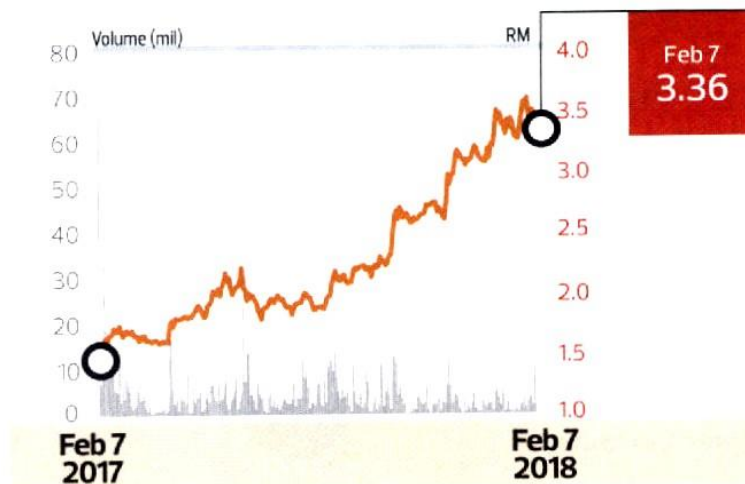


DATE : 12 FEB 2018
PUBLICATION : THE EDGE
SECTION : CAPITAL
HEADLINE : SERBA DINAMIK HOLDINGS BHD
CATEGORY : COMPANY
MEASUREMENT : 30.8CM²
tone : NEUTRAL
REMARKS : NIL

Serba Dinamik Holdings Bhd

Target price: **RM3.80 OUTPERFORM**



KENANGA INVESTMENT BANK (FEB 6): We are positive on the acquisition of a 40% stake held by Maju in Maju Renewable Energy Sdn Bhd, Maju RE (Talang) Sdn Bhd and Maju RE (Temenggor) Sdn Bhd for RM24.9 million as it is in line with Serba Dinamik's strategy of diversifying into an asset ownership business model. However, we make no changes to our earnings forecasts as the related contracts are well within our order book assumptions. We keep our target price of RM3.80 per share, pegged to 15 times FY18E PER.

Upon completion, Serba Dinamik is likely to be awarded with an engineering, procurement, construction and commissioning contract for the power plants on a turnkey basis (about RM560 million) as well as the related 21-year operation and maintenance contract of up to RM222 million, assuming RM10.6 million per annum based on the average cost of 2% per annum on the capital expenditure. The hydro-power plants could generate net earnings of RM7 million a year at a net 40% stake, assuming a project internal rate of return of 15%, 21-year contract period and net margin of 12%.