

PP14767/09/2012(030761)

Dayang Enterprise Holdings Bhd

“Orderbook Remain Intact”

Results Review

- Actual vs. expectations.** Dayang Enterprise Holdings Bhd (Dayang) 6M15 net profit of RM70 million (-22% y-o-y), came in below ours and consensus estimates, accounting 37% and 38% of both divides full year net profit forecast respectively. Disappointing 6M15 numbers were hammered by weaker associate contribution from Perdana Petroleum which posted a loss of RM1.2 million. PBT margin was lower at 25% in 6M15 against 6M14 margin of 28%.
- Dividend.** No dividend was declared during the quarter.
- Top line vs bottom line.** 6M15 revenue was down to RM364 million (-9% y-o-y) mainly impacted by lower contribution from the Offshore TMS segment which posted a weaker revenue of RM351 million (-10% y-o-y) due to lower work order value performed during the period. Similarly, Dayang’s 6M15 PBT also slipped by 17% y-o-y to RM92 million as its associates, Perdana Petroleum made a loss of RM1.2 million due to the challenging OSV business in tandem with the drop in oil prices.
- 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 June 2015 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 RM250 million in June 2015 awarded by Petronas Carigali for the provision of facilities improvement project (FIP) for Petronas Carigali - Package A: Sarawak Operations (SKO) and Sabah Operations (SBO) Offshore. The group outstanding tender book stood at approximately RM400 million as at June 2015.

Wednesday, August 26, 2015

BUY (TP: RM1.80)

Current Price (RM)	RM1.50
New Target Price (RM)	RM1.80
Previous Target Price (RM)	RM2.95
Previous Recommend.	BUY
Upside To Target Price	20%
Dividend Yield (FY16)	4%

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)	1,578
YTD Chg In Share Price	-37%
Beta (x)	1.49
52-week Hi/Lo (RM)	3.77   1.70
3M Average Volume (shrs)	0.03mn
Estimated Free Float	23%

Major Shareholders

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

## Results Review - Dayang Enterprise Holdings Bhd

- Takeover of Perdana.** Dayang has received the acceptance for the 338.04 million shares, representing a 45.16% equity stake in Perdana as at the closing of the offer on 14 August 2015. Therefore, Dayang's total stake in Perdana rose to 709.57 million shares, or equivalent to 94.8% interest in the company. 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 bidding for new tenders.
- Change to forecast.** We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast of RM154 million (-14% y-o-y) and RM171 million (+11% y-o-y) respectively. We expect the group to face a challenging period in FY15 on weaker-than-expected work orders for HUC jobs in line with the softening in oil prices but FY16 earnings are expected to stabilize as we factor in a higher contract wins added with the expected rebound in oil price movement.
- Valuation & recommendation.** We re-value Dayang at RM1.80 based on 9x PER (45% discount to average 3-year PER of 17x) pegged to FY16 EPS of 20sen and the stock is a **BUY** underpinned by i) impressive tenderbook at RM400 million backed by solid orderbook at RM3.8 billion and ii) Strong synergy with Perdana to bid for larger HUC contract.

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	1.47	19	20	13.2	12.3	1.1	1.0	10	1	2.95	Buy
Wah Seong	Dec	1.22	14	15	9.5	8.8	0.9	0.9	13	4	1.38	Hold
Bumi Armada	Dec	0.79	7	10	15.3	11.1	1.0	0.9	4	1	1.32	Buy
Dialog Group	Jun	1.51	5	5	31.4	29.9	4.5	4.5	15	1	1.60	Hold
Alam Maritim	Dec	0.40	5	6	9.3	7.9	0.5	0.5	7	NA	0.56	Hold
MMHE	Dec	0.94	8	8	14.3	15.0	0.7	0.7	5	NA	1.20	Hold
PetDag	Dec	20.88	74	81	28.9	26.1	3.4	3.4	12	2	19.71	Hold
Dayang	Dec	1.50	21	24	9.7	8.7	1.8	1.4	22	3	1.80	Buy
UMW-OG	Dec	0.91	9	11	16.2	12.4	0.9	0.8	7	1	0.90	Hold
Perisai	Dec	0.26	3	6	15.6	7.1	0.4	0.4	2	NA	NR	NR
Perdana Petroleum	Dec	1.52	8	13	18.6	11.6	1.7	1.4	12	1	NR	NR
TH Heavy	Dec	0.14	(1)	2	NA	10.5	0.5	0.4	(26)	NA	NR	NR
Petra Energy	Dec	0.92	12	15	8.7	7.1	0.6	0.6	7	2	NR	NR
Deleum	Dec	1.03	16	18	8.0	7.5	1.7	1.4	23	6	NR	NR
Uzma	Dec	1.62	20	24	12.5	10.4	2.3	1.9	18	2	NR	NR
KNM	Dec	0.42	7	7	8.8	7.8	0.5	0.4	3	NA	NR	NR
Average					14.7	12.1	1.4	1.3	8	2		

Source: Bloomberg, M&amp;A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	401	553	877	933	1,068
Gross profit	186	230	300	336	374
EBITDA	146	158	227	208	223
EBIT	127	132	200	178	190
Net Finance cost	2	(0)	(4)	(14)	(14)
Share of profit from Associates	0	14	22	23	37
PBT	128	175	218	187	213
Net profit	101	149	179	154	171
EPS (sen)	12	18	21	18	20
EBITDA margin	36%	29%	26%	22%	21%
EBIT margin	32%	24%	23%	19%	18%
PBT margin	32%	32%	25%	20%	20%
Net profit margin	25%	27%	20%	16%	16%
PER (x)	12.9	21.3	13.6	8.2	7.4
P/BV (x)	2.2	4.8	2.5	1.2	1.1
Dividend (sen)	10	10	7	6	7
Dividend yield	6%	3%	2%	4%	4%

Source: Bursa Malaysia, M&amp;A Securities

Table 3: Results Analysis

YE: Dec (RM million)	2Q14	1Q15	2Q15	q-o-q	y-o-y	6M14	6M15	y-o-y
Revenue	222	190	174	-8%	-21%	399	364	-9%
EBIT	62	44	51	16%	-18%	101	94	-7%
Associates	6	2	-4	NM	NA	11	-1	NM
PBT	66	46	46	1%	-31%	110	92	-17%
Taxation	(12)	(11)	(11)	-6%	-9%	(21)	(22)	5%
Net Profit	55	34	35	3%	-35%	89	70	-22%
EPS (sen)	7	4	4	3%	-39%	11	8	-27%
EBIT margin	28%	23%	29%			25%	26%	
PBT margin	30%	24%	26%			28%	25%	
Net profit margin	25%	18%	20%			22%	19%	
Effective tax rate	18%	25%	23%			19%	24%	

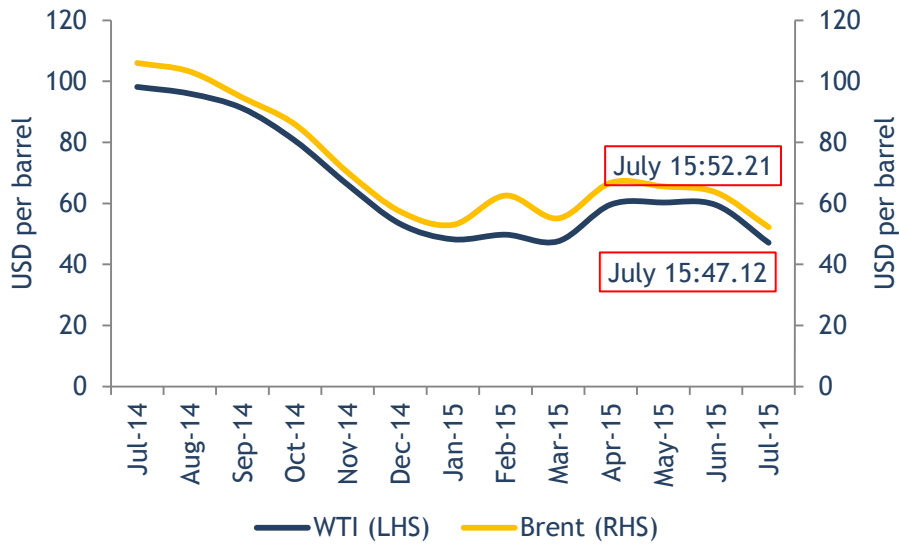
Source: Bursa Malaysia, M&amp;A Securities

Table 4: Segmental Analysis

YE: Dec (RM million)	2Q14	1Q15	2Q15	q-o-q	y-o-y	6M14	6M15	y-o-y
<u>Revenue</u>								
Investment Holding	1	32	1	-97%	6%	31	33	6%
Offshore TMS	215	189	162	-14%	-25%	391	351	-10%
Marine Charter	33	17	29	73%	-10%	52	46	-11%
Equipment Rental	8	8	8	-1%	-3%	15	16	5%
<u>Segment Profits</u>								
Investment Holding	(0)	32	(3)	-109%	14350%	29	29	1%
Offshore TMS	42	40	38	-6%	-10%	74	78	6%
Marine Charter	17	-1	13	NM	-24%	21	12	-44%
Equipment Rental	3	3	3	-5%	-8%	7	6	-7%

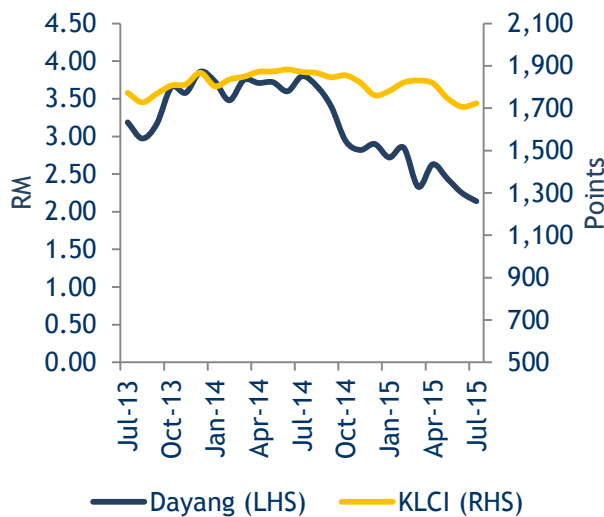
Source: Bursa Malaysia, M&amp;A Securities

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

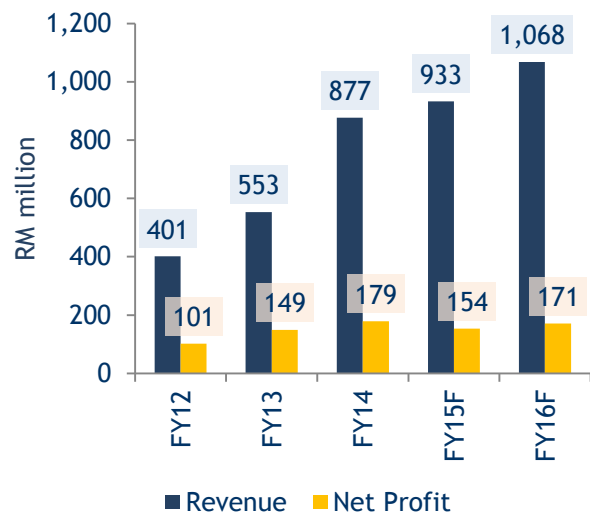


Source: Bloomberg

Dayang Share Price vs. KLCI  
(July 2013-July 2015)



Revenue and Net Profit  
(FY12-FY16F)



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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