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PUBLIC Investment Bank Bhd (PublicInvest Research) is optimistic on Siab Holdings Bhd's prospects moving forward as the group strives to complete its ongoing construction projects while growing its orderbook, besides expanding its technical expertise.

The research house noted that Siab's growth would be dependent on construction of storage facilities following purchase of land, participation in tenders for higher value high-rise construction projects, expansion into civil and engineering segments.

It added that the growth would also be dependent on the purchase of new construction machinery and equipment, expansion of its technical team and investment in building information modelling software.

"Siab's competitive strengths include established track record in building construction segment, qualified and experienced manage-

ment and technical team, commitment to quality construction works, safety and environment, together with capabilities in carrying out wide variety of building construction.

"Key drivers may include government-led initiatives and spending, provision of incentives as well as financing, favourable interest rate environment, and steady population growth," it said in a note yesterday.

As such, PublicInvest Research has derived a fair value of RM0.33 for the building construction services provider.

Commenting on Siab's revenue and profitability, the research house said the group's operations and sales are not subject to any seasonality factors.

"However, it said the demand for properties and construction services in Malaysia may be affected by factors including global and local economic conditions and government policies.

"Siab prices its construction projects based on contract cost

estimates which depend on various factors but are not limited to the complexity and scale of the construction project.

"Under the terms of its certain contracts, the prices Siab submits in its tender bid or negotiates in its contracts are fixed, with the exception of any approved variation orders.

"As such, Siab's gross profit and gross profit margin are dependent on the accuracy of its pricing during the tender and/or negotiation stage," it added.

On the orderbook, PublicInvest Research said Siab's unbilled orderbook of RM544.98 million as at Dec 31, 2021, represents 2.59 times of its average revenue of RM210.21 million that will be recognised progressively over the next 1.5 to three financial years.

Meanwhile, it noted that the group's IPO is expected to raise approximately RM36.7 million from the issuance of 122.4 million new shares, with 16.6% of the proceeds would be utilised to purchase land and construct a storage

facility, 35.7% and 25.3% of the proceeds are allocated for purchase of machinery and equipment as well as working capital, respectively.

Siab is seeking a listing with an enlarged issued and paid-up share capital of around 489.6 million shares on Bursa Malaysia's ACE Market.

Pursuant to the IPO listing, the company's market capitalisation is RM146.9 million based on its IPO price of RM0.30.

Additionally, PublicInvest Research highlighted that Siab also intends to invest in building information modelling (BIM) software to facilitate its future design and technical work.

"BIM is a modelling software that can be used to simulate various scenarios and integrate data from various stages of construction, ranging from planning to scheduling, costing, procurement and operational data.

"The application of BIM system software is expected to contribute to more efficient project management, where the collaboration

between various stakeholders in the construction industry value chain facilitates the design and construction process," it noted.

As a building construction services player, Siab provides services covering various stages of a building construction project.

Commenting on the overall industry outlook, PublicInvest Research said factors boosting growth within the construction industry are likely to come from government-led initiatives and spending.

It also added that a favourable interest rate environment and increased participation from the private sector via funding and investment structures and steady population claims are also expected to support the construction industry.

Nevertheless, the research house noted that deteriorating property overhang situations are expected to reduce growth in the property market, which is a key source of demand for construction activities.