

PP14767/09/2012(030761)

Dayang Enterprise Holdings Bhd

“Lower Associates Contribution”

Results Review

- Actual vs. expectations.** Dayang Enterprise Holdings Bhd (Dayang) recorded a flat 1Q15 net profit of RM34 million (-1% y-o-y) which came in below ours and consensus estimates, accounting 15% and 17% of both divide forecast respectively. Disappointing 1Q15 numbers were hammered by weaker earnings contribution from Dayang’s associates, Perdana Petroleum (-54% y-o-y), offsetting the impressive contribution from offshore topside maintenance services segment (Offshore TMS) on higher work orders achieved during the period. PBT margin stayed flat at 24% in 1Q15, more or less the same against 1Q14 margin of 25%.
- Dividend.** No dividend was declared during the quarter.
- Top line.** 1Q15 revenue rose to RM190 million (+7% y-o-y) mainly driven by higher contribution from the Offshore TMS segment which posted a steady revenue of RM189 million (+7% y-o-y), lifted by higher work orders derived from Baronía and Bardegg-2 contracts which have been awarded by Petronas Carigali in November 2014 worth RM280 million.
- Bottom line.** Dayang posted a 4% y-o-y growth in 1Q15 PBT to RM46 million in line with the increase in contribution from Offshore TMS segment (+28% y-o-y). However, the contribution from Dayang’s associates, Perdana Petroleum was down by 54% y-o-y to RM2.5 million (1Q14: RM5.4 million) due to the challenging OSV business in tandem with weaker oil prices. Note that Perdana Petroleum contributed approximately 5% to the group’s PBT in 1Q15, lower against 1Q14 of 12%.

Tuesday, May 26, 2015

HOLD (TP: RM2.64)

Current Price (RM)	RM2.40
New Target Price (RM)	RM2.64
Previous Target Price (RM)	RM2.95
Previous Recommend.	BUY
Upside To Target Price	10%
Dividend Yield (FY16)	3%

Stock Code

Bloomberg	DEHB MK
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Stock & Market Data

Listing	MAIN MARKET
Sector	Oil and Gas
Shariah Compliance	Yes
Issued Shares (mn)	877
Market Cap (RM mn)	2,324
YTD Chg In Share Price	-10%
Beta (x)	1.46
52-week Hi/Lo (RM)	3.87   2.12
3M Average Volume (shrs)	1.02mn
Estimated Free Float	25%

Major Shareholders

Naim Holdings	29%
KWAP	9%
Kiong Ling Suk	9%

Market Access

- **Order book at RM3.8 billion.** We remain upbeat on Dayang's long-term outlook driven by the group's sizeable order book of approximately RM3.8 billion as at March 2015 (December 2014: RM4.0 billion) which is expected to last them until FY18. Note that majority of its orderbook is derived from three HUC job which have been secured in May 2013. Recall that Dayang has secured a new contract worth RM280 million in December 2014 awarded by Petronas Carigali for the provision of brownfield major modification work for Bardegg-2 and Baronia enhance oil recovery (EOR) project located in offshore Sarawak. The contract is for the duration of 36 months from December 2014 to December 2017. The group outstanding tender book stood at approximately RM800 million as at March 2015.
- **MGO to takeover Perdana.** Dayang has triggered a 33% mandatory general offer (MGO) threshold on Perdana Petroleum (Perdana) after acquiring 5.74% stake in Perdana from Affin Hwang Management Bhd (AHM) which brings its shareholding up to 35.51%. We are positive on the takeover exercise which would further strengthen Dayang's business expansion especially on the hook-up and commissioning (HUCC) services by leveraging on Perdana's expertise as a marine player with fleet size of 17 vessels (8 Anchor Handling Tug & Supply (AHTS), 7 Work Barge and 2 Work Boat). Furthermore, it would be a strong selling point for Dayang in new tenders.
- **Change to forecast.** We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast of RM187 million (+5% y-o-y) and RM203 million (+9% y-o-y) respectively underpinned by i) on-going earnings contribution from HUC jobs and ii) impressive tender book of RM800 million backed by solid order book of RM3.8 billion.
- **Valuation & recommendation.** We re-value Dayang at RM2.64 based on 11x PER (1- SD below 3-years average PER of 16x) pegged to FY16 EPS of 24sen and the stock is a **HOLD**. Re-rating catalyst may come from i) stronger-than-expected associates contribution from Perdana Petroleum ii) potential contract wins of between RM240 million-RM320 million based on fair success rate of 30%-40%.

## Results Review - Dayang Enterprise Holdings Bhd

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
SapuraKencana	Jan	2.57	20	21	13.7	12.7	1.2	1.1	13	1	3.22	Buy
Wah Seong	Dec	1.31	14	15	9.2	8.6	0.8	0.8	12	4	1.38	Hold
Bumi Armada	Dec	1.24	8	10	15.7	11.7	1.0	1.0	4	2	1.28	Hold
Dialog Group	Jun	1.65	5	5	34.3	31.0	4.8	4.6	15	1	1.70	Hold
Alam Maritim	Dec	0.63	7	7	9.5	9.4	0.7	0.7	9	NA	0.56	Sell
MMHE	Dec	1.24	8	8	15.1	15.4	0.7	0.7	8	NA	1.33	Hold
PetDag	Dec	19.20	71	79	30.1	27.0	4.0	3.9	11	2	18.90	Sell
Dayang	Dec	2.40	24	28	10.8	9.3	2.4	2.1	22	3	2.64	Hold
UMW-OG	Dec	2.01	15	17	14.8	13.3	1.4	1.2	8	0.5	2.21	Hold
Perisai	Dec	0.46	6	9	10.0	5.9	0.6	0.5	1	NA	NR	NR
Perdana Petroleum	Dec	1.51	12	15	11.4	9.3	1.3	1.1	14	1	NR	NR
TH Heavy	Dec	0.26	3	4	12.1	9.0	0.8	0.7	(20)	NA	NR	NR
Petra Energy	Dec	1.40	15	16	9.3	9.0	0.8	0.8	7	1	NR	NR
Deleum	Dec	1.56	16	18	10.1	9.2	2.0	1.7	23	5	NR	NR
Uzma	Dec	2.34	21	23	11.3	10.0	1.6	1.2	19	2	NR	NR
KNM	Dec	0.58	7	8	8.9	7.8	0.5	0.4	2	NA	NR	NR
Average					14.1	12.4	1.5	1.4	9	2		

Source: Bloomberg, M&amp;A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	401	553	877	1,061	1,132
Gross profit	186	230	300	392	419
EBITDA	146	158	227	246	263
EBIT	127	132	200	215	230
Net Finance cost	2	(0)	(4)	(14)	(15)
Share of profit from Associates	0	14	22	27	40
PBT	128	175	218	228	254
Net profit	101	149	179	187	203
EPS (sen)	12	18	21	22	24
EBITDA margin	36%	29%	26%	23%	23%
EBIT margin	32%	24%	23%	20%	20%
PBT margin	32%	32%	25%	22%	22%
Net profit margin	25%	27%	20%	18%	18%
PER (x)	12.9	21.3	13.6	10.7	9.9
P/BV (x)	2.2	4.8	2.5	1.8	1.6
Dividend (sen)	10	10	7	7	8
Dividend yield	6%	3%	2%	3%	3%

Source: Bursa Malaysia, M&amp;A Securities

## Results Review - Dayang Enterprise Holdings Bhd

Table 3: Results Analysis

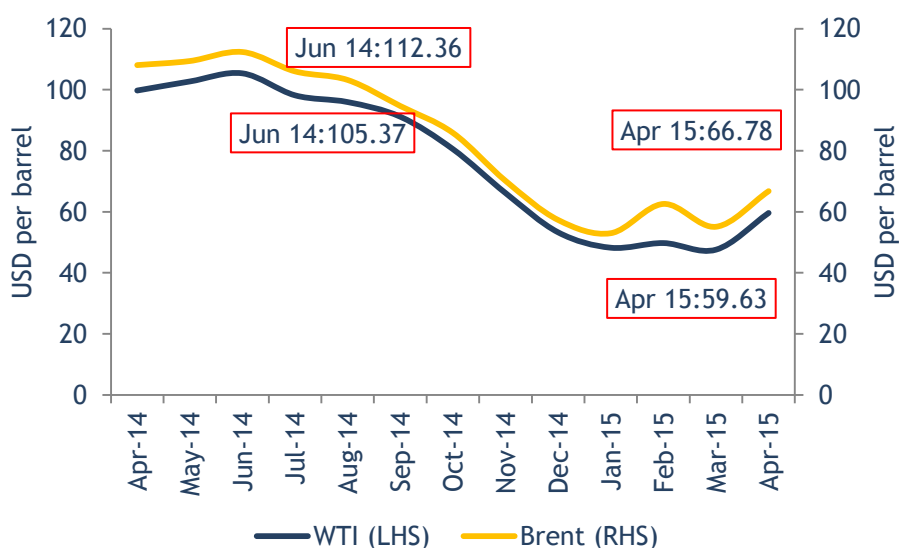
YE: Dec (RM million)	1Q14	4Q14	1Q15	q-o-q	y-o-y	3M14	3M15	y-o-y
Revenue	177	242	190	-21%	7%	177	190	7%
EBIT	39	34	44	30%	12%	39	44	12%
Associates	5	4	2	-39%	-54%	5	2	-54%
PBT	44	37	46	24%	4%	44	46	4%
Taxation	(9)	(6)	(11)	96%	23%	(9)	(11)	23%
Net Profit	35	31	34	10%	-1%	35	34	-1%
EPS (sen)	4	4	4	10%	-7%	4	4	-7%
EBIT margin	22%	14%	23%			22%	23%	
PBT margin	25%	15%	24%			25%	24%	
Net profit margin	20%	13%	18%			20%	18%	
Effective tax rate	21%	16%	25%			21%	25%	

Source: Bursa Malaysia, M&amp;A Securities

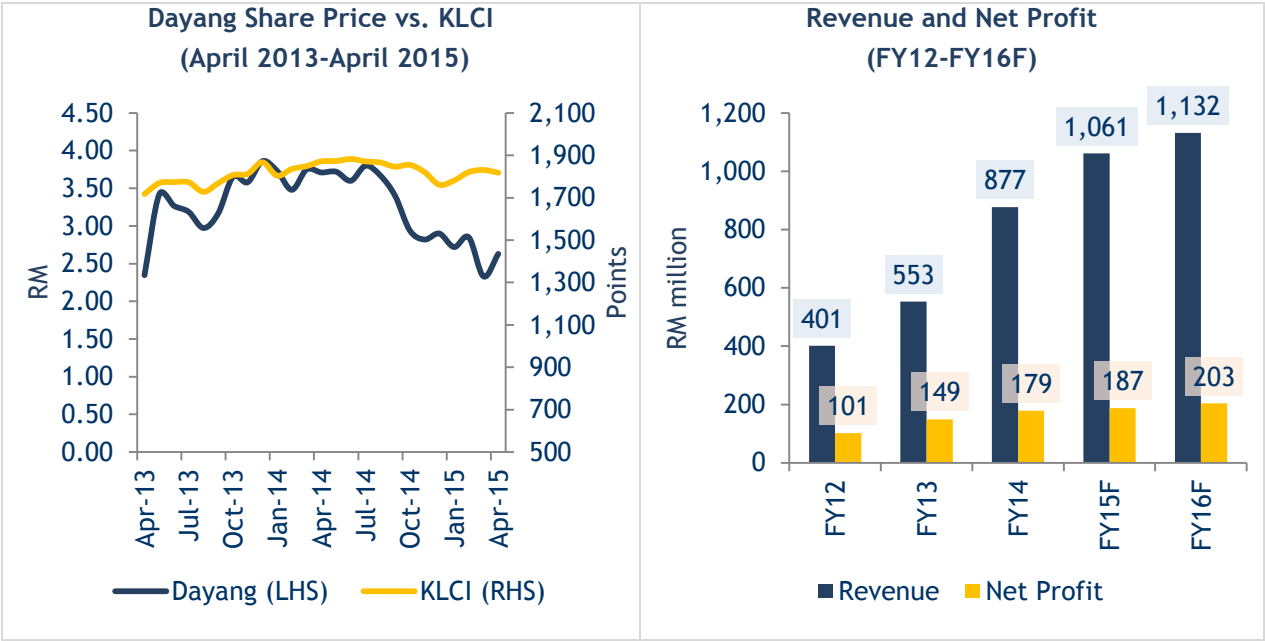
Table 4: Segmental Analysis

YE: Dec (RM million)	1Q14	4Q14	1Q15	q-o-q	y-o-y	3M14	3M15	y-o-y
<b>Revenue</b>								
Investment Holding	30	5	32	504%	6%	30	32	6%
Offshore TMS	176	239	189	-21%	7%	176	189	7%
Marine Charter	19	32	17	-47%	-13%	19	17	-13%
Equipment Rental	7	8	8	-4%	14%	7	8	14%
<b>Segment Profits</b>								
Investment Holding	29	5	32	578%	11%	29	32	11%
Offshore TMS	32	18	40	120%	28%	32	40	28%
Marine Charter	4	12	(1)	NM	NM	4	(1)	-118%
Equipment Rental	3	3	3	19%	-5%	3	3	-5%

Source: Bursa Malaysia, M&amp;A Securities

WTI vs. Brent Crude Oil Price  
(April 2014-April 2015)

Source: Bloomberg



Source: Bloomberg, M&A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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