

27 August 2018 | 2QFY18 Results Review

Dayang Enterprise Holdings Bhd

Earnings inflection as anticipated

Maintain BUY

Revised Target Price (TP): RM1.30
(previously RM1.06)

INVESTMENT HIGHLIGHTS

- **Dayang Enterprise's 2QFY18 reported earnings grew by +178.7%yoy to RM38.9m**
- **Reported earnings returned to black**
- **Revenue expanded by +15.8%yoy to RM221.3m premised on higher work orders**
- **Maintain BUY with revised TP of RM1.30 per share**

Reported earnings swing into the black. Dayang's 2QFY18 reported earnings swung into the black to RM38.9m. The company's revenue grew by +15.8%yoy to RM221.3m whilst its cumulative normalised FY18 earnings registered a profit of RM17.7m. The growth in revenue is mainly attributable to higher work orders received and performed under the topside maintenance services during the quarter. Hence, we remain optimistic and maintain our expectations of stronger 3QFY18. Our expectation is based on strong sustainable activity levels for the subsequent quarters.

Perdana Petroleum profitable. After many quarters of operational losses, Perdana Petroleum staged a turnaround attributable to good utilisation rates of 70% compared with only 28% in 2QFY17.

Current jobs at hand. The company guided that activity levels for the Maintenance, Construction and Modifications Contract (MCM) and Topside Maintenance Services works under the Pan Hook-up and Commissioning Contract (Pan HUC) have picked up substantially in 2QFY18. Similarly, its vessel UR also witnessed an improvement at 70% during 2QFY18 vs 27% in the first quarter of FY17. The company also disclosed that it has managed to secure orderbook replenishment of more than RM1.0b for the next five years, bringing its total orderbook to RM3.0b lasting through to 2023.


Tenderbook. The company is currently participating in bids worth about RM600m – both locally and overseas. The company remains fairly confident of winning a portion given its track record and successful campaigns in similar projects.

Dayang's forte. Dayang is no stranger to Petronas' maintenance, construction and modification (MCM) works as it was the incumbent for the previous HUC contracts from 2013. Currently Dayang on its own has: (i) 6 work vessels and; (ii) 2 supply boats with an average age of approximately 6.5years old. All of which are fit for purpose, within the stringent specifications required by Petronas and its production sharing contractors.

RETURN STATS	
Price (24 August 2018)	RM0.77
Target Price	RM1.30
Expected Share Price Return	+68.8%
Expected Dividend Yield	+0.0%
Expected Total Return	+68.8%

STOCK INFO	
KLCI	1,808.59
Bursa / Bloomberg	5141 / DEHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	964.5
Market cap. (RM'm)	742.9
Price over NA	0.51x
52-wk price Range	RM0.56 – RM0.87
Beta (against KLCI)	1.43
3-mth Avg Daily Vol	0.885m
3-mth Avg Daily Value	RM0.60m
Major Shareholders (%)	
Naim Holdings	26.42
Kumpulan Wang Persaraan	12.56
Lembaga Tabung Haji	8.19
Lim Suk Kiong	7.59
Ahmad Shahrudin Yusuf	6.83
Vogue Enterprise	6.35

Impact on earnings. No changes to earnings estimates.

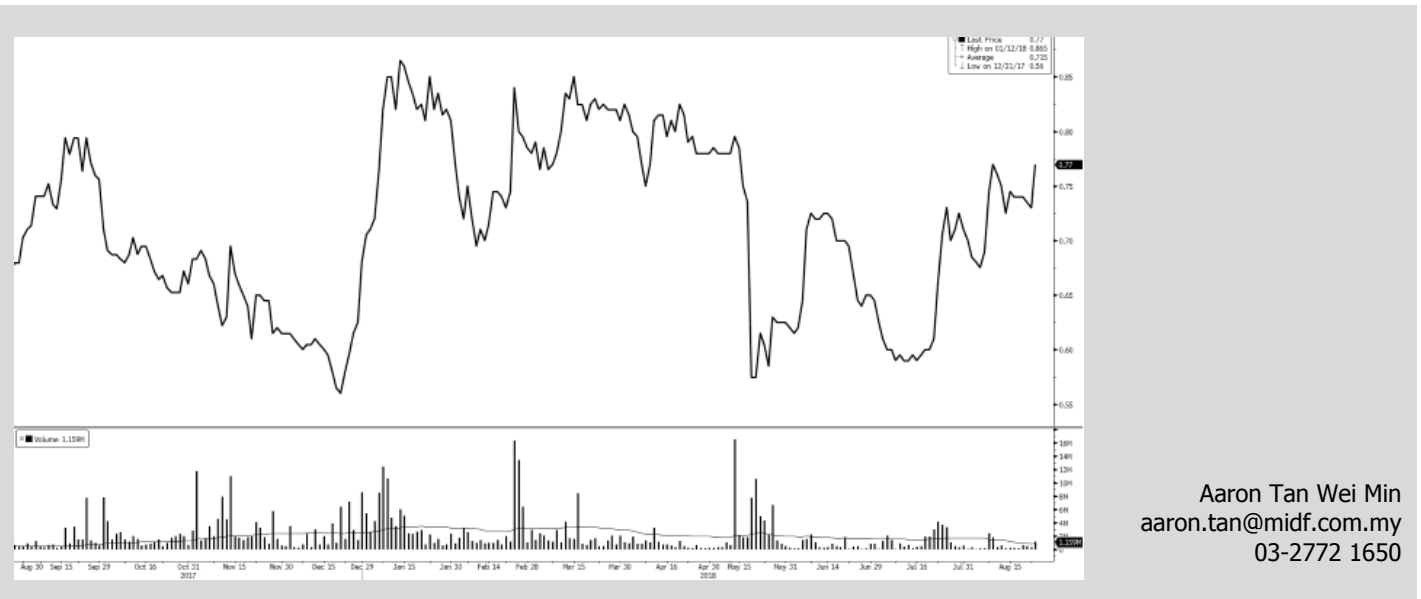
Reiterate BUY. We are reiterating our **BUY** recommendation on Dayang with a rolled forward revised target price of **RM1.30** per share. Our BUY recommendation is premised on: (i) Large potential share upside; (ii) Earnings up-cycle in FY18; (iii) Improving operating climate with higher activity levels and improving UR; and (iv) Improving conditions for Perdana Petroleum. Our valuation is premised on PER19 of 12x pegged to EPS19 of 10.8sen. Our target PER is based on the company's two-year historical average PER. 

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Operating Revenue	779.1	694.6	695.5	804.4	1,037.7
Direct Operating costs	(440.5)	(436.4)	(479.5)	(385.3)	(509.4)
Gross profit	338.6	258.5	216.0	419.1	528.2
EBITDA	155.8	219.7	170.0	197.3	247.7
EBIT	258.4	190.6	31.2	197.3	247.7
Associates	(6.3)	0.0	(19.0)	(18.0)	(17.0)
Profit before tax	147.0	80.0	(63.8)	153.1	190.6
Tax	(53.2)	(25.7)	(88.4)	(79.7)	(86.2)
PAT	202.0	54.9	(152.2)	73.4	104.4
Standardized EPS (sen)	19.6	6.3	(15.4)	7.6	10.8
Net margin (%)	25.9	7.9	(21.9)	9.1	10.1
PER (x)	6.6	9.3	nm	10.1	7.1
Dividend yield (%)	5.4	0.0	0.0	0.0	0.0

Source: MIDFR

DAILY PRICE CHART



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Source: MIDFR, Company

2QFY18 RESULTS SUMMARY

FYE DEC (RM m)	Quarterly Results			Cumulative		
	2Q18	QoQ (%)	YoY (%)	6MFY17	6MFY18	YoY (%)
Revenue	221.3	48.7	15.8	308.9	370.1	19.8
Operating expenses	-139.7	24.9	24.2	-210.1	-251.5	19.7
Gross profit	81.6	121.1	3.9	98.9	118.5	19.9
Other income	8.8	322.5	188.8	3.1	10.9	247.7
Admin expenses	-21.4	-11.5	-19.9	-46.2	-42.5	-8.1
Finance costs	-27.4	25	17	-46.5	-49.4	6.3
PBT	57	-258.5	-260.2	-72.4	21.1	-129.1
Tax	-14	19.9	-1.2	-20.9	-25.7	22.8
PATAMI	38.9	nm	nm	-90.8	17.7	nm
EPS (sen)	4	-283.2	-178.7	-10	1.8	-118.4
Segmental -						
Revenue:						
Investment Holdings	1.3	0	0.8	2.5	2.5	0.2
Offshore	201.5	46.6	18.6	275.2	339	23.2
Marine Charter	70.9	148.8	30.9	81.4	99.4	22.1
Equipment rental	5.7	109.3	22.5	7.1	8.5	20
Elimination	-58.1	174.5	49.2	-57.2	-79.2	38.4
PBT:						
Investment Holdings	-9.3	23.1	-7.3	-18.4	-16.8	-8.4
Offshore	54.6	26.1	-6.7	85.5	97.8	14.4
Marine Charter	12.8	-118.8	-115.7	-131.5	-55.2	58
Equipment rental	2.1	-473.5	276.2	-1.3	1.5	-216.9
Elimination	-3.1	0	-5.9	-6.6	-6.2	-5.9

Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.