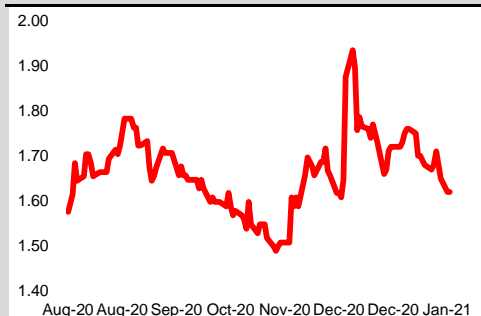


DESCRIPTION

An energy services group providing engineering solutions to the O&G and power generation industries with operational facilities in Malaysia, Indonesia, United Arab Emirates (UAE), Bahrain and United Kingdom (UK).

Target Price RM2.23
Current Price RM1.62
Upside +37.6%

Market Sector Main Oil & Gas
Bursa Code 5279
Bloomberg Ticker SDH MK
Shariah-compliant Yes

SHARE PRICE CHART


52 Week Range (RM) 1.02 – 2.48
3-Month Average Vol ('000) 15,100.6

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-6.4	2.7	-0.3
Relative Returns	-3.9	-3.3	-2.6

KEY STOCK DATA

Market Capitalisation (RM m) 5,463.9
No. of Shares (m) 3,372.8

MAJOR SHAREHOLDERS

	%
Dato' Dr. Ir. Mohd Abdul Karim	26.9
Abdul Kadier Sahib	17.6
Employee Provident Fund	9.5

Nurzulaikha Azali

T 603 2268 3017

F 603 2268 3014

E nurzulaikha.azali@publicinvestbank.com.my

First Awards For The Year

Serba Dinamik (Serba) announced its first batch of contract awards for this year, comprising nine in the O&M segment and one each in the EPCC and ICT segments. The jobs which are mostly in Indonesia are worth a collective RM548.2m. We welcome this announcement as it demonstrates the Group's ability in continuously securing contracts amid the current operating climate. With these, Serba's orderbook is maintained at RM18.7bn. We make no changes to our earnings forecasts, having accounted for this in our replenishment projections of RM10bn. Our TP of RM2.23 based on PE multiple of 12.8x over FY21 EPS of 17.4sen remains unchanged. Our **Outperform** rating on Serba is affirmed given i) its defensive business nature even during the downturn, ii) delivery of 5-year earnings growth (FY18-FY22F) CAGR of c.15%, and iii) stability in its future earnings underpinned by its long-term recurring earnings.

§ **The contracts.** The nine international-based contracts comprising of eight operations and maintenance (O&M) and one information, communication & technology (ICT) are with firm values of ~RM548.2m. There are two local contracts, one each in O&M and engineering, procurement, construction and commissioning (EPCC) with value much smaller at around RM10m though having the potential to rise as work orders on the O&M contract will be based on a call-out basis. The contracts' lifespans vary, some going up to 2035. These projects are estimated to yield 17% profit margin at the gross level. Project details are in Table 1.

§ **The notable ones.** There are five long-term contracts in relation to Supply Super Ultima (power quality) services under O&M contract in Indonesia. It is understood that these jobs are power-related projects, showcasing Serba's capability in expanding its non-O&G related segment. These five are collectively worth USD80m or equivalent to RM323m.

§ **Order book maintained at RM18.7bn.** This represents the first batch of contract awards for year 2021. With these new wins, Serba's outstanding order book remains at a historical-high of RM18.7bn, translating to 4.1x of revenue. Management is expecting to maintain RM15bn balance order book at the end of 2021 which we think is not an issue given its global presence, good relationship with its clientele and commendable track record. Serba exceeded its 2020 target of achieving an RM15bn order book through the securing of 25 contracts worth some RM11.5bn despite the global economic downturn due to the Covid-19 pandemic. We foresee this momentum continuing in 2021, in line with progressive improvement in the oil and gas industry as well as its further expansion in the ICT business.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	2018A	2019	2020F	2021F	2022F	CAGR
Revenue	3,283.2	4,528.6	5,176.3	5,698.7	6,413.5	18.2%
Operating Profit	473.3	692.6	647.4	735.7	777.7	13.2%
Pre-tax Profit	437.6	544.8	605.4	703.0	749.4	14.4%
PATAMI	391.4	496.6	556.4	646.1	688.7	15.2%
EPS (Sen)	10.5	13.4	15.0	17.4	18.6	12.6%
P/E (x)	15.4	12.1	10.8	9.3	8.8	
DPS (Sen)	8.0	7.5	5.0	5.7	6.1	
Dividend Yield (%)	4.9	4.6	3.1	3.5	3.8	

Source: Company, PublicInvest Research estimates

Table 1: Contract Details

Segment	Country	Project Owner	Contract	Duration
EPCC	Malaysia	Sarawak Shell	Design, supply, delivery and commissioning of standby diesel generator GD-7720 for E8DR-A Platform	Jan 2021 – May 2023
		Petronas Chemicals Methanol	Provision of specialized manpower supply and equipment rental for rotating equipment work services for PCMSB P1TA17- Package A	Dec 2020 – April 2021
O&M	Indonesia	PT PHE West Madura Offshore	Procurement of Microturbine Generator	Sept 2020 – May 2021
		PT Pilar Bahtera Energi	Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP – Tanjung	Nov 2020 – Nov 2035
		PT Pilar Bahtera Energi	Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP – Sukowati	Nov 2020 – Nov 2035
		PT Pilar Bahtera Energi	Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP - Kawengan	Nov 2020 – Nov 2035
		PT Pilar Bahtera Energi	Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Jhonlin	Nov 2020 – Nov 2035
		PT Pilar Bahtera Energi	Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP – Lirik	Nov 2020 – Nov 2035
		PT Aico Energi	LNG Midstream Services / LNG Supply for PT Wastec International's work area	Nov 2020 – Nov 2028
		Saka Energi Muriah Ltd	Provision of Microturbine generator support services	Jan 2021 – March 2021
ICT	India	Captive Technology Solutions Pvt Limited	Implementation of Smart Solutions for development of Smart City and Safe City	Jan 2021 – 11 Jan 2025

Source: Bursa Announcement

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2018A	2019	2020F	2021F	2022F
Revenue	3,283.2	4,528.6	5,176.3	5,698.7	6,413.5
Operating Profit	473.3	692.6	647.4	735.7	777.7
Other Op. Income	7.9	8.4	1.0	1.0	1.0
Administration Expenses	-116.8	-126.7	-135.6	-154.1	-166.4
Pre-tax Profit	437.6	544.8	605.4	703.0	749.4
Income Tax	-44.8	-46.8	-49.6	-57.6	-61.5
Effective Tax Rate (%)	10.4	8.6	8.2	8.2	8.2
Minorities	1.4	1.3	0.7	0.7	0.8
PATAMI	391.4	496.6	556.4	646.1	688.7

Growth

Revenue	21%	38%	14%	14%	8%
Gross Profit	20%	39%	15%	14%	6%
PATAMI	26%	43%	12%	16%	7%

Source: Company Prospectus, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2018A	2019	2020F	2021F	2022F
Property, plant and equipment	1,146.5	1,928.7	1,366.8	1,588.7	1,804.4
Inventories	848.2	919.5	1,013.0	1,151.5	1,247.8
Trade receivables	1,018.4	1,265.2	1,545.1	1,756.2	1,896.3
Other assets	1,225.8	2,240.8	3,382.4	3,687.8	3,890.4
Total Assets	4,238.9	6,354.2	7,307.3	8,184.2	8,838.9
Borrowings	1,711.4	3,351.4	3,751.4	3,863.9	4,095.8
Trade payables	359.7	452.5	724.5	1,006.3	1,290.1
Other liabilities	69.0	110.4	54.6	204.0	94.2
Minority Interests	4.1	7.2	5.0	5.0	5.0
Total Liabilities	2,140.1	3,914.3	4,530.5	5,074.2	5,480.1
Total Equity	2,094.7	2,439.9	2,776.8	3,110.0	3,358.8
Total Equity and Liabilities	4,238.9	6,354.2	7,307.3	8,184.2	8,838.9

Source: Company Prospectus, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2018A	2019	2020F	2021F	2022F
Book Value Per Share	1.4	0.8	0.9	1.0	1.1
NTA Per Share	2.9	2.1	1.3	1.5	1.6
EPS (Sen)	10.5	13.4	15.0	17.4	18.6
DPS (Sen)	8.0	7.5	5.0	5.7	6.1
Payout Ratio (%)	30.1	46.6	30.0	30.0	30.0
ROA (%)	9.2	7.8	12.4	12.9	12.4
ROE (%)	18.6	20.3	18.9	19.0	17.8

Source: Company Prospectus, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:

PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014

Dealing Line 603 2268 3129