

IPO Factsheet

Serrano Limited

Refer to important disclosures at the end of this report

DBS Group Research . Equity

20 Oct 2014

Issue Statistics

Offer Price	S\$0.23
Placement Shares	1.5m offer 28.5m placement
Market Cap	S\$34.5m
Placement Close	23 Oct 2014, 12.00 noon
Share Trading	28 Oct 2014, 9.00 a.m. (Catalist)
Sponsor, Issue Manager Underwriter & Placement Agent	UOB

Financials

FY Dec (\$S m)	2011A	2012A	2013A
Revenue	64.0	52.7	83.0
Gross Profit	6.1	7.3	11.0
Pre-tax Profit	0.7	1.5	3.5
Net Profit	0.6	1.1	3.2
Ratios / Margins			
PE (X)*	57.5	28.8	11.0
P/NAV (X)*			1.4
P/Opg Cashflow (X)			7.9
Gross Margin (%)	9.5	13.9	13.3
Net Margin (%)	0.9	2.1	3.9

* Based on post-Invitation share capital

SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> Established track record with recognition for achievements and work quality Close working relationships with customers Capable of undertaking large-scale interior fit-outs One-stop service provider of interior fit-out solutions for customers in Southeast Asia 	<ul style="list-style-type: none"> Dependent on the cyclical nature of the property market and construction industry Ability to secure new projects Cost overruns or supply shortages
Opportunities	Threats
<ul style="list-style-type: none"> Increase market penetration overseas Explore investments, acquisitions, strategic alliances and/or joint ventures Secure more projects in the commercial and hospitality sectors 	<ul style="list-style-type: none"> Products liability claims Competitive industry

Source of all data: Company, DBS Bank, Bloomberg Finance L.P

Business

Serrano is a leading provider of interior fit-out solutions for property development and refurbishment projects with a portfolio that spans the residential, hospitality, retail and commercial sectors and focusing on mid to high-end private residential developments in Singapore and across Southeast Asia.

The Company also manufactures and supplies a wide range of furnishings suitable for home, office and commercial use, including modular kitchen systems and office systems under its Wholesale and Retail Furnishings Business.

Competitive Strengths

Established track record with recognition for achievements and work quality

Serrano handed over more than 80 interior fit-out projects that were spread over the residential, hospitality, retail and commercial sectors in Southeast Asia as at 15 September 2014. The Company has won numerous awards for strong branding and growth.

Close working relationships with customers

Serrano has close working relationships with their customers. The Company has collaborated with Woh Hup and Lian Beng on numerous interior fit-out projects, including prestigious projects such as the Reflections at Keppel Bay condominium, the Water Place condominium and the Ritz-Carlton Residences.

Capable of undertaking large-scale interior fit-out

Serrano is capable of undertaking large-scale interior fit-out projects in Southeast Asia with quick turnaround time which positions the Company well to compete for projects in the region.

One-stop service provider of interior fit-out solutions for customers in Southeast Asia

Serrano has a complementary Interior Fit-Out Business and Wholesale and Retail Furnishings Business to provide customers with convenience and cost savings arising from using an integrated solutions provider for property development and refurbishment projects.

Business Strategies and Outlook

Increase market penetration overseas

Serrano intends to increase its market penetration in Myanmar, Thailand, Cambodia and Vietnam by leveraging on its track record and reputation in these markets.

Serrano Limited

Explore investments, acquisitions, strategic alliances and/or joint ventures

Explore investments, acquisitions, strategic alliances and/or joint ventures that are complementary to its existing core business will help the Company gain access to new markets, customers and businesses.

Secure more projects in the commercial and hospitality sectors

Secure more interior fit-out projects in the commercial and hospitality sectors so as to diversify their Interior Fit-Out Business across sectors and countries.

Key Risks

Dependent on the cyclical nature of the property market and construction industry

The Company's revenue is largely derived from the Interior Fit-Out Business in Singapore, Myanmar and Vietnam, hence business is largely dependent on the cyclical nature of the property market and construction industry in these countries.

Ability to secure new projects

Interior Fit-Out Business is non-recurring in nature and, hence, the turnover and profitability may fluctuate. The Company has to continually and consistently secure new projects in order to grow or maintain its turnover and profitability.

Product liability claims

Additional costs may be incurred due to disputes and claims. This may result in substantial costs and diversion of the management's resources and attention from the business.

Cost overruns or supply shortages

The costs of the projects are based on estimates and actual costs may exceed estimates.

Competitive industry

The Company faces more intense competition from existing competitors and new market entrants. Competitors may often have better resources, capabilities or be in a better position to secure and manage large and/or complex projects. This may result in lower demand for its products and services, profit margins and/or loss of market share.

Dividend Policy

The Company has no fixed dividend policy.

Use of Proceeds

Intended Use	Amount (\$m)	% of Net Proceeds
Expansion of production capacity and processing facilities	2.0	38.7
General working capital	1.6	30.2
IPO expenses	1.6	31.0
Total	5.2	100

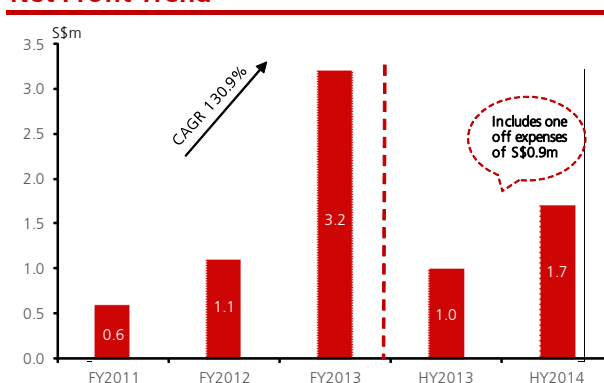
Source: Company, DBS Bank

Historical Peer Comparison

Name	Price (\$)	Mkt Cap (\$m)	PE (x)	Div Yld (%)	Sales (\$m)	Net Income (\$m)	Net Margin (%)
Design Studio	0.49	128	8.8	-	178.1	11.9	6.7
KLW Holdings	0.016	86	47.3	-	31.5	0.4	1.4
Kingsmen Creatives	0.92	179	10.9	-	296.3	17.7	6.0
Kitchen Culture	0.235	24	29.4	-	33.0	1.3	4.0

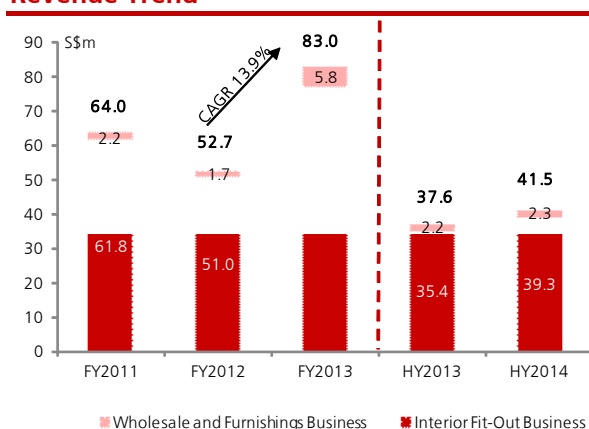
Source: Bloomberg Finance L.P.

Net Profit Trend



Source: Company, DBS Bank

Revenue Trend



Source: Company, DB Bank

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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 catalysts within this time frame)

Share price appreciation + dividends

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group")) do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

ANALYST CERTIFICATION


The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd., DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates do not have a proprietary position in recommended in this report as of 31 Aug 2014
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 31 Aug 2014
3. **Compensation for investment banking services:**
 DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may have received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR") (formerly known as HwangDBS Vickers Research Sdn Bhd). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
United Kingdom	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
Dubai	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United States	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Bank Ltd.

12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Company Regn. No. 196800306E