

DATE : 25 SEPT 2017
PUBLICATION : THE EDGE
SECTION : CAPITAL
HEADLINE : SERBA DINAMIK HOLDINGS BHD
CATEGORY : COMPANY
MEASUREMENT : 102.2CM²
TONE : NEUTRAL
REMARKS : NIL

Serba Dinamik Holdings Bhd

Target price: **RM2.75** **OUTPERFORM**



Comparable Peers

	Market Cap (Bhd mil)	Net margin		ROE		Net profit growth		Net-gearing	
		1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd. (%)	2-Yr. Fwd. (%)	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
DAYANG	1,003.4	1.8%	7.6%	5.8	8.4	N.A	474.0%	1.2	1.2
DIALOG	11,076.8	11.3%	12.3%	11.6	11.2	11.9%	2.8%	0.0	0.1
DELEUM	356.2	N.A.	N.A.	10.3	11.8	N.A.	N.A.	N.A.	N.A.
KNM	511.9	0.4%	2.5%	0.3	1.9	-102.0%	204.9%	0.4	0.4
PENERGY	312.9	2.8%	8.7%	5.775	9.1	-107.6%	349.8%	-0.3	-0.1
SERBADIK	2,950.4	11.1%	15.6%	20.0	19.0	15.1%	9.5%	0.08	0.14

Source: Kenanga Research

KENANGA RESEARCH (SEPT 19): Despite already appreciating 47% since its initial public offering, Serba Dinamik, an operations and maintenance (O&M) services specialist, is still trading at an undemanding valuation of 9.6 times FY18 PER as we see further upside. This is premised on: (i) its decent earnings growth of 15% and 10% in FY17/FY18 backed by the O&M and engineering, procurement, construction and commissioning (EPCC) segments via geographical expansion amid weak oil prices; (ii) stable margins of 10.6% to 11.1%; and (iii) superior ROE of 20% and 19%. The RM1.4 billion development project in Pengerang, Johor, could position Serba Dinamik as a leader in the maintenance services segment capitalising on the increasing demand from the Pengerang Integrated Complex in the long run. We initiate coverage on Serba Dinamik with an "outperform" call at a target price of RM2.75.

Serba Dinamik is an international energy services company providing engineering solutions to the oil and gas and power generation industries with operational facilities in Malaysia, Indonesia, the

United Arab Emirates, Bahrain and the UK. Having established itself as a solid domestic maintenance, repair and operations service provider, Serba Dinamik is focused on growing its regional presence, actively bidding for projects of up to RM10 billion (70:30 split for O&M:EPCC) to add to an already promising order book of RM4.7 billion (87% attributable to O&M where historically 80% are renewed).

We estimate earnings growth of 15% and 10% for FY17/FY18E led by consistent top-line growth of 18% and 15%, underpinned by gradual recognition from existing projects and 20% success rate from tenders (RM2 billion order-book replenishment per year). We believe a significant portion of the revenue is recurring in nature as maintenance contracts stand a good chance of renewal upon expiry should Serba Dinamik provide quality services to clients. A dividend payout policy of at least 30% potentially translates into FY17/FY18E DPS of 6.3 sen and 6.9 sen, giving a dividend yield of 2.8 and 3.1%.

Risks include lower-than-expected order book replenishment, being unable to execute power plants and weaker-than-expected margins.