

Siab has attractive growth prospects, says Mercury Securities

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Siab

PETALING JAYA: ACE Market-bound Siab Holdings Sdn Bhd may have more opportunities to secure new contracts against the backdrop of a recovering construction sector, which could expand by 11.5% in 2022 as estimated by the Statistics Department, according to Mercury Securities Sdn Bhd.

It said Siab has a strong financial position with cash and equivalents of RM21.4 million and total borrowings of RM16.5 million post listing, which allows the company the potential capacity to undertake more projects moving forward.

The company has a healthy order book of RM545 million as of Jan 28, 2022, comprising 20.9% from non-residential construction, 79.1% from residential construction which should provide earnings visibility for three years. The company also has a tender book of RM1.5 billion and a tender success rate of 10% to 15%, if successful, that will increase the order book.

"Siab has a proven track record. It has completed more than RM1.5 billion worth of project value since 2013 and had won contracts from established property developers even during the Covid-19 pandemic. The company has an experienced management team led by its managing director Ng Wai Hoe who has more than 24 years of experience in the construction industry," Mercury said in an IPO note yesterday, where it has a subscribe recommendation on Siab with a target price of 33 sen.

The target price gives a potential return of 20% over the IPO price.

It added that Siab has completed several notable non-residential projects such as the Quayside Mall Project, Hospital Bentong Project, The Pines Project, and the LGB Tower Project.

With a diversified revenue stream, the company also provides other complementary services such as the provision of ICT solutions and services.

"However, the risk factors are failure to secure new projects, unexpected project cancellations, delays, or postponement of projects, unanticipated increases in construction costs for projects, and prolonged Covid-19 pandemic" cautioned Mercury.