161, based on 25x 2025F fully diluted EPS.

Risks

Political risk; longer-than-expected payback period for SFE.

Key financials and valuations

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (NT\$m)	4,301	11,250	18,856	27,367	19,797
Gross profit (NT\$m)	548	1,168	1,809	2,754	3,705
Operating profit (NT\$m)	252	789	1,163	2,315	3,333
Net profit (NT\$m)	225	636	775	1,561	1,989
EPS (NT\$)	1.14	2.94	3.52	7.07	9.01
Cash DPS (NT\$)	0.50	1.44	1.50	3.50	4.50
EPS growth (%)	(69.7)	157.2	19.7	100.5	27.5
PE (x)	123.6	48.1	40.2	20.0	15.7
PB (x)	3.0	2.7	2.6	2.4	2.2
EV/EBITDA (x)	77.5	43.3	30.1	19.0	13.8
Net debt to equity (%)	45.3	83.2	115.7	131.1	109.5
Dividend yield (%)	0.4	1.0	1.1	2.5	3.2
Return on average equity (%)	2.8	5.9	6.8	12.6	14.7

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 2Q24 results & 3Q24 forecast revisions vs. consensus

NT\$m	2Q24							3Q24F						
	Actual	KGI	Diff. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Revenue	4,249	5,196	(18.2)	82.3	123.7	4,241	0.2	5,029	7,167	(29.8)	18.3	86.7	6,183	(18.7)
Gross profit	425	536	(20.7)	97.5	104.2	400	6.3	488	715	(31.7)	14.9	72.0	610	(19.9)
Operating profit	236	411	(42.6)	295.8	101.8	225	5.0	297	579	(48.7)	25.8	58.3	351	(15.3)
Net income	140	324	(56.6)	41.6	85.5	182	(22.9)	168	454	(63.0)	19.7	38.7	309	(45.5)
EPS (NT\$)	0.64	1.50	(57.6)	39.2	81.6	0.83	(23.7)	0.76	2.10	(63.6)	20.2	36.4	1.42	(46.0)
Gross margin (%)	10.0	10.3	(0.3) ppts	0.8 ppts	(1.0) ppts	9.4	0.6 ppts	9.7	10.0	(0.3) ppts	(0.3) ppts	(0.8) ppts	9.9	(0.2) ppts
Op. margin (%)	5.6	7.9	(2.4) ppts	3.0 ppts	(0.6) ppts	5.3	0.3 ppts	5.9	8.1	(2.2) ppts	0.4 ppts	(1.1) ppts	5.7	0.2 ppts
Net margin (%)	3.3	6.2	(2.9) ppts	(0.9) ppts	(0.7) ppts	4.3	(1.0) ppts	3.3	6.3	(3.0) ppts	0.0 ppts	(1.2) ppts	5.0	(1.6) ppts

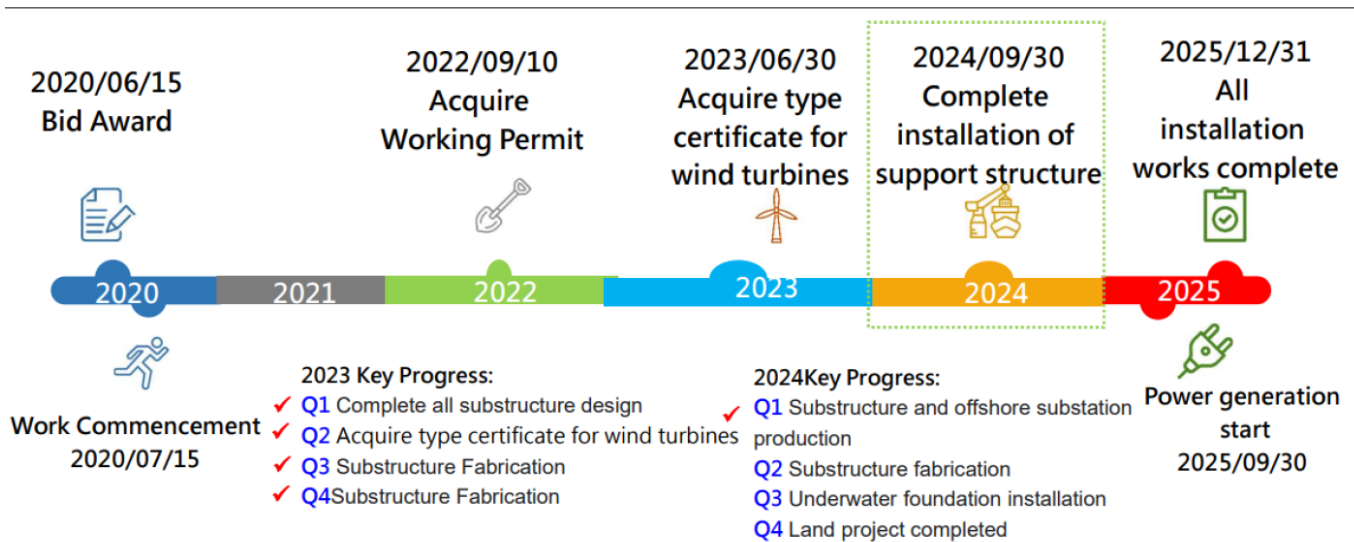
Source: Bloomberg; KGI Research

Figure 2: Breakdown of 2024-25 forecast revisions vs. consensus

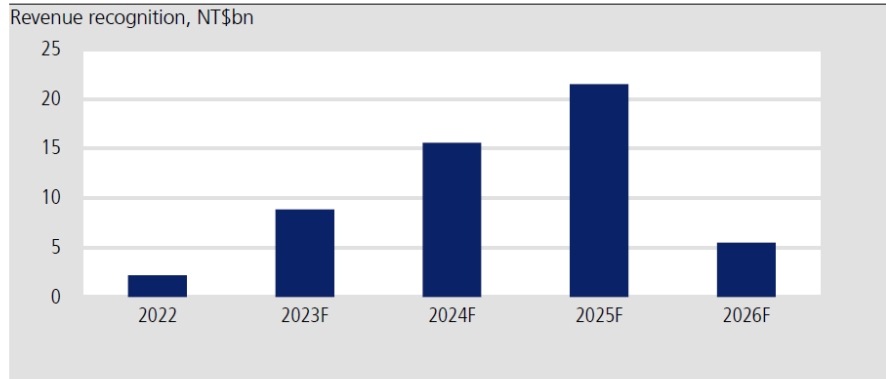
NT\$m	2024F						2025F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Revenue	18,856	22,706	(17.0)	67.6	21,237	(11.2)	27,367	24,484	11.8	45.1	26,999	1.4
Gross profit	1,809	2,300	(21.3)	54.9	2,100	(13.8)	2,754	2,981	(7.6)	52.2	2,893	(4.8)
Operating profit	1,163	1,873	(37.9)	47.4	1,306	(10.9)	2,315	2,552	(9.3)	99.0	2,071	11.8
Net income	775	1,483	(47.7)	21.8	1,109	(30.1)	1,561	1,937	(19.5)	101.4	1,688	(7.6)
EPS (NT\$)	3.52	6.86	(48.6)	19.7	5.43	(35.1)	7.07	8.96	(21.2)	100.5	7.81	(9.5)
Gross margin (%)	9.6	10.1	(0.5) ppts	(0.8) ppts	9.9	(0.3) ppts	10.1	12.2	(2.1) ppts	0.5 ppts	10.7	(0.7) ppts
Op. margin (%)	6.2	8.2	(2.1) ppts	(0.8) ppts	6.1	0.0 ppts	8.5	10.4	(2.0) ppts	2.3 ppts	7.7	0.8 ppts
Net margin (%)	4.1	6.5	(2.4) ppts	(1.5) ppts	5.2	(1.1) ppts	5.7	7.9	(2.2) ppts	1.6 ppts	6.3	(0.5) ppts

Source: Bloomberg; KGI Research

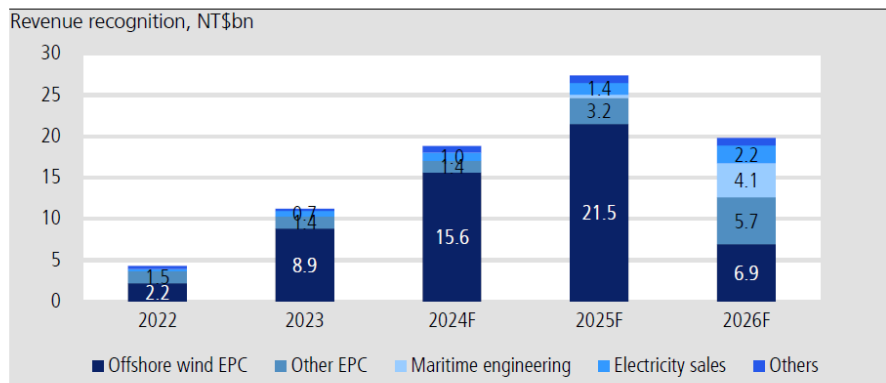
Figure 3: TPC offshore II project construction timeline



Source: Company data; KGI Research

Figure 4: Our forecasts for TPC offshore II EPC revenue by year


Source: Company data; KGI Research

Figure 5: Maritime engineering business to pick up momentum in 2026F


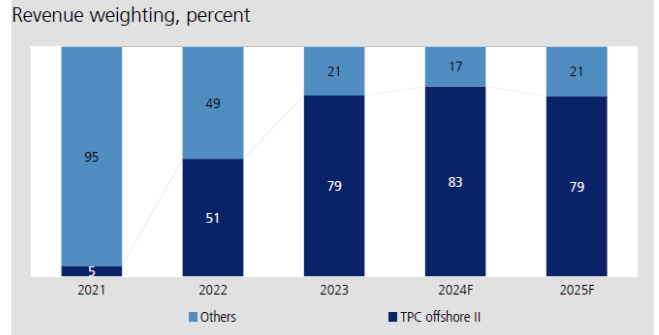
Source: Company data; KGI Research

Figure 6: Company profile

Shinfox Energy was established in 2007, and is headquartered in New Taipei City. Having entered the renewable energy field in 2013, it now focuses on solar energy, wind power, and energy storage project development, as well as engineering, procurement, and construction (EPC) services. It has also entered the natural gas and carbon credit businesses, securing a strong market position to profit from Taiwan's energy transformation and zero-carbon ambitions. The firm is the first company in Taiwan to provide EPC services for offshore wind power projects. In 2020, it won a NT\$62.9bn tender for the Taipower II offshore wind EPC project, and also provides operational and maintenance services.

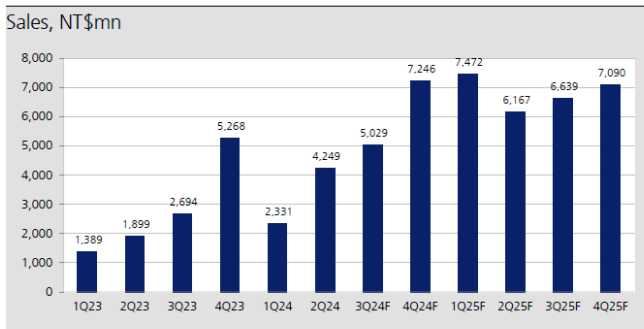
Source: KGI Research

Figure 7: Taipower offshore II EPC contract to be focus of operations in 2022-25F



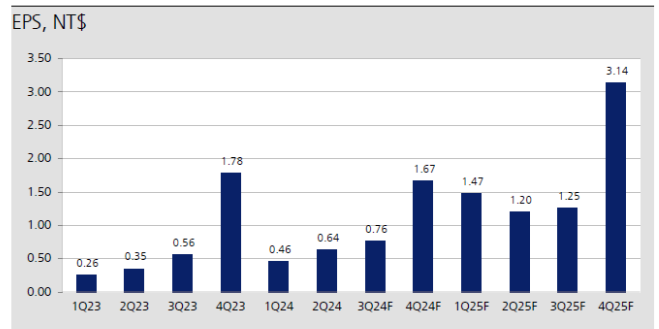
Source: KGI Research

Figure 8: Sales



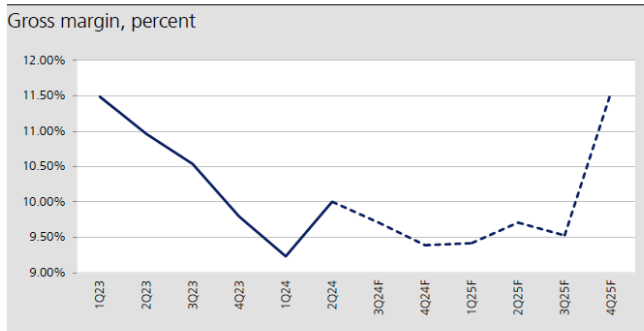
Source: KGI Research

Figure 9: EPS



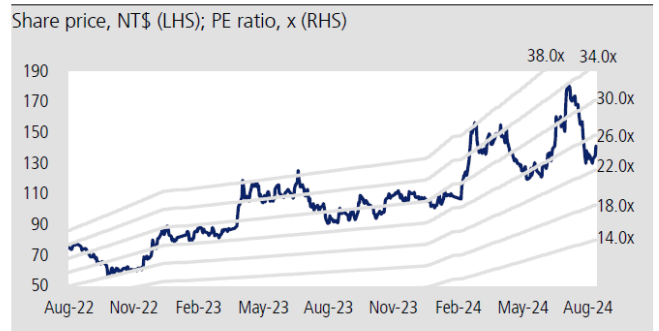
Source: KGI Research

Figure 10: Gross Margin



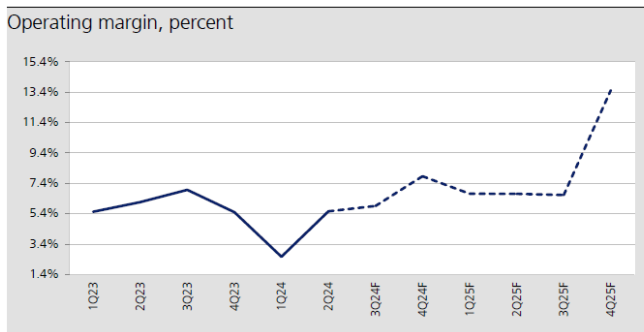
Source: KGI Research

Figure 11: 12-month forward PE band



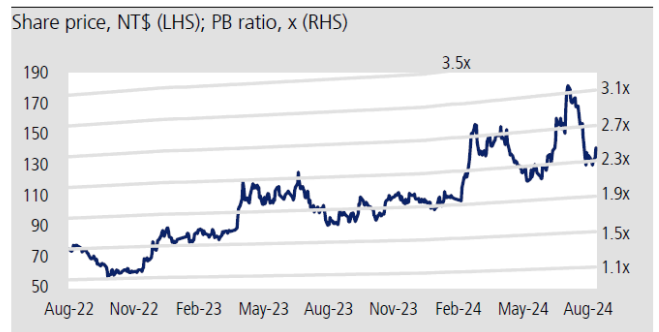
Source: KGI Research

Figure 12: Operating Margin



Source: KGI Research

Figure 13: 12-month forward PB band



Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-24A	Jun-24A	Sep-24F	Dec-24F	Mar-25F	Jun-25F	Sep-25F	Dec-25F	Dec-24F	Dec-25F	Dec-26F
Income statement (NT\$m)											
Revenue	2,331	4,249	5,029	7,246	7,472	6,167	6,639	7,090	18,856	27,367	19,797
Cost of goods sold	(2,116)	(3,824)	(4,541)	(6,566)	(6,768)	(5,569)	(6,006)	(6,271)	(17,047)	(24,614)	(16,092)
Gross profit	215	425	488	680	704	599	632	819	1,809	2,754	3,705
Operating expenses	(156)	(189)	(191)	(110)	(202)	(185)	(193)	141	(646)	(438)	(372)
Operating profit	60	236	297	570	502	414	440	960	1,163	2,315	3,333
Depreciation of fixed assets	(38)	(102)	(104)	(106)	(173)	(175)	(177)	(179)	(348)	(702)	(734)
Amortisation of intangible assets	(14)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(59)	(60)	(60)
EBITDA	111	352	416	691	690	603	632	1,153	1,570	3,078	4,127
Interest income	19	29	21	22	15	10	20	21	90	66	121
Investment income	-	-	2	1	-	2	3	2	3	7	14
Other non-op income	10	2	-	-	-	-	-	-	12	-	0
Non-operating income	29	31	23	23	15	12	22	23	105	72	135
Interest expense	(31)	(131)	(130)	(130)	(108)	(97)	(106)	(106)	(422)	(417)	(503)
Investment loss	(3)	(14)	-	-	-	-	-	-	(16)	-	-
Other non-op expenses	58	42	-	-	-	-	-	-	100	-	-
Non-operating expenses	24	(102)	(130)	(130)	(108)	(97)	(106)	(106)	(339)	(417)	(503)
Pre-tax profit	112	164	190	463	409	329	357	876	930	1,971	2,965
Current taxation	(28)	(65)	(44)	(107)	(90)	(66)	(71)	(175)	(243)	(402)	(652)
Minorities	15	41	22	11	6	3	(9)	(8)	88	(8)	(323)
Normalised net profit	99	140	168	367	325	266	277	693	775	1,561	1,989
Extraordinary items	(0)	0	-	-	-	-	-	-	-	-	-
Net profit	99	140	168	367	325	266	277	693	775	1,561	1,989
EPS (NT\$)	0.46	0.64	0.76	1.67	1.47	1.20	1.25	3.14	3.52	7.07	9.01
Margins (%)											
Gross profit margin	9.2	10.0	9.7	9.4	9.4	9.7	9.5	11.5	9.6	10.1	18.7
Operating margin	2.6	5.6	5.9	7.9	6.7	6.7	6.6	13.5	6.2	8.5	16.8
EBITDA margin	4.8	8.3	8.3	9.5	9.2	9.8	9.5	16.3	8.3	11.2	20.8
Pretax profit margin	4.8	3.9	3.8	6.4	5.5	5.3	5.4	12.4	4.9	7.2	15.0
Net profit margin	4.3	3.3	3.3	5.1	4.4	4.3	4.2	9.8	4.1	5.7	10.0
Sequential growth (%)											
Revenue growth	(55.7)	82.3	18.3	44.1	3.1	(17.5)	7.6	6.8			
Gross profit growth	(58.3)	97.5	14.9	39.4	3.4	(14.9)	5.6	29.5			
Operating profit growth	(79.4)	295.8	25.8	91.9	(12.0)	(17.6)	6.3	118.1			
EBITDA growth	(68.1)	216.3	18.0	66.2	(0.2)	(12.5)	4.7	82.6			
Pretax profit growth	(64.5)	46.4	15.5	144.2	(11.7)	(19.6)	8.4	145.9			
Net profit growth	(74.2)	41.6	19.7	118.7	(11.4)	(18.4)	4.1	150.4			
YoY growth (%)											
Revenue growth	67.9	123.7	86.7	37.6	220.5	45.1	32.0	(2.2)	67.6	45.1	(27.7)
Gross profit growth	34.9	104.2	72.0	31.9	226.9	40.8	29.5	20.3	54.9	52.2	34.5
Operating profit growth	(22.3)	101.8	58.3	96.8	741.3	75.2	48.1	68.3	47.4	99.0	43.9
EBITDA growth	(9.0)	118.7	77.1	97.9	519.1	71.2	51.9	66.9	59.3	96.0	34.1
Pretax profit growth	53.2	52.4	20.9	46.6	264.3	100.1	87.9	89.2	20.4	112.0	50.5
Net profit growth	79.7	85.5	38.7	(4.4)	228.3	89.3	64.7	88.5	21.8	101.4	27.5

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total assets	18,217	29,288	38,366	47,210	51,454
Current assets	13,320	22,855	26,231	27,050	31,275
Cash & ST securities	4,451	6,037	5,589	6,392	10,166
Inventory	1	0	7	5	7
Accounts receivable	200	1,134	1,124	1,142	1,591
Other current assets	8,667	15,684	19,511	19,511	19,511
Non-current assets	4,898	6,433	12,135	20,159	20,179
LT investments	1,643	498	658	665	679
Net fixed assets	1,202	5,102	10,394	18,472	18,537
Other assets	2,052	833	1,083	1,023	963
Total liabilities	7,641	16,969	25,548	31,174	33,879
Current liabilities	6,091	12,106	17,298	15,924	16,628
Accounts payable	516	1,809	3,144	1,770	2,474
Interest bearing ST liabilities	5,282	9,576	10,433	10,433	10,433
Other current liabilities	293	722	3,721	3,721	3,721
Non-current liabilities	1,550	4,862	8,250	15,250	17,250
Long-term debt	1,343	4,586	7,972	14,972	16,972
Other L-T liabilities	67	70	69	69	69
Total equity	10,576	12,319	12,818	16,035	17,575
Share capital	2,162	2,162	2,209	2,209	2,209
Retained earnings reserve	276	780	1,097	2,218	3,216
Minority interests	223	1,161	1,088	3,076	3,399
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Growth					
Revenue growth	(0.8%)	161.5%	67.6%	45.1%	(27.7%)
Operating profit growth	(58.5%)	212.8%	47.4%	99.0%	43.9%
EBITDA growth	(46.6%)	169.0%	59.3%	96.0%	34.1%
Net profit growth	(50.6%)	182.6%	21.8%	101.4%	27.5%
EPS growth	(69.7%)	157.2%	19.7%	100.5%	27.5%
Profitability					
Gross profit margin	12.7%	10.4%	9.6%	10.1%	18.7%
Operating margin	5.9%	7.0%	6.2%	8.5%	16.8%
EBITDA margin	8.5%	8.8%	8.3%	11.2%	20.8%
Net profit margin	5.2%	5.7%	4.1%	5.7%	10.0%
Return on average assets	1.6%	2.7%	2.3%	3.6%	4.0%
Return on average equity	2.8%	5.9%	6.8%	12.6%	14.7%
Stability					
Gross debt to equity	62.6%	115.0%	143.6%	158.4%	155.9%
Net debt to equity	45.3%	83.2%	115.7%	131.1%	109.5%
Interest coverage (x)	12.5	19.6	3.2	5.7	6.9
Interest & ST debt coverage (x)	0.1	0.1	0.0	0.1	0.2
Cash flow interest coverage(x)	(104.4)	(133.4)	(3.3)	2.2	6.7
Cash flow/int. & ST debt (x)	(0.5)	(0.6)	(0.1)	0.1	0.3
Current ratio (x)	2.2	1.9	1.5	1.7	1.9
Quick ratio (x)	2.2	1.9	1.5	1.7	1.9
Net debt (NT\$m)	4,793	10,249	14,826	21,023	19,250
Per share data					
EPS (NT\$)	1.14	2.94	3.52	7.07	9.01
CFPS (NT\$)	(14.30)	(25.67)	(6.43)	4.23	15.15
BVPS (NT\$)	47.90	51.62	54.27	59.96	65.58
Adj BVPS (NT\$)	52.63	51.62	53.34	58.68	64.19
SPS (NT\$)	21.87	52.05	85.75	123.92	89.64
EBITDA/share (NT\$)	1.86	4.56	7.14	13.94	18.69
Cash DPS (NT\$)	0.50	1.44	1.50	3.50	4.50
Activity					
Sales / avg assets	0.30	0.47	0.56	0.64	0.40
Days receivable	17.0	36.8	21.8	15.2	29.3
Days inventory	0.1	0.0	0.1	0.1	0.2
Days payable	50.2	65.5	67.5	26.2	56.1
Cash cycle	(33.1)	(28.7)	(45.5)	(10.9)	(26.6)

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue	4,301	11,250	18,856	27,367	19,797
Cost of goods sold	(3,753)	(10,082)	(17,047)	(24,614)	(16,092)
Gross profit	548	1,168	1,809	2,754	3,705
Operating expenses	(296)	(378)	(646)	(438)	(372)
Operating profit	252	789	1,163	2,315	3,333
Non-operating income	56	68	105	72	135
Interest income	17	38	90	66	121
Investment income	-	-	3	7	14
Other non-op income	38	30	12	-	0
Non-operating expenses	1	(85)	(339)	(417)	(503)
Interest expense	(27)	(42)	(422)	(417)	(503)
Investment loss	(11)	(43)	(16)	-	-
Other non-op expenses	39	(0)	100	-	-
Pre-tax profit	309	772	930	1,971	2,965
Current taxation	(67)	(149)	(243)	(402)	(652)
Minorities	(17)	13	88	(8)	(323)
Extraordinary items	-	0	-	-	-
Net profit	225	636	775	1,561	1,989
EBITDA	366	986	1,570	3,078	4,127
EPS (NT\$)	1.14	2.94	3.52	7.07	9.01

Cash flow

NT\$m	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Operations cash flow	(2,814)	(5,548)	(1,413)	935	3,346
Net profit	225	636	775	1,561	1,989
Depreciation & amortisation	114	196	407	762	794
Decrease in working capital	(1,078)	61	497	(1,832)	32
Other operating cash flow	(2,075)	(6,442)	(3,093)	443	530
Investing cash flow	(5,538)	(277)	(5,617)	(6,800)	(800)
Sale of ST investment	(1,283)	676	-	-	-
New investments	(1,036)	227	-	-	-
Capital expenditure	(1,816)	(789)	(5,388)	(6,800)	(800)
Others investing cashflow	(1,403)	(391)	(229)	-	-
Free cash flow	(2,590)	36	(3,683)	(6,087)	2,566
Financing cash flow	8,900	7,924	6,783	6,669	1,227
Increase in short term debt	3,363	2,855	3,781	-	-
Increase in long term loans	1,036	3,591	3,469	7,000	2,000
New ordinary shares issued	4,400	-	-	-	-
Ordinary dividends paid	(197)	(108)	(318)	(331)	(773)
Other financing cashflow	298	1,586	(149)	(0)	0
Forex effects	0	(18)	(86)	-	-
Total cash generated	548	2,081	(334)	803	3,773

ROIC

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
1 - COGS/revenue					
- Operating exp./revenue	6.9%	3.4%	3.4%	1.6%	1.9%
= Operating margin	5.9%	7.0%	6.2%	8.5%	16.8%
1 / (Working capital/revenue					
+ Net PPE/revenue	1.9	1.3	0.7	0.6	0.8
+ Other assets/revenue)	0.3	0.5	0.6	0.7	0.9
= Capital turnover	0.4	0.6	0.8	0.8	0.6
Operating margin	5.9%	7.0%	6.2%	8.5%	16.8%
x Capital turnover	0.4	0.6	0.8	0.8	0.6
x (1 - tax rate)	78.5%	80.7%	73.9%	79.6%	78.0%
= After-tax ROIC	1.8%	3.2%	3.5%	5.4%	7.7%

Source: Company data, KGI Research estimates

SHINFOX ENERGY – Recommendation & target price history



Date	Rating	Target	Price
2024-03-28	Outperform	161.0	144.0
2023-12-15	Outperform	137.0	109.0

Source: TEJ, KGI Research

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