

19 January 2021

## Serba Dinamik Holdings

### First Contract Wins of The Year

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SERBADK has secured eleven new contracts (nine overseas, two local), amounting to ~RM558m. We are positive on the new wins, reflecting the group's competitive and technical capabilities. This brings its order-book to RM18.7b, of which ~40% is from oil and gas. Maintain **OUTPERFORM**, with TP of RM2.50.

**Eleven new contracts.** SERBADK announced that it has secured a total of eleven new contracts, consisting of: (i) nine overseas contracts, with a combined estimated contract value of approximately USD135.8m (or ~RM548.2m), and (ii) two local contracts, with no specific values as they are on a "call-out" basis (refer to table below for further breakdown of contract details). Nonetheless, we **guesstimate** the local contracts to be worth ~RM10m, bringing total wins combined to ~RM558m.

**Positive on the new wins.** We are positive on the contract wins, showcasing SERBADK's competitive and technical capabilities. These contracts are expected to fetch mid to high-teens gross margins, in line with the group's historical average. Additionally, most of the Indonesian O&M contracts secured this time round are from the power sector – a reflection of the group shifting reliance away from the oil and gas sector. These are the group's first wins in FY21, bringing its order-book to RM18.7b – of which only 40% are from oil and gas sector.

**Consistent growth track record.** Despite the challenging times, we expect SERBADK to continue delivering earnings growth moving forward, backed by its strong and diverse order-book, as well as its global reach coupled with its high job delivery competencies. Based on the group's track record, SERBADK has been proven to be one of the most resilient names in terms of earnings growth delivery.

**Maintain OUTPERFORM**, with unchanged TP of RM2.50, pegged to FY21E PER of 15x. Note that our valuations have already taken into account an enlarged share base arising from its upcoming 10% private placement (expected completion by end-1QFY21). No changes to our FY20-21E earnings, as the new wins are well within our FY21 order-book replenishment assumption of ~RM10b.

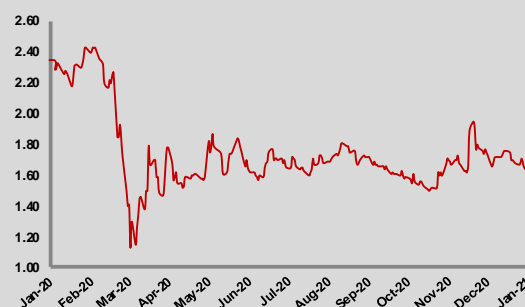
Given its strong earnings growth outlook, we believe the stock's current share price level is remarkably attractive.

**Risks to our call include:** (i) lower-than-expected order-book replenishment, (ii) weaker-than-expected margins, and (iii) geopolitical unrest in the Middle-East affecting oil and gas-related activities.

## OUTPERFORM ↔

Price : **RM1.62**  
Target Price : **RM2.50** ↔

### Share Price Performance



KLCI	1,609.52
YTD KLCI chg	-1.1%
YTD stock price chg	-8.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDH MK Equity
Market Cap (RM m)	5,463.9
Shares Outstanding	3,372.8
52-week range (H)	2.48
52-week range (L)	1.02
3-mth avg daily vol:	14,771,250
Free Float	46%
Beta	1.4

### Major Shareholders

Abdullah Mohd Abdul	26.9%
Sahib Abdul Kadier	17.6%
Employees Provident Fund	9.5%

### Summary Earnings Table

FYE Dec (RM m)	2019A	2020E	2021E
Revenue	4528.6	5207.9	6041.2
EBIT	692.6	781.2	906.2
Profit Before Tax	544.8	604.9	685.8
Net Profit	<b>496.6</b>	<b>544.4</b>	<b>617.3</b>
<b>Core Net Profit</b>	<b>496.6</b>	<b>544.4</b>	<b>617.3</b>
Consensus (CNP)		562.1	668.3
Earnings Revision (%)		-	-
Core EPS (sen)	13.4	14.7	16.7
Core NP growth (%)	26.9	9.6	13.4
DPS (sen)	4.5	4.4	5.0
BV/Share (RM)	0.7	0.8	1.1
PER (x)	12.1	11.0	9.7
Price/BV (x)	2.5	1.9	1.5
Net Gearing (x)	0.8	0.8	0.6
Div Yield (%)	2.7	2.7	3.1

19 January 2021

**Details of Contracts Secured (Overseas)**

<u>Contract Title</u>	<u>Client</u>	<u>Duration</u>	<u>Segment</u>	<u>Country</u>
Procurement of Microturbine Generator	PT PHE West Madura Offshore	17 September 2020 – 31 May 2021	O&M	Indonesia
Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP – Tanjung	PT Pilar Bahtera Energi	25 November 2020 – 24 November 2035	O&M	Indonesia
Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP – Sukowati	PT Pilar Bahtera Energi	25 November 2020 – 24 November 2035	O&M	Indonesia
Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP - Kawengan	PT Pilar Bahtera Energi	25 November 2020 – 24 November 2035	O&M	Indonesia
Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Jhonlin	PT Pilar Bahtera Energi	25 November 2020 – 24 November 2035	O&M	Indonesia
Supply Super Ultima (power quality) services through Kinectic UPS for PT PLN Persero at PT Pertamina EP – Lirik	PT Pilar Bahtera Energi	25 November 2020 – 24 November 2035	O&M	Indonesia
LNG Midstream Services / LNG Supply for PT Wastec International's work area	PT Aico Energi	28 November 2020 – 27 November 2028	O&M	Indonesia
Provision of Microturbine generator support services	Saka Energi Muriah Ltd	1 January 2021 – 31 March 2021	O&M	Indonesia
Implementation of Smart Solutions for development of Smart City and Safe City	Captive Technology Solutions Pvt Limited	12 January 2021 – 11 January 2025	ICT	India

Source: Bursa Malaysia

**Note: The combined estimated contract value above is approximately USD135.8m (or ~RM548.2m).**

**Details of Contracts Secured (Local)**

<u>Contract Title</u>	<u>Client</u>	<u>Duration</u>	<u>Segment</u>	<u>Country</u>
Provision of specialized manpower supply and equipment rental for rotating equipment work services during PCMSB P1TA17- Package A	Petronas Chemicals Methanol Sdn Bhd	24 December 2020 – 7 April 2021	O&M	Malaysia
Design, supply, delivery and commissioning of standby diesel generator GD-7720 for E8DR-A Platform	Sarawak Shell Berhad	8 January 2021 – 16 May 2023	EPCC	Malaysia

Source: Bursa Malaysia

**Note: The contracts above have no specific value as they are on a "call-out" basis whereby the work orders will be awarded at the discretion of the client based on their activities' schedules and rates throughout the duration of the respective contracts.**

**Nonetheless, we guesstimate the above contracts to be worth ~RM10m.**



19 January 2021

### Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BUMI ARMADA BHD	0.345	2,030.6	N	12/2020	13.0%	4.3%	40.3%	10.3%	7.2	5.1	4.6	0.6	0.6	11.5%	0.0%	0.210	UP
DAYANG ENTERPRISE HLDGS BHD	1.14	1,319.9	Y	12/2020	-31.2%	15.5%	-71.2%	32.3%	5.6	19.5	14.8	0.8	0.8	4.2%	0.0%	1.20	MP
DIALOG GROUP BHD	3.22	18,167.1	Y	06/2021	29.4%	11.7%	7.8%	8.2%	30.2	28.0	25.8	4.4	4.0	14.9%	1.1%	4.35	OP
MALAYSIA MARINE AND HEAVY EN	0.415	664.0	Y	12/2020	-1.8%	29.8%	-371.3%	-144.8%	N.A.	N.A.	N.A.	0.3	0.3	-4.0%	0.0%	0.380	OP
MISC BHD	6.48	28,925.1	Y	12/2020	-4.1%	13.5%	24.0%	0.9%	18.0	14.5	14.4	0.8	0.8	5.6%	4.6%	8.90	OP
PANTECH GROUP HOLDINGS BHD	0.425	317.4	Y	02/2021	-41.9%	57.1%	-47.6%	79.8%	9.6	18.4	10.2	0.5	0.5	2.8%	2.4%	0.310	UP
PETRONAS CHEMICALS GROUP BHD	7.28	58,240.0	Y	12/2020	-16.4%	10.4%	-47.7%	61.6%	20.1	38.4	23.8	1.9	1.9	5.0%	1.3%	6.45	MP
PETRONAS DAGANGAN BHD	21.30	21,160.6	Y	12/2020	-41.6%	32.0%	-60.1%	86.6%	25.7	64.5	34.6	3.5	3.5	5.5%	1.2%	16.00	UP
SAPURA ENERGY BHD	0.120	1,917.5	Y	01/2021	-11.4%	8.7%	-112.1%	-242.4%	N.A.	N.A.	N.A.	0.2	0.2	-1.8%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.62	5,463.9	Y	12/2020	15.0%	16.0%	9.6%	13.4%	12.1	11.0	9.7	2.5	1.9	19.5%	3.4%	2.50	OP
UZMA BHD	0.530	169.6	Y	06/2021	-6.8%	2.3%	851.9%	20.2%	62.8	6.6	5.5	0.4	0.4	5.5%	0.0%	0.720	OP
VELESTO ENERGY BHD	0.130	1,068.0	Y	12/2020	-15.8%	6.9%	-133.1%	-215.1%	33.4	N.A.	N.A.	0.4	0.4	-0.4%	0.0%	0.130	MP
WAH SEONG CORP BHD	0.775	600.1	Y	12/2020	-52.3%	58.3%	-185.3%	-73.7%	8.5	N.A.	38.0	0.6	0.8	-7.1%	0.0%	0.430	MP
YINSON HOLDINGS BHD	5.59	5,954.7	Y	01/2021	92.4%	-0.4%	206.8%	-15.1%	27.8	9.1	10.7	3.7	2.7	34.8%	1.1%	6.95	OP
<b>Simple Average</b>					<b>-5.2%</b>	<b>19.0%</b>	<b>8.0%</b>	<b>-27.0%</b>	<b>21.8</b>	<b>21.5</b>	<b>17.5</b>	<b>1.5</b>	<b>1.3</b>	<b>6.9%</b>	<b>1.1%</b>		

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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