

**DATE** : 17 APR 2018  
**PUBLICATION** : THE STAR  
**SECTION** : BUSINESS  
**HEADLINE** : ANALYSTS ADJUST EARNINGS FORECAST FOR SERBA DINAMIK  
**CATEGORY** : COMPANY  
**MEASUREMENT** : 64.4CM<sup>2</sup>  
**TONE** : NEUTRAL  
**REMARKS** : NIL

## Analysts adjust earnings forecast for Serba Dinamik

**PETALING JAYA:** Several analysts have adjusted their earnings forecast for Serba Dinamik Holdings Bhd, following the acquisition of a stake in Singapore-listed technology firm CSE Global Ltd last week.

They also said that although the valuation of the acquisition is on the high side, it would expand the company's footprint.

RHB Research has raised its earnings forecast for Serba in 2018 and 2019 by 2.3% and 2%, respectively, after factoring in earnings contribution from its stake in CSE Global.

"The acquisition would provide the group with access to CSE Global's American and European clients for further expansion of its core operations and maintenance business," RHB Research said yesterday.

CSE Global has a strong presence

in North America, with its businesses in the United States contributing 57% of the group's total revenue.

RHB Research pointed out that the earnings contribution from CSE Global is expected to be RM10mil annually, or 2.4% of its forecast for Serba's 2018 profit after tax.

Kenanga Research has also upgraded its forecast for Serba's earnings in 2018 and 2019 by 1.4% after imputing CSE Global's earnings starting from mid-April this year with a 15% earnings growth, and higher finance cost as a result of increased borrowings post-acquisition.

The acquisition of a 25% stake in CSE Global for RM170.6mil would be fully funded via borrowings.

Kenanga Research expects Serba's net gearing in 2018 to

increase to 0.23 times from 0.15 times.

The research house said the acquisition "may appear to be high" at a price-earnings ratio of 17.7 times and a price-to-book ratio of 1.3 times.

"The management is confident that the outlook is improving with potential new orders from greenfield comprising new installations and brownfield comprising the maintenance, upgrade and enhancement of existing installation projects," it said in a note to clients yesterday.

Notably, the deal values the Singapore firm at about S\$0.45 a share. The stock was last traded at S\$0.42, giving it a market value of about S\$217mil.

Meanwhile, UOB Kay Hian

Malaysia Research reckoned that CSE Global would compliment Serba's current business, especially since almost 70% of the former's revenue is from the upstream oil and gas industry.

"This is different from Serba's client mix, which has a higher proportion of downstream and utility customers," it said, adding that there would be no overlap in clientele.

It expects Serba to have board representation in CSE Global.

However, UOB has trimmed its earnings forecast for Serba for the next three years, as it has not factored in the earnings accretion from CSE Global and foreign-exchange losses.

Shares in Serba closed three sen lower to RM3.48 yesterday.