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## 2011 Annual General Meeting



# Disclaimer

This presentation includes certain Forward-Looking Statements. All statements, other than statements of historical fact included herein, including without limitation, statements regarding forecast cash flows and revenues, future expansion plans and development objectives of Solco Ltd are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.



## Chairman's Address

By Mr David Richardson



# Introduction

1. Chairman's Address by Mr David Richardson
2. Chief Financial Officer's Address by Mr Steve Missen
3. Executive Director's Address by Mr Mark Norman
4. Questions and Answers
5. Networking and Refreshments



FY2011

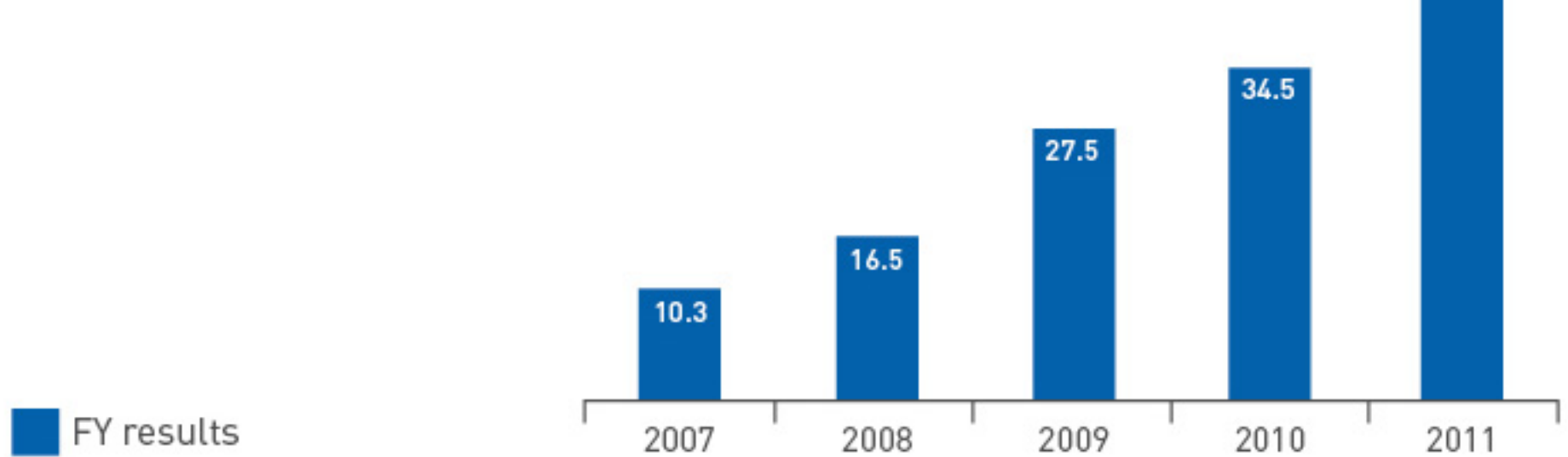
- FY2011 marked 25 years of experience and another year of profit for the Company.
- Milestone reinforces the success of our business strategy.
- We are in a good position to capitalise on the current market shift, as Australia expands from a domestic to a commercial PV market.

# Investment Highlights

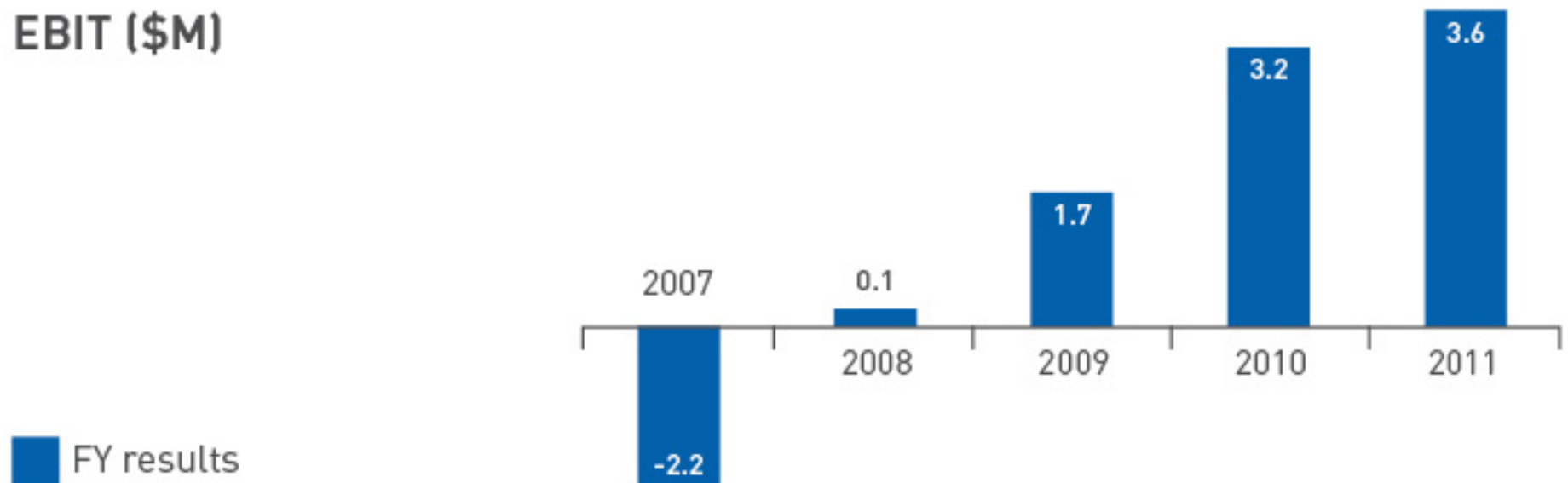
- Record revenue of \$53.7 million for FY2011
- Revenue growth of more than 56% on FY2010
- Record pre-tax profit of nearly \$3.6 million
- Debt free and strong balance sheet
- Solar system cost reductions continue to present upside in making solar power appealing to the market
- Company celebrating 25 years of operation
- A number of exclusive agreements signed with international manufacturers
- New strategic management appointments support Company growth plan
- Changes to government policy will open up commercial and large-scale project markets
- Solco is in a strong financial position and looking for strategic joint venture opportunities to increase market share of larger-scale commercial installations

# FINANCIAL PERFORMANCE AT A GLANCE

## REVENUE (\$M)



## EBIT (\$M)



A photograph of solar panels floating on water, with a bright sun reflecting off the surface. The text 'Business Strategy' is overlaid in white on the left side of the image.

## Business Strategy

“Our business strategy is to grow our wholesale division, selling solar power and pumping products across Australia and to increase our market share of grid-fed power generation projects using our existing industry relationships and strategic joint venture partnerships.”



# Business Strategy

1

**Grow and protect the core wholesale business.**

How:

- Cost Cutting
- New systems (SisPro)
- Internet marketing to supplement existing sales channels

2

**Expand commercial operations and enter new markets.**

How:

- \$4.5M worth of projects

3

**Build and maintain long-term shareholder value.**

How:

- Business Development
- Complete employee incentives and training
- Capital raising to acquire new businesses

A photograph of several blue solar panels floating on a body of water under a bright sky. The text 'Q1 2012' is overlaid in white on the left side of the image.

Q1 2012

- Downturn in residential market, moving towards a commercial PV market.
- Decline in revenue guidance in Q1 2012.
- Parkes Council contract signed.
- \$4 Million capital raising.



# Outlook

- Strong Financial Position.
- Increased investment into Power and Projects divisions.
- Internet marketing initiative.
- Looking to capitalise on acquisition and expansion opportunities.
- Solar pricing parity within reach.



## Formal Business



Products

## Chief Financial Officer's Address

Mr Steve Missen

# Products - FY2011

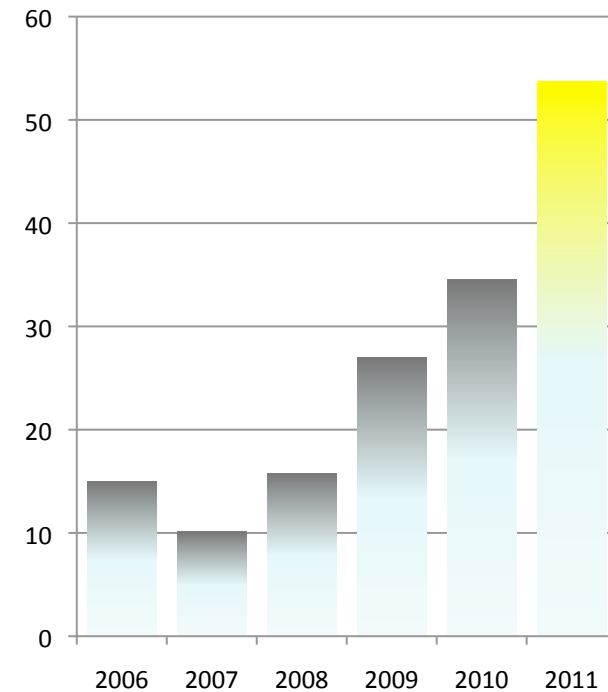
- Record Sales demonstrating our capacity to service increased volumes.
- Exclusive contract signed with Lorentz pumps.
- Pumps National Sales Team established with charter to rapidly establish Eastern Seaboard dealer network.
- Melbourne office and warehouse operational improving our logistics footprint.



# Products - FY2011

- Record growth and profit in FY11.
  - Revenues up 57%, but note that some FY12 sales pulled forward due to Government policy, REC multiplier reduction impact.
  - Investment in Pump Division securing a National Sales team
  - Investment in Projects Division to ensure adequate resourcing
- Closed year with a strong balance sheet
  - Cash at \$6.7 million
  - Debtors at \$4.4 million
  - Inventory at \$7.0 million
  - Payables at \$5.4 million

Revenue (\$m)





# Market Downturn – Risk Mitigation

- NSW and WA abandoned FiT support.
- Released downgrade in revenue guidance.
- Review of overheads, cost reductions and redundancies.
- New inventory management and billing systems rolled out across company.
- Strategies to increase revenue being reviewed.
- Launching internet marketing for retail space.

**This is the climate for growth opportunities!**



# Committed to Quality Products

## Leading edge technology

- Solar Edge – Power optimisation, safety, online panel level system reporting
- Tigo - Power optimisation, safety, online panel level system reporting

## Product exclusivity

- Astronegy, Motec, Lorentz Pumps
- Allows us to be price leaders with these brands

## Solar Pumping

- Pumping division continues to grow
- Solar pool pumps – an emerging opportunity this Summer



## Outlook - Products

- Continued downward pressure on price, particularly panels.
- Wholesale division working to develop commercial opportunities.
- Maintain focus on overheads.
- Market expanded system monitoring.
- REC Multipliers reduction due June 30 expected to drive demand in Q4 of FY2012.



## Executive Director's Address

Mr Mark Norman

# FY2011 – Investment in Projects and Power

Solco IP developed to meet commercial customer demand:

- Financial modeling, monitor and display systems
- Exclusive partner technologies
- Solutions to mitigate rising energy costs and impacts of carbon tax

Results:

- Increased medium scale project revenues
- IP can be transferred to larger-scale commercial and utility projects



## Commercial Market Growth

- Australian commercial systems in CY2010 less than 1% of the total 350MW market.
- US and European non-residential sales greater than 40% of their total PV market.
- Australia will follow trends of more mature overseas market as our Peak Power charges escalate.
- For the last 2 years, greater worldwide investment in renewable energy sources than traditional, with US \$10billion in photovoltaics in China.



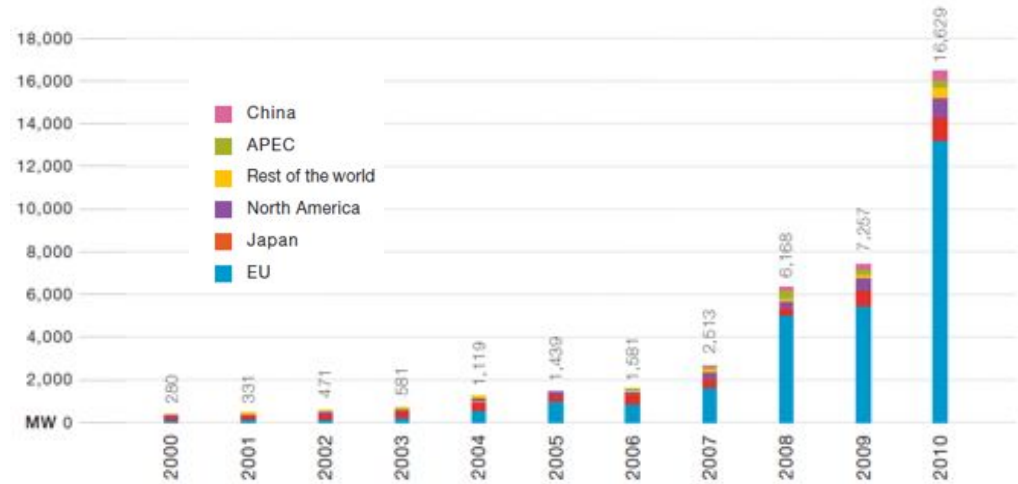
# Solar Demand: Increasing

**SOLAR ENERGY DEMAND GROWING BY AROUND 30% EVERY YEAR**

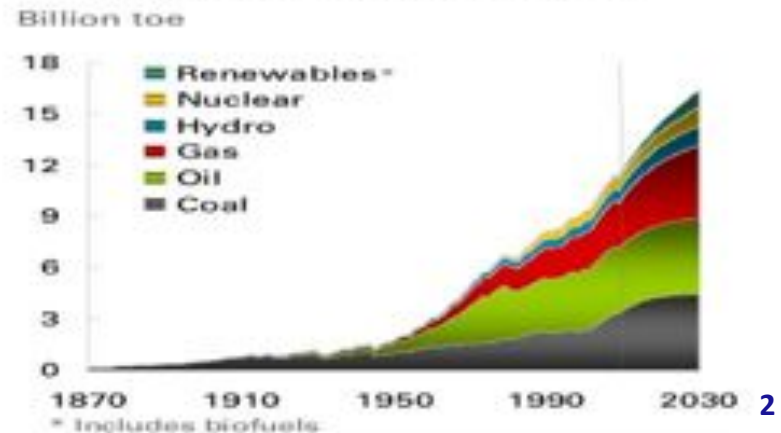
**Primary factors boosting solar demand:**

1. Energy security
2. Increasing fossil fuel costs
3. Solar product price reductions
4. Government incentives
5. Environmental awareness
6. Improved product availability
7. Carbon cost

**World PV installs (MW)**



**World commercial energy use**





## Increased Market Share of Commercial Projects

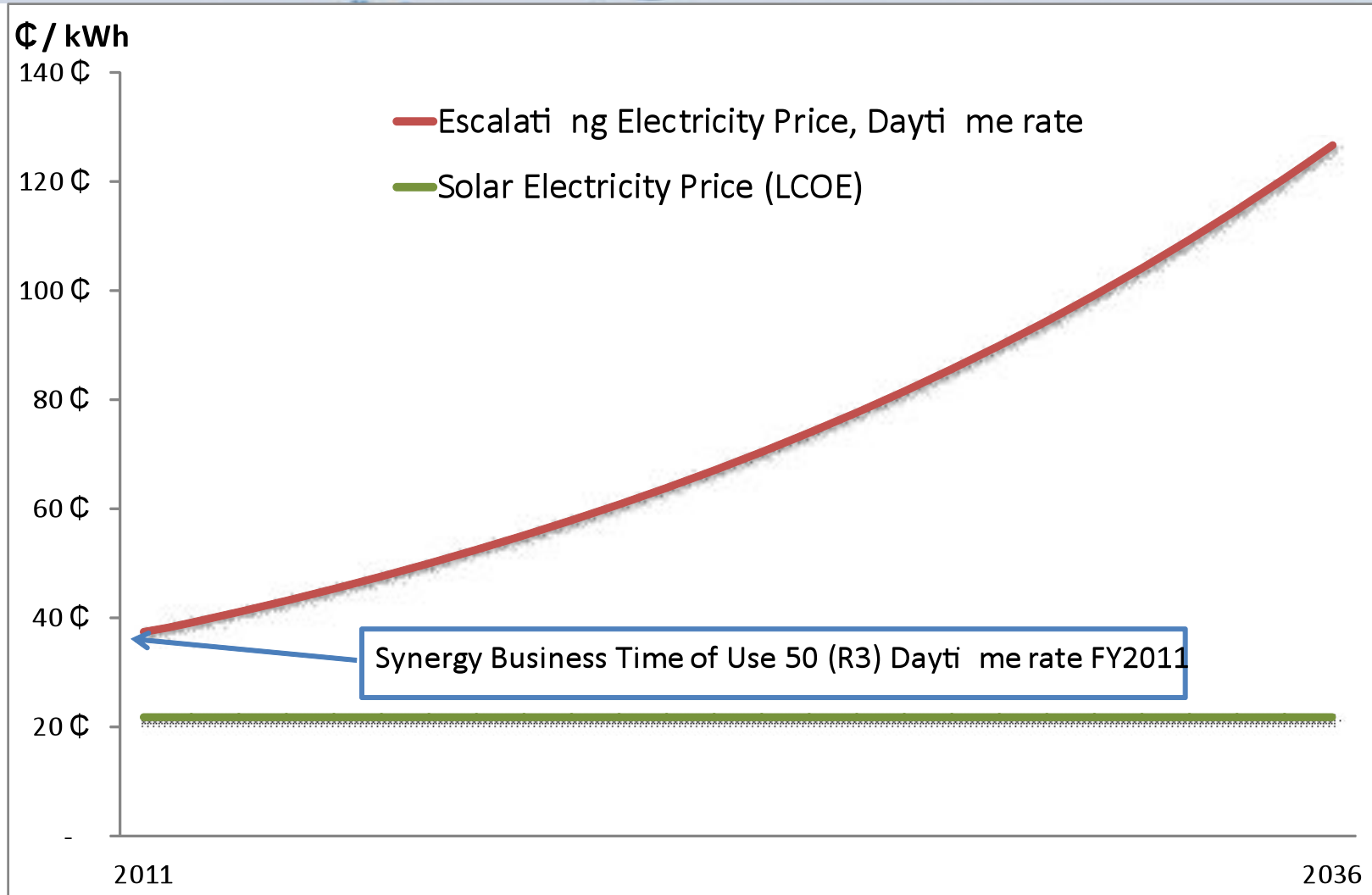
A demand pull created for commercial sized Solco Solar PV systems:

- Solco Solar energy costs below 22c/kWh (LCOE\*) and falling
- Certain commercial peak energy rates greater than 37c/kWh and predicted to rise 5% per year or greater
- Payback period less than 6 years and falling
- Solco Solar provides fixed energy cost for greater than 25 years

**Solco Solar PV systems are commercially viable with no FiT or Renewable Energy Buy Back Scheme!**

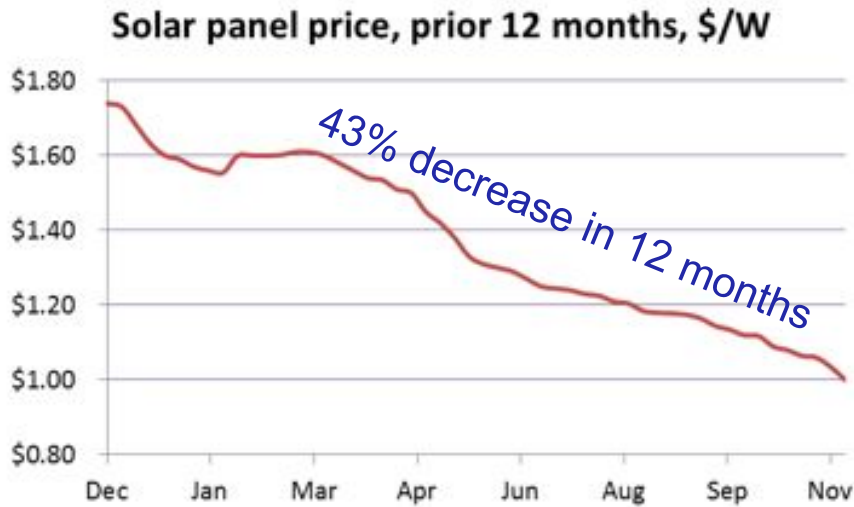


# Electricity Price Vs Solar Price





# Grid price parity a reality



**Electricity Retail Price Index**



**Solar energy grid price parity with peak daytime electricity rates has been met for residential and medium-scale commercial customers**

Unsubsidised medium-scale solar system prices have **decreased 40%** to \$3.60 per watt peak in the last 18 months

Large-scale customer will also benefit from grid price parity over the next years

**Solar price parity fuelled by:**

1. Investment into manufacturing
2. More efficient technology
3. Falling silicon price

# Solco Successes

Parkes council tender – up to 250kW or \$850k

- Council needed a hedge against rising energy costs
- Solco's exclusive SolarEdge technology a key advantage
- Solco won tender over 50 credible competitors



45kW Church system under Canberra FiT system

*"Best secure investment of our funds."*

# Solco Projects and Power – Solco Successes

EMRC roof top and tracking systems



Expanded Mundaring Shire grid-connect system



## Outlook - Projects

- Promotion of our Solco Solar Commercial PV system model to a broader range of medium-scale PV customers
- Incorporation of 3<sup>rd</sup> party financing of Solco's medium-scale commercial customers to overcome capital cost burden
- Extend the Solco Solar Commercial PV system and our exclusive technologies to larger scale opportunities
- Partner with overseas and local companies to ensure the successful completion of large-scale projects
- Prepare Solco to enter the utility-scale project and power market



# Questions?



Thank you

We would like to take this opportunity to thank you for your continued support.

Please join us for some refreshments.

# Contacts

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