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PUBLICATION : THE MALAYSIAN RESERVE
SECTION : MONEY
HEADLINE : SERBA DINAMIK MAINTAINS UPWARD GROWTH MOMENTUM
CATEGORY : COMPANY
MEASUREMENT : 77.7CM²
TO NE : NEUTRAL
REMARKS : NIL

Serba Dinamik maintains upward growth momentum

► Recommendation:

Buy

TARGET Price: RM2.78
 by RHB Research Institute
 Sdn Bhd (July 24)

Highlights

WE HOSTED Serba Dinamik Holdings Bhd at a roadshow in Singapore, meeting new and current investors alike.

Most of the queries revolved around its Qatar and Middle East operations, operations and maintenance (O&M) and engineering, procurement, construction and commissioning (EPCC) orderbook, utilisation of initial public offering proceeds and potential projects.

We remain upbeat in our outlook for the company, its RM4.7b orderbook would enable it to

► SERBA DINAMIK HOLDINGS BHD				
FORECAST AND VALUATION	DEC-16	DEC-17F	DEC-18F	DEC-19F
TOTAL TURNOVER (RM mil)	2,155	2,455	2,583	2,575
RECURRING NET PROFIT (RM mil)	253	278	305	306
RECURRING EPS (sen)	0.79	0.71	0.23	0.23
RECURRING PE (x)	10.3	9.4	8.5	8.5

chart earnings growth in the near term, while its venture into asset ownership would see additional recurring income sources for its bottom line.

Maintain 'Buy' with a SOP-based target price (TP) of RM2.78 (43% upside).

Orderbook of RM4.7b. Serba Dinamik's orderbook across its two main segments is valued at RM4.7b — with O&M jobs making up the bulk,

which is estimated at RM4b.

Its Middle East operation accounts for 63% of its O&M orderbook, while the rest comes from its Malaysian division. We estimate the maintenance, repair and overhaul of rotating equipment to make up c.90% of its O&M orderbook. The remainder would comprise inspection, repair and maintenance works.

EPCC projects on the way.

Its EPCC segment's current orderbook consists of: i) jobs related to its mini hydro and Kuala Terengganu water treatment projects, which jointly account for c.70% of the orders; and ii) various fabrication projects, which make up the remainder.

Its EPCC projects tend to complement its O&M business, as Serba Dinamik would typically handle the O&M require-

ments of the projects once they are commissioned. This is in line with its asset ownership strategy, where it is likely to take an equity stake in the asset.

Business as usual in Qatar. Management reassured investors that it is business-as-usual for its Qatar unit, due to the necessity of maintenance works.

We understand that Qatar, being a gas exporter, is still transporting liquefied natural gas to the Far East as well as United Arab Emirates via the pipeline.

Serba Dinamik also mentioned that it is filling up the vacuum left by other maintenance players in Qatar. However, management did mention that the cost of living has gone up slightly; and food and

beverages are estimated to be 10% higher now. The Qatar unit accounts for c.15% of Serba Dinamik's RM4b O&M orderbook.

We remain positive on Serba Dinamik despite the turbulence in Qatar. Business in Qatar is still ongoing and, in turn, maintenance works would still be vital to operations.

Over the near term, its RM4.7b total orderbook would still chart earnings growth YoY, while its planned asset acquisitions are likely to be a mid-term growth catalyst.

We keep our earnings estimates, 'Buy' call and SOP-based TP of RM2.78.

A downside risk to our call is its orderbook being replenished at a slower than expected rate.