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HEADLINE : SERBA DINAMIK SEEKS FUNDS FOR JOHOR, TANZANIA PROJECTS
CATEGORY : COMPANYY
MEASUREMENT : 79.1CM²
TONE : NEUTRAL
REMARKS : NIL

Serba Dinamik seeks funds for Johor, Tanzania projects

► Recommendation:

Outperform

TARGET Price: RM4
by Public Investment Bank Bhd (Jan 10)

Highlights

SERBA Dinamik Holdings Bhd announced plans for a private placement exercise which will expand its current share base by 10%, with the bulk of proceeds used on its upcoming projects in Johor and Tanzania.

While potentially dilutive over the shorter term as the said contracts are accounted for in our replenishment assumptions, we believe the group stands poised to clinch further contract awards and thereby mitigate any untoward effects.

Serba's gradual shift toward

► SERBA DINAMIK HOLDINGS BHD				
FYE DEC	2016A	2017F	2018F	2019F
REVENUE (RM mil)	2,168.3	2,511.5	3,027.7	3,382.7
PATAMI (RM mil)	246.1	262.6	333.8	372.9
EPS (sen)	18.4	19.7	25.0	27.9
PE (x)	18.4	17.3	13.6	12.2

an asset-ownership business model stands in good stead with upfront engineering, procurement, construction and commissioning (EPCC)-related income contributions recognised and steady income streams locked-in over the longer term.

We continue to like the group's growth prospects and reaffirm our 'Outperform' call. Our target price is raised to

RM4 (RM3.50 previously) based on a 16x multiple (14x previously) to FY18 EPS of 25 sen, the higher multiple still justifiable in our view given its strong growth prospects, reflected by its constant clinching of contracts. FY17 to FY19 compound annual growth rate is 19.2%.

The exercise will entail 133.5m new shares being issued and raise approxi-

mately RM433.98m based on the indicative price of RM3.25 per share on the most recent volume-weighted average market price. The placement will be implemented in tranches within six months after the receipt of all regulatory approvals, and as such, may see several price fixing dates and issue prices.

Final quantum to be raised will ultimately depend on the

above-mentioned factors, particularly issue price. The exercise is expected to be completed by March this year.

Proceeds will be utilised mostly in Johor, with the rest in Tanzania and for placement expenses. The breakdown:

- RM270.5m will go into the partial development of the Pengerang Eco-Industrial Park which includes the development, maintenance, repair and overhaul and inspection, repair, and maintenance Global Centre of Excellence, and the Plant Turnaround Village. The entire project is valued at RM400m.
- RM44.9m will be for the partial development of the Pengerang International Commercial Centre. The entire project is valued at RM450m.

- RM111.1m will be on working capital requirements for the (EPCC) contract relating to the Tanzania project, a joint venture with Junaco (T) Ltd for the establishment and operation of a 45 metric tonnes per day chlorine skid-mounted chlor-alkali plant. The entire project is valued at RM295.3m.
- RM7.3m will go into expenses for this exercise.

Valuation

Prospects of the group will be supported by its core activities in operations, maintenance and EPCC, driven by its expansion into international markets which, by its track record, have historically seen ~80% of its contracts renewed. The group's current orderbook is estimated at RM5.2b.