

PREMIUM

AVs and EVs

GSS Energy rides on precision engineering chops to enter market for EVmotorbikes

Lim Hui Jie Published on Thu, Mar 17, 2022 / 8:36 PMGMT+8 / Updated 13 hours ago



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In the push toward electric vehicles or EVs, four-wheelers are the ones hogging the headlines. Electric motorcycles, from the perspective of some businesses such as **GSS Energy**, is an over-looked segment with plenty of growth potential, especially in southeast Asia where two-wheelers are a popular mode of transport.

“We know that there’s going to be longevity for the product,” says CEO Sydney Yeung in an interview with *The Edge Singapore*. “If you look at all the infrastructure in Southeast Asia —like Vietnam, Jakarta, Manila, Thailand and Bangkok—I think for the foreseeable future the two-wheeler will be in high demand.”

In November 2021, GSS Energy's subsidiary Giken Mobility teamed up with the Lamborghini family to launch its first electric motorcycle, called the Iso UNO-X. This year, the UNO-X on Feb 22 received certification by the Thai authorities that it is road-worthy and fit for sale.

Going forward, sales of the vehicle will contribute to the revenue of GSS Energy, whose main business is in precision engineering (PE), for the current year ending December 2022. The electric motorcycle will be marketed under the historic Italian automotive brand, Iso, which is being relaunched by Ferruccio Lamborghini, a third-generation member of the Lamborghini family.

Iso was founded in 1939 under the name Isothermos, and began manufacturing mopeds, motorcycles and light four-wheeled vehicles in 1948. According to its website, its best-selling two-wheeler was the Isomoto, and its Isetta city car was regarded as a status symbol in Italy. The company produced its final model in 1974.

Aslightly premium bike

The motorbike industry is dominated by brands such as Honda, Suzuki, Yamaha and Vespa —the “usual suspects” familiar to consumers. As such, Yeung knows this venture will not be easy.

He estimates that Asean has around 200 million bikes, and thinks that the incumbents will easily dominate 80% of the electric two-wheeler market once they enter it. However, he sees an opening with the remaining 20%, reasoning that “even if I capture 10% of the 40 million, that’s four million bikes. That’s a lot of bikes”.

For EVs, a key initial hurdle for wider adoption is cost, and this might be an even bigger factor in the largely developing countries that make up Asean. For the electric motorcycle industry, another challenge is the question of reliability, a problem faced by various “no frills” bikes already in the market, says Yeung. “[The manufacturers of these bikes] were trying so hard to satisfy only the pricing for the consumer that they neglected the performance and the reliability,” he adds.

Hence, Yeung is planning to position the UNO-X as a slightly premium product. He likens it to the likes of the Mercedes E-class, which is between the top tier S-class and the “mass market” level of the B and C classes.

“The first thing we tried to do is make sure that we’re not compared to [“no frills” bikes] and also not grouped at any time into that category,” Yeung says, adding that this was one reason he chose to partner the Lamborghini family. “The DNA and standards of the European automotive [brands] still command a certain level of confidence.”

GSS Energy’s analysis of the market indicates that although the “slightly premium” market is smaller than the mass-market segment, the former is “not that small”, so it is still viable, according to Yeung. If it can capture 10% of this segment, “we’ll be very pleased”, he says.

From sales in just Thailand, GSS Energy plans to launch the UNO-X in two other Asian countries by the end of the year and to even more markets by the end of 2024. It is targeting sales and production of 20,000 units by 2024. Two or three other new models are in the pipeline to be launched over the next three years.

According to a DBS Group Research note on March 15 by analysts Dudaleth Bik and Chanpen Sirithanarattanakul, Thailand seems to be the emerging market for EVs. They project demand for EVs to be on the rise, due to a combination of environmental concerns, government support, and maintenance cost.

Thailand’s total EV sales grew at a CAGR of 24% (from about 81,000 to 239,000 vehicles) over 2016–2021, the analysts write. The total number of new EV registrations in Thailand stood at 48,581 vehicles at end-2021, up 38% from 2020.

EVs will also become more affordable, with the analysts estimating that it will be THB 200,000–300,000 (about \$8,100–\$12,200) cheaper per unit for car buyers, supported by the government’s incentive package. In February 2022, the Thai Cabinet approved EV incentive packages for

2022–2023 to encourage the use of both two and four-wheel EVs nationwide.

GSS Energy is already in talks with dealers and distributors across six markets for sale to consumers. The company is also mulling over further expansion by offering white label design and manufacturing, and ways to license its technology to other EVmakers.

While certain key components such as batteries and tyres are bought, by and large GSS Energy plans to assume full responsibility over the production of the UNO-X to ensure reliability and performance. “If you rely on everything on the outside, ultimately one day [this decision] is going to come back and bite you,” says Yeung.

For one, the company can tap on its existing PE capabilities where it can form and produce plastic parts and assemble printed circuit boards via its plants in China and Indonesia. In addition, GSS Energy has recently paid \$7.5 million for Thai e-mobility R&D company Edison Motors that gives it the patents, design, R&D capabilities and technical support to manufacture electric scooters. The motorbikes will be built at GSS Energy’s facilities in Batam, with an initial production capacity of 500 units per month. This number may grow to 5,000 units per month if the assembly is moved to a new, larger space, also at Batam.

Oil and gas

This is not GSS Energy’s first time doing a new venture. The company was originally called Giken Sakata, and was focused on PE, with its production activities in China and Batam.

After Yeung assumed his role by taking a controlling stake in the company, he led the company’s diversification into oil and gas. In late 2016, GSS Energy acquired rights to explore oil fields in Indonesia. However, full-fledged production, initially slated to begin as early as 2018, took longer than expected to materialise.

Amid the continued slump of the oil market in 2019, GSS Energy ceded an 80% stake in the fields to an entity called Oakhurst Investment. By doing so, GSS Energy now receives a smaller sliver of revenue from what the local partner can produce. However, it has capped further capital expenditure needed and re-channelled the resources to fund its growing PE business instead.

The PE business has been generating the bulk of its earnings and revenue, thanks to contracts from customers such as Dutch electronics giant Phillips.

For its FY2021 ended December 2021, GSS Energy reported a revenue of \$117.3 million, up 10.25%, led by higher orders from its customers in consumer electronics. However, the company had to bear higher component costs from longer inventory turnaround time.

As such, GSS Energy's FY2021 earnings dropped to \$5.1 million from \$5.6 million in FY2020. It also did not enjoy one-off gains from FY2020, recording a lower amount of government grants meant to help companies cushion against the pandemic.

Despite the announcements, investors still seem to be on the fence, as GSS Energy's share price has traded largely between 6.7 and 7.3 cents since the end of November 2021.

Trading volume had remained largely unchanged since the start of the year till March 8, when a sharp sell-off spanning six trading days saw the price slide from 7.3 cents to 5.8 cents on March 15, a level not seen since May 31, 2021. At this level, GSS Energy is valued at \$37.13 million, with a year-to-date loss of 17.14% as of March 15.

Photo: Albert Chua/ The Edge Singapore

GSS Energy

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