

SERRANO LTD

NOT RATED

Share Price:	\$0.23
Target Price:	NA
Upside:	NA

COMPANY DESCRIPTION

Serrano provides interior fit-out solutions for property development and refurbishment projects and has a portfolio that spans the residential, hospitality, retail and commercial sectors in Singapore and Southeast Asia.

Name	SERRANO LTD
Bloomberg Code	SERR SP Equity
Major Shareholder / Holdings	Wah Heng / 37.1%
Shares Outstanding (m)	150.0
Market Capitalisation (\$m)	34.5

ISSUE STATISTICS

Offer Size	22.5 mln new shares + 7.5 mln vendor shares
Public Tranche	1.5 mln shares
Placement Tranche	28.5 mln shares
Price	\$0.23
NAV Per Share (Post IPO)	\$0.169
Historical P/E	9.2x (FY13)
Market Cap (Post IPO)	\$34.5 mln
Open	16 October 2014
Close	23 October 2014, 12.00 noon
Trading	28 October 2014, 9.00 am (on "ready" basis)
Lead Manager	UOB

POTENTIAL MYANMAR PLAY

Serrano Ltd, a homegrown provider of interior fit-out solutions for property developments and refurbishment projects, has launched its IPO for a Catalyst listing. Net proceeds from the IPO are expected to be S\$3.6mln, where S\$1mln is for overseas expansion, S\$1mln to explore strategic alliances and the remainder will be for working capital.

Revenue grew from S\$64mln to S\$83mln in FY11 to FY13, while net profit increased from S\$0.6mln to S\$3.2mln in the same period. Based on its post-IPO share capital of 150mln shares, Serrano will have a market cap of S\$34.5mln. Priced at FY13 P/E of 9.2x, we note that the company is valued inline with its closest SGX-listed peer, Design Studio, which is trading at 8.8x P/E. Nevertheless, it is priced more attractively than KLV Hldgs which made a net profit of less than S\$0.2mln for its latest financial year and is trading at a triple-digit P/E.

We opine that Serrano's focus on the Myanmar market sets itself apart from the other SGX-listed interior design firms as these peers do not have exposure in this country. With Myanmar's construction sector expected to grow by 46% from US\$3bil to US\$4.2bil for 2012 to 2016, the company is thus well-positioned to leverage on its track record in this market and expand its geographical sales contribution from this country which currently stands at 15.4%.

Over the longer term, we believe that management's intent to further penetrate the Myanmar market could see the company's valuations re-rate towards as a Myanmar-themed SGX-listed play. Besides being involved in the interior renovation and M&E works for the Traders Hotel project for the Shangri-La Group in the country, Serrano is also presently designing and constructing the interior works for apartment units at the Star City Thanlyin township in Yangon, Myanmar, for SGX-listed Yoma Strategic.

Investment risks include heightened competition, costs overrun and cancellation of or delay in existing commitments.

KEY FINANCIALS

Dec YE	FY11	FY12	FY13	1H13	1H14
Revenue (S\$m)	64.0	52.7	83.0	37.6	41.5
EBITBA (S\$m)	2.9	4.5	7.7	3.2	3.4
EBITDA Margin (%)	4.5	8.5	9.3	8.5	8.2
Net Profit (S\$m)	0.6	1.1	3.2	1.0	0.8
P/E (x)	-	-	9.2	-	-
P/B (X)*	-	-	-	-	1.4
ROE (%)	5.8	7.6	18.2	-	-
Net Gearing (%)	297.4	252.9	227.5	-	194.7

* Post-IPO

Source : Company

Singapore Research Team
Tel: 6533 0595
Email: research@limtan.com.sg

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