

Serba Dinamik Holdings (SDH MK) : BUY

Mkt. Cap: US\$1,298m | **3m Avg. Daily Val:** US\$8.0m

Last Traded Price (30 Jun 2020): RM1.65

Price Target 12-mth: RM2.80 (70% upside) (Prev RM2.80)

Analyst

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Maintains winning streak amid headwinds

- Clinched three contracts worth RM544m and another seven contracts on "call-out" basis
- Lifts outstanding order book by c.3% to RM17.5bn
- Relatively more resilient with O&M business
- Maintain BUY with unchanged TP of RM2.80

Forecasts and Valuation

FY Dec (RMm)	2018A	2019A	2020F	2021F
Revenue	3,283	4,529	5,201	6,879
EBITDA	574	896	961	955
Pre-tax Profit	434	546	714	885
Net Profit	389	497	624	764
Net Pft (Pre Ex.)	389	497	624	764
Net Pft Gth (Pre-ex) (%)	25.6	27.6	25.7	22.3
EPS (sen)	26.5	16.1	20.2	24.8
EPS Pre Ex. (sen)	26.5	16.1	20.2	24.8
EPS Gth Pre Ex (%)	26	(39)	26	22
Diluted EPS (sen)	26.5	12.5	14.4	19.3
Net DPS (sen)	8.03	4.65	5.57	6.82
BV Per Share (sen)	157	94.3	109	127
PE (X)	6.2	10.2	8.2	6.7
PE Pre Ex. (X)	6.2	10.2	8.2	6.7
P/Cash Flow (X)	25.0	6.9	8.8	21.5
EV/EBITDA (X)	5.8	6.3	5.7	5.7
Net Div Yield (%)	4.9	2.8	3.4	4.1
P/Book Value (X)	1.1	1.8	1.5	1.3
Net Debt/Equity (X)	0.4	0.2	0.1	0.1
ROAE (%)	22.4	19.9	19.9	21.0

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

Serba Dinamik Holdings (SDH) has secured; 1) one engineering, procurement, construction and commissioning (EPCC) contract, 2) two information, communication & technology (ICT) contracts, 3) seven operations and maintenance (O&M) contracts, 4) three products and services contracts.

These new contracts have a collective value of RM543.5m; i) an EPCC contract in Indonesia from Polytama Propindo which commenced on April, 2020 and is expected to be completed by April, 2025, ii) two information, communication and technology (ICT) contracts from ZCOM System LTD which commenced on July, 2020 and is expected to be completed by July, 2027.

The "call-out" contracts are;

- Operations and maintenance (O&M) contract secured from Sarawak Shell Berhad which commenced on March, 2020 and is expected to be completed by December, 2021,
- O&M contract from Sea Hibiscus Sdn Bhd which commenced on April, 2020 and is expected to be completed by April, 2025 (with one-year extension option),
- O&M contract from Sarawak Shell Berhad which commenced on April, 2020 and is expected to be completed by April, 2025,



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- iv) O&M contract from Sejingkat Power Corporation Sdn Bhd which commenced on March, 2020 to March, 2021,
- v) O&M contract from SEB Power Sdn Bhd which commenced on April, 2020 to April, 2021
- vi) O&M contract from MDC Oil & Gas (SK 320) Ltd which commenced on June, 2020 to May, 2024, (with one-year extension option)
- vii) O&M contract from Pengerang Refining Company Sdn Bhd Ltd which commenced on June, 2020 to June, 2024

Outlook

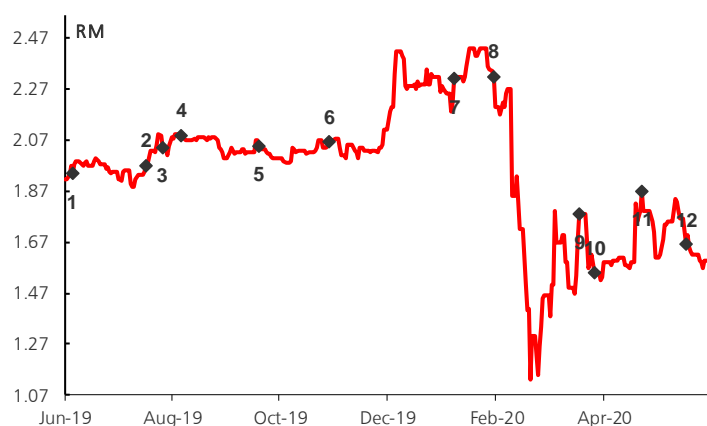
The new wins lifts SDH's outstanding order book by c.3% to around RM17.5bn (YTD new wins: RM9.4bn). Based on our estimates, the new contracts could lift FY20 and FY21 earnings by approximately 1%. It is an impressive feat amid a challenging operating environment. There have not been any contract renegotiations for SDH's existing contracts despite prevailing headwinds. With a proven track record, we expect it to deliver on its current contracts.

Valuation and Recommendation

Maintain BUY at target price (TP) of RM2.80. We believe that SDH is one of the more resilient oil & gas players in our coverage with about 40% of its current order book of RM17.5bn recurring in nature. In addition, it has minimal exposure to upstream oil & gas.

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Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Abdul Azim Muhthar

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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