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SECTION : MONEY
HEADLINE : INTERNATIONAL EXPANSION TO CONTINUE DRIVING SERBA DINAMIK FORWARD
CATEGORY : COMPANY
MEASUREMENT : 75.6CM²
tone : NEUTRAL
REMARKS : NIL



▶ SERBA DINAMIK HOLDINGS BHD				
FYE DEC	2016A	2017F	2018F	2019F
REVENUE (RM mil)	2,168.3	2,511.5	2,894.9	3,179.8
PATAMI (RM mil)	246.1	262.6	317.2	355.6
EPS (sen)	18.4	19.7	23.8	26.6
PE (x)	14.3	13.4	11.1	9.9

International expansion to continue driving Serba Dinamik forward

► Recommendation: Outperform

TARGET Price: RM2.85
 by Public Investment Bank Bhd (Oct 25)

Highlights

SERBA Dinamik Holdings Bhd has proposed to acquire a 16-storey office building for RM43.5m in Shah Alam, as disclosed in the initial public offering (IPO) prospectus as part of its future plan for its corporate office, to house its head office and perational staff.

The purchase will be satisfied by cash, whereby RM30m will be financed through the proceeds from the IPO and the remainder from internally generated funds and/or bank borrowings.

We continue to maintain our 'Outperform' recommendation with a TP of RM2.85 based on our 12x PE multiple to our

FY18F EPS of 23.8 sen.

Details of the property. We understand the proposed building acquisition is currently Bangunan Affin Bank, Shah Alam. The building is a 16-storey office with a four-storey basement carpark.

Rationale. The building acquisition is in line with Serba Dinamik's intentions to acquire a corporate office building to: i) Accommodate the increased number of employees; ii) to house its employees in one main location to increase operational efficiency, minimising logistic movements and costs with a more efficient use of man-hours; iii) to provide its employees with a comfortable and conducive work environment to enhance productivity and performance; and iv) to enhance the visibility of its brand and elevate its corporate image and brand consciousness among its customers, sup-

pliers, employees and other stakeholders.

Balance sheet effect assuming that RM13.5m is funded by bank borrowings, the consolidated gearing of Serba Dinamik will increase from 0.79 times to 0.81 times based on the audited consolidated statement of financial position of the group as at Dec 31, 2016.

Retain 'Outperform'. The group will continue to be supported by its core activities in operation and maintenance (O&M) and engineering procurement construction commissioning (EPCC), driven by its expansion into international markets which, by its track record, has historically seen c.80% of its contracts renewed.

The group's robust RM10b bid book for the next three years will comprise of c.70% O&M contracts and c.30% of EPCC.