

Company Name : DESTINI BERHAD
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 Source : The Edge Financial Daily

Destini expected to get new MRO jobs from KTM in 2018

Destini Bhd
 (Jan 9, 65 sen)

Initiate buy with a target price (TP) of 74 sen: Destini Bhd group managing director Datuk Rozabil @ Rozamujib Abdul Rahman took over the financially troubled Satang Holdings Bhd in September 2011, restructured the company and renamed it Destini Bhd. He transformed the group from a mere survival and safety maintenance, repair and overhaul (MRO) service provider into a regional integrated engineering solutions provider with businesses in the marine shipbuilding, aviation, land transport, and the oil and gas industries. Destini, listed on the Main Board, is a syariah-compliant stock.

Management's long-term strategy is to grow Destini's MRO asset base as it aspires to be a regional engineering MRO service provider. Currently, its main MRO business is providing safety and survival equipment MRO services to the Royal Malaysian Air Force, but there is potential to expand its MRO services to paramilitary ships and helicopters, and the Malaysian Railway (KTM) in our view.

Destini currently generates more than 80% of its revenue from the marine and aviation sectors. Its main marine revenue

contributor is the construction of New Generation Patrol Craft and Offshore Patrol Vessels for the Marine Maritime Enforcement Agency, to be delivered by 2018 and 2020 respectively. We expect Destini to bid for the MRO of these vessels upon the completion of their construction. We have not assumed any potential earnings from the vessel's MRO.

Destini is currently completing a RM62 million KTM job to supply 35 motor trolleys and two rail road vehicles by 2019. We think Destini could potentially secure new MRO jobs from KTM in 2018. Negotiations have been ongoing for the past year. We have not assumed any potential KTM MRO jobs.

The company is looking into mergers and acquisitions (M&A) to expand its commercial aircraft MRO business. Negotiations with potential clients are ongoing but nothing has been finalised. In 2017, the company set up a joint venture with Sapura Aero, a subsidiary of Sapura Resources, to undertake commercial aircraft MRO in the region. As at September 2017, Destini's balance sheet showed only 0.1 times net gearing. As such, it has room to gear up if necessary to pursue M&As to grow its MRO business. — CIMB Research, Jan 8

Destini Bhd

FYE DEC (RM MIL)	2015A	2016A	2017F	2018F	2019F
Revenue	270.1	354.8	750.0	525.0	556.0
Operating Ebitda	39.25	61.17	58.99	70.71	82.29
Net profit	21.17	33.04	32.60	40.75	48.60
Core EPS (RM)	0.018	0.029	0.028	0.035	0.042
Core EPS growth (%)	29.5	56.1	(1.3)	25.0	19.3
FD core PER (x)	34.10	21.85	22.15	17.72	14.86
EV/Ebitda (x)	19.18	12.77	14.28	11.29	9.38
P/FCFE (x)	N/A	N/A	N/A	9.60	12.33
Net gearing (%)	8.8	12.6	23.6	13.5	7.7
P/BV (x)	2.06	1.50	1.40	1.30	1.20
ROE (%)	7.07	7.94	6.55	7.63	8.39
CIMB/consensus EPS (x)			0.97	0.95	0.96

Sources: Company data, CIMB forecasts