

23 May 2018 | 1QFY18 Results Preview

## Dayang Enterprise Holdings Bhd

*Fundamentals intact but earnings to be strained by Perdana*

**Maintain BUY**

**Unchanged Target Price (TP): RM1.06**

### INVESTMENT HIGHLIGHTS

- **Dayang Enterprise's 1QFY18 results expected to be strained by Perdana Petroleum**
- **Activity levels ramping high and expected to sustain until October 2018**
- **Current orderbook in excess of RM3.4b**
- **Reiterate BUY with unchanged TP of RM1.06 per share**

**Activity levels high.** Dayang's 1QFY18 reported results could still be under strain by Perdana Petroleum which is suffering from high borrowings, high interest costs and low charter rates. However, Dayang on its own is currently experiencing high activity levels especially from the maintenance, construction and modification (MCM) works. The high activity levels are expected to sustain until at least October 2018.

**Commendable utilisation rate expected.** We are expecting Dayang's fleet utilisation rate to be above 50% while Perdana's fleet utilisation rate is expected to hover around 70% in FY18. Our assumption is guided by Petronas' Activity Outlook Report 2017-2019

**Current orderbook.** Dayang's current orderbook stands at approximately **RM3b**, with long term contracts ranging from two to five years. (Refer to table below).

**Tenderbook.** The company is also in the midst of increasing its orderbook, currently participating in RM8b worth of tenders.


**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 6.5 years old. All of which are fit for purpose, within the stringent specifications required by Petronas and its production sharing contractors.

**Earnings upcycle to start in 2QFY18.** From the offshore activity levels that are currently taking place, we believe that the earnings upcycle for Dayang could start as early as 2QFY18.

RETURN STATS	
Price (22 May 2018)	RM0.615
Target Price	RM1.06
Expected Share Price Return	+72.4%
Expected Dividend Yield	-
<b>Expected Total Return</b>	<b>+72.4%</b>

STOCK INFO	
KLCI	1,845.03
Bursa / Bloomberg	5141 / DEHB MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	964.5
Market cap. (RM'm)	593.4
Price over NA	0.75x
52-wk price Range	RM0.56 – RM0.92
Beta (against KLCI)	1.90
3-mth Avg Daily Vol	2.5m
3-mth Avg Daily Value	RM1.98m
Major Shareholders (%)	
Naim Holdings Bhd	26.42
Kumpulan Wang Persaraan	12.83
Lembaga Tabung Haji	8.19
Ling Suk Kiong	7.59
Ahmad Shahrudin Yusuf	6.83
Vogue Enterprise	6.35

**Reiterate BUY.** We are reiterating our **BUY** recommendation on Dayang with an unchanged TP of **RM1.06** per share. Our **BUY** recommendation is premised on: (i) Large potential share price 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 PER18 of 14x pegged to EPS18 of 7.6sen. Our target PER is based on the company's two-year historical average PER.

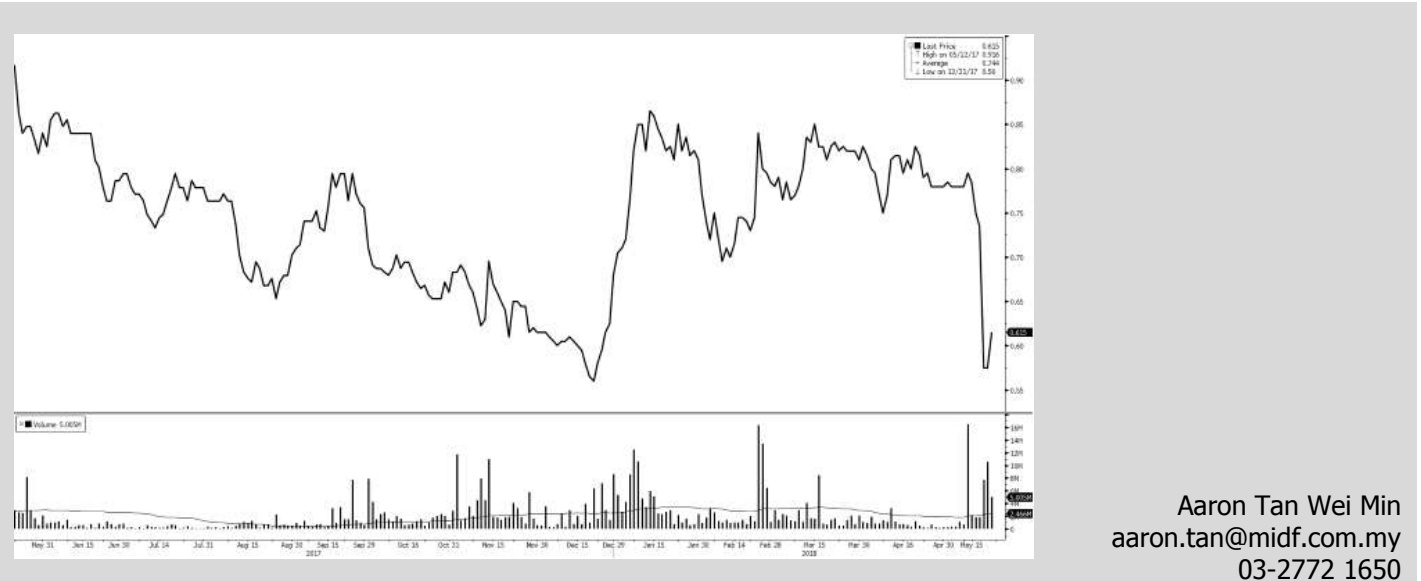
**Recent share price retreat presents buying opportunity.** The recent sell down in share price this week presents buying opportunity. We believe that: (i) company fundamentals remain intact; (ii) clear direction of management to reduce gearing and to rejuvenate Perdana Petroleum and; (iii) high orderbook quality obtained through track record and company merits. 

## INVESTMENT STATISTICS

Statement of Income (RMm)	2015	2016	2017	2018F	2019F
Operating Revenue	779.1	694.6	695.5	804.4	1037.7
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	-	-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)
<b>PAT</b>	<b>202.0</b>	<b>54.9</b>	<b>(152.2)</b>	<b>73.4</b>	<b>104.4</b>
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	9.8	nm	8.1	5.7
Dividend yield (%)	5.4	0.0	0.0	0.0	0.0

Source: MIDFR

## DAILY PRICE CHART



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Source: MIDFR, Company

## Current orderbook profile

No.	Contracting Party	Contract details	Contract Period (Years)
1	Petronas Carigali	Bardegg-2 and Baronia EOR Development	3
2	Petronas Carigali	HUC and Topside Major Maintenance	5
3	Sarawak & Sabah Shell	HUC and Topside Maintenance	5
4	Murphy Sarawak Oil	HUC and Topside Major Maintenance	5
5	JX Nippon Oil & Gas Exploration	Provision of HUC and Topside Major Maintenance Services	5
6	Kebabangan Petroleum Operating Company	Provision of Topside Maintenance	2
7	Malaysia LNG	Onshore maintenance	2
8	Petronas Carigali	Maintenance, Construction and Modification (MCM)	5
9	Perdana Petroleum Contracts (External only)	Charter of vessels	2-5

Source: Company, MIDFR

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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.