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SECTION : MONEY
HEADLINE : SERBA DINAMIK MAKING HEADWAYS INTO PENGERANG
CATEGORY : COMPANY
MEASUREMENT : 79.1CM²
TO NE : NEUTRAL
REMARKS : NIL

Serba Dinamik making headways into Pengerang

► Recommendation: Buy

TARGET Price: RM4.15
by TA Securities Holdings Bhd (April 10)

Highlights

LAST year, Serba Dinamik Holdings Bhd signed a memorandum of understanding (MoU) with Izin Budi Sdn Bhd and Perisind Samudra Sdn Bhd (subsidiaries of state-owned PJJ Holdings Sdn Bhd) to develop 132 acres (53.42ha) of land in Pengerang, Johor.

The development will consist of: 1) Pengerang Eco Industrial Park (PeIP), the first operations and maintenance facility in Pengerang with various centres such as a plant turnaround village, maintenance, repair and overhaul and inspection, repair and maintenance centre of excellence and technical voca-

► SERBA DINAMIK HOLDINGS BHD				
FYE DEC 31	2017	2018E	2019F	2020F
REVENUE (RM mil)	2,712.8	3,130.9	3,581.5	4,107.1
NET PROFIT (RM mil)	310.0	406.2	463.4	526.2
CORE EPS (sen)	24.7	27.7	31.6	35.8
CORE PER (x)	14.9	13.3	11.7	10.3

tional education and training city; 2) Pengerang International Commercial Centre (PICC) — a commercial centre with Serba as an anchor tenant; and 3) Pengerang Northshore Residence (PNR), consisting of residential properties to cater for workers in the area. The development is within the Pengerang Integrated Petroleum Complex and meant to serve the complex's needs on completion.

Pengerang development

timeline. During the ground-breaking ceremony, management revealed a rough timeline for PeIP and PICC but details were scant on PNR.

According to Serba, after earthworks and land clearing are completed, construction will begin in 2QFY19. Subsequently, sale of properties will begin in 4QFY19, which will allow Serba to recoup some of its capital expenditure.

Finally, construction of the

first phase will be completed in 4Q20, and operations will commence thereafter.

On the other hand, construction of PICC will begin in 4QFY19 and be completed in 4Q21. Thus, we believe the development will begin contributing meaningful earnings in 2021, following the completion of PeIP.

High tech maintenance facility. We note that Serba plans to adopt sophisticated

technology when building the industrial park. Furthermore, on completion, the park is expected to achieve Industry 4.0 standards, being the first integrated maintenance facility with artificial intelligence in the region.

VDP established by Serba.

Besides the ground-breaking ceremony, Serba also signed an MoU to establish a vendor development programme (VDP) at PeIP. The programme will nurture SMEs, allowing them to grow. It is similar to Petronas' VDP, which Serba was a part of previously.

Besides that, the vendors will have to set up operations in PeIP, which would net Serba some rental income. Nevertheless, the vendors will be able to secure contracts from Serba and increase their competencies.

We note that Serba has secured circa 20 companies for the VDP at this juncture. We also believe this is a crucial part of the agreement with the Johor government to allow Serba to develop the land, ie growing the local businesses and providing Johorians with jobs.

Impact. We maintain our earnings forecast.

Valuation. Maintain our target price of RM4.15 based on unchanged 15x CY18 PER.

We continue to like Serba for its: 1) global exposure; 2) aggressive expansion into the power and water industries; 3) major development in Pengerang; and 4) robust order-book expansion. We believe the Pengerang development will be a success and provide Serba with a long-term growth driver. Reiterate 'Buy'.