

SERBA DINAMIK

Results Update

SELL

Current Price	RM 0.41
Target Price	RM 1.64
Consensus Price	RM 0.96

Stock Return Information

KLCI	1,559.68
Expected share price return (%)	300.4
Expected dividend return (%)	17.2
Expected total return (%)	317.6

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	SDH MK
Masa Ticker / Stock Code	SERBADK/5279
Shares Issued (m)	3,727.0
Market Capitalisation (RM'm)	1,528.1
52 Week Hi/Lo Price (RM)	2.09/0.41
Avg Trading Volume (3-mth)	130,670,000
Est Free Float (%)	35.3
YTD Returns (%)	-76.7
Beta (x)	1.54

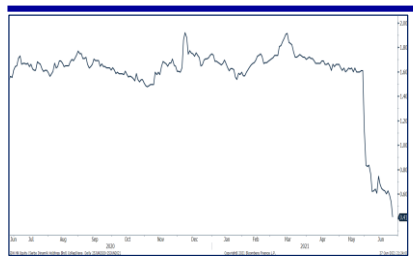
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-74.5	-72.4
3 mth	-76.3	-73.7
12 mth	-74.4	-79.2

Major Shareholders (%)

Abdullah Mohd Abdul Karim Bin	27.1
Sahib Abdul Kadier	16.3
Employees Provident Fund	7.6

1-Year Share Price Performance



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Hit To Reputation Amid Audit Flags

We keep our **SELL** call on Serba Dinamik Holdings Bhd (SDHB) with a lower TP of RM1.64 by pegging our lower FY22F EPS of 23.5 sen to a PER of 7x, or 2SD below its three-year mean, after recent accounting issues cast doubt on SDHB's financial authenticity, resulting in the 76.5% YTD fall in share price.

Result Update

5QFY21 net profit fell 43.9% Q-o-Q to RM113.3m, from RM202.1m, mainly weighed down by weaker contribution from the O&M segment amid slower activity due to the implementation of MCO in several states in the country. Gross profit margins, meanwhile, were largely maintained at around 17.0%. Lower contribution from the EPCC, ICT and also E&T divisions also pressured group revenue, resulting in a 23.8% Q-o-Q fall to RM1.38b vs. RM1.82b last quarter.

Down from the previous quarter. SDHB saw a broad decline in revenue across all of its segments: O&M (-16.3% Q-o-Q), EPCC (-51.1% Q-o-Q), ICT (-72.8% Q-o-Q) and E&T (-36.8% Q-o-Q) due to the MCO imposition. Subsequently, gross profit also reduced by 23.5% sequentially, albeit margins were largely unchanged.

Outlook

Outstanding orderbook stood at RM18.7b as of March, with certain projects still underway, although total progress billings could be slower due to the MCO 3.0 and subsequent extensions. To date, there is no indication of any significant negative impact to earnings arising from SDHB's recent audit irregularities. However, we believe that the scandal may affect the group's ability to raise capital in the near-term as institutional shareholders race to reduce their stakes in SDHB since May. Therefore, sentiments on the stocks will remain depressed despite its ongoing projects that would support its earnings for the next 18 months. Net gearing, meanwhile, is at 0.8x, higher than its 5-year historical mean of 0.5x.

Verdict

Topline positive, but net profit disappoints. The group's cumulative 18-month revenue was in-line with expectations, accounting for 80.5% of our FY21 (18 months) estimates, however, net profit came in below our forecast at only 72.9%. The variance was mainly due to higher-than-expected net finance expense. We reduced our sales and net profit forecast for FY21 by 2.1%/11.9% after increasing our net interest expense estimates. FY22 topline and net profit were also adjusted, albeit by less than 5.0%.

Table 1: Investment Highlights & Earnings Forecasts

FYE June (RMm)	CY17	CY18	CY19	FY21(F)*	FY22(F)
Revenue	2,722.3	3,283.2	4,528.6	8,998.5	7,831.7
GP	483.9	582.3	810.8	1,529.7	1,351.0
EBIT	382.1	473.3	691.0	1,315.3	1,137.1
PBT	346.1	434.1	544.8	1,005.9	977.6
Net profit	308.1	387.9	496.6	899.7	874.1
EPS (sen)	8.3	10.4	13.3	24.1	23.5
Diluted EPS (sen)**	6.7	8.4	10.8	19.5	19.0
PER (x)	5.0	3.9	3.1	1.7	1.7
Diluted PER (x)**	6.1	4.9	3.8	2.1	2.2
DPS (sen)	2.7	3.2	4.0	7.2	7.0
Dividend yield (%)	6.6	7.7	9.9	17.7	17.2
ROE (%)	22.2	18.5	20.4	26.0	19.0
Net Gearing	0.3	0.5	0.8	0.9	0.5

* 18months: changed financial year end to June 2021, from December 2020

** based on 4608.1m shares upon the full conversion of warrants

Source: Company and Inter-Pacific

Table 2: Financial Highlights

FYE Dec (RMm)	5QFY21	4QFY21	QoQ Chg (%)
Revenue	1,384.3	1,815.6	-23.8
GP	235.5	307.8	-23.5
EBITDA	251.3	323.3	-22.3
EBIT	187.7	260.7	-28.0
PBT	127.3	227.3	-44.0
Net profit	113.3	202.1	-43.9
GP margin (%)	17.0	17.0	0.4
EBITDA margin (%)	18.2	17.8	2.0
EBIT margin (%)	13.6	14.4	-5.6
PBT margin (%)	9.2	12.5	-26.6
Net profit margin (%)	8.2	11.1	-26.5

Table 3: Segment Revenue

Revenue (RMm)	5QFY21	4QFY21	QoQ Chg (%)
O&M	1,252.5	1,497.1	-16.3
EPCC	99.3	203.0	-51.1
ICT	30.8	113.0	-72.8
E&T	1.6	2.5	-36.8
Total	1,384.3	1,815.6	-23.8

Table 4: Segment Results

Gross Profit (RMm)	5QFY21	4QFY21	QoQ Chg (%)
O&M	214.6	255.3	-15.9
EPCC	14.2	29.0	-51.1
ICT	6.0	22.3	-73.3
E&T	0.8	1.2	-35.2
Total	235.5	307.8	-23.5

Table 5: Segment Margins (%)

Gross Margins (%)	5QFY21	4QFY21	QoQ Chg (%)
O&M	17.1	17.1	0.5
EPCC	14.3	14.3	-0.0
ICT	19.3	19.8	-2.1
E&T	47.4	46.2	2.5
Total	17.0	17.0	0.4

Source: Company, Inter-Pacific Research

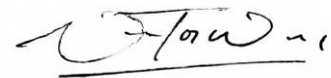
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Signed



Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd

Ratings System

Ratings:

Description:

BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months
TRADING SELL	Total return is expected to be below -10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

Abbreviation

Abbreviation

Definition

PER	Price Earnings Ratio
PEG	PER to Growth
EPS	Earnings per Share
FYE	Financial Year End
FY	Financial Year
CY	Calendar Year
MoM	Month-on-Month
QoQ	Quarter-on-Quarter
YoY	Year-on-Year
YTD	Year-to-Date
p.a.	Per Annum
DCF	Discounted Cash Flow
FCF	Free Cash Flow
NAV	Net Asset Value

Abbreviation

Definition

CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
DPS	Dividend per Share
ROA	Return on Asset
ROE	Return on Equity
PBT	Profit Before Tax
PAT	Profit After Tax
EV	Enterprise Value
EBIT	Earnings Before Interest And Tax
EBITDA	EBIT Depreciation & Amortisation
WACC	Weighted Average Cost of Capital
NTA	Net Tangible Asset
BV	Book Value

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Published by:

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