

# Serba Dinamik Holdings

## Share Split, Bonus and Free Warrants

By Koh Huat Soon / [hskoh@kenanga.com.my](mailto:hskoh@kenanga.com.my)

SERBADK announced a series of corporate exercises entailing, (i) share split, (ii) bonus issue, and (iii) free warrants. While we acknowledge there will be no fundamental impact and no dilution to existing shareholdings, we are positive, nonetheless, as this would help promote trading liquidity for the stock. Maintain **OUTPERFORM**, with TP of RM5.25 (ex-TP of RM2.50).

**Announced share split, bonus issue and free warrants.** SERBADK had announced (i) share split, on the basis of 2 existing shares into 3 shares, (ii) bonus issue, on the basis of 2 bonus shares for every 5 subdivided shares, and (iii) free warrants, on the basis of 2 free warrants for every 5 subdivided shares, with the exercise price to be determined at later date, to be expired after 5 years. The exercises are still subject for approvals from Bursa as well as shareholders, and is expected to be concluded by end-2019.

**Positive on the exercises.** While we acknowledge that the exercises have no fundamental impact towards the company in the near term, we, nonetheless, feel positive towards the exercises as it will help further enhance the marketability and trading liquidity of the share, with the market price of the share also being much more affordable and thus, potentially appealing to a wider group of public shareholders. The exercises are also expected not to result in an immediate dilution of existing shareholdings. Meanwhile, funds raised through the conversion of warrants over the next 5 years could also help with the company's working capital.

Post-exercise, the company's share base will be enlarged by 2.1x, excluding warrants conversion. Including full warrants conversion, the company's share base will be enlarged by 2.7x. For simple illustration purposes, every existing SERBADK share currently owned will result into 2.1 shares and 0.6 warrants.

**Reiterate OUTPERFORM**, with unchanged TP of RM5.25 (ex-TP of RM2.50), pegged to 15x PER on FY20E – which is around +2SD from its 2-year mean valuations.

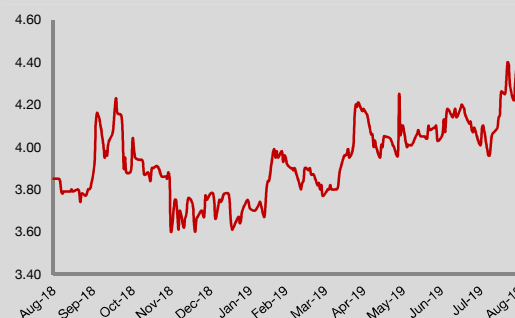
We continue to like SERBADK for having one of the best earnings delivery track records within the oil and gas space, coupled with outstanding management and best-in-class ROE against sector peers. Further contract wins and continued earnings delivery would act as catalysts moving forward.

**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 / Ex-Price : **RM4.40 / RM2.09**  
Target Price / Ex-TP : **RM5.25 / RM2.50** ↔

### Share Price Performance



KLCI	1,612.14
YTD KLCI chg	-4.6%
YTD stock price chg	16.4%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SDH MK Equity
Market Cap (RM m)	6,461.4
Shares Outstanding	1,468.5
52-week range (H)	4.56
52-week range (L)	3.55
3-mth avg daily vol:	2,885,638
Free Float	47%
Beta	1.1

### Major Shareholders

Abdullah Abdul Karim	23.6%
Sahib Abdul Kadir	19.0%
Putera Awang Daud	10.4%

### Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Revenue	3283.2	4043.9	4620.7
EBIT	473.3	563.1	647.2
Profit Before Tax	434.1	490.8	556.1
Net Profit	<b>387.9</b>	<b>454.5</b>	<b>515.0</b>
<b>Core Net Profit</b>	<b>387.9</b>	<b>454.5</b>	<b>515.0</b>
Consensus (CNP)		468.9	556.3
Earnings Revision (%)		-	-
Core EPS (sen)	26.4	31.0	35.1
Core NP growth (%)	25.9	17.2	13.3
DPS (sen)	8.0	9.3	10.5
BV/Share (RM)	1.4	1.6	1.9
PER (x)	16.7	14.2	12.5
Price/BV (x)	3.1	2.7	2.3
Net Gearing (x)	0.5	0.4	0.3
Div Yield (%)	1.8	2.1	2.4





03 September 2019

## 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 BERHAD	0.255	1,498.5	N	12/2019	-15.9%	0.0%	34.4%	2.3%	6.6	4.9	4.8	0.4	0.4	9.0%	0.0%	0.200	UP
DAYANG ENTERPRISE HLDGS BHD	1.39	1,341.1	Y	12/2019	22.2%	4.4%	-33.9%	9.1%	8.2	12.4	11.3	1.2	1.2	9.5%	0.0%	1.45	MP
DIALOG GROUP BHD	3.48	19,621.3	Y	06/2020	17.7%	6.1%	4.5%	9.7%	36.6	35.0	32.0	5.2	4.9	14.4%	1.1%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.800	1,280.0	Y	12/2019	-10.1%	43.0%	845.5%	139.3%	N.A.	88.3	36.9	0.5	0.5	0.6%	0.0%	1.05	OP
MISC BHD	7.26	32,406.8	Y	12/2019	3.1%	-2.9%	30.2%	5.3%	24.5	18.8	17.9	0.9	0.9	4.9%	4.1%	7.60	MP
PANTECH GROUP HOLDINGS BHD	0.500	375.0	Y	02/2020	1.3%	5.9%	1.3%	6.4%	8.6	8.4	7.9	0.7	0.6	7.6%	3.2%	0.690	OP
PETRONAS CHEMICALS GROUP BHD	6.93	55,440.0	Y	12/2019	-13.9%	4.8%	-30.3%	14.5%	11.1	16.0	13.9	1.8	1.7	11.1%	3.1%	7.70	MP
PETRONAS DAGANGAN BHD	22.88	22,730.2	Y	12/2019	-5.6%	2.0%	12.9%	7.7%	27.2	24.1	22.3	3.9	3.7	15.6%	2.9%	22.45	MP
SAPURA ENERGY BHD	0.275	4,383.3	Y	01/2020	5.9%	20.7%	1875.6%	258.5%	N.A.	90.8	25.3	0.3	0.3	0.4%	0.0%	0.430	OP
SERBA DINAMIK HOLDINGS	4.40	6,461.4	Y	12/2019	23.2%	14.3%	17.2%	13.3%	16.8	14.4	12.7	3.1	2.7	20.2%	2.1%	5.25	OP
UZMA BHD	0.675	216.0	Y	06/2020	-7.6%	-0.1%	117.5%	44.1%	22.3	10.2	7.1	0.5	0.4	4.2%	0.0%	0.610	MP
VELESTO ENERGY BHD	0.305	2,505.8	Y	12/2019	5.3%	6.2%	119.7%	152.0%	N.A.	164.9	65.4	0.9	0.9	0.5%	0.0%	0.350	OP
WAH SEONG CORP BHD	0.610	470.0	Y	12/2019	-47.7%	-7.7%	-18.8%	-18.1%	7.5	9.2	11.2	0.5	0.5	5.4%	0.0%	0.620	MP
YINSON HOLDINGS BHD	6.95	7,509.5	Y	01/2020	0.1%	70.2%	-7.1%	55.9%	28.6	30.8	19.7	4.4	3.9	13.5%	0.9%	7.75	OP

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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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)