

26 November 2018 | 3QFY18 Results Review

Dayang Enterprise Holdings Berhad

Earnings supported by higher work orders

Maintain BUY

Unchanged Target Price (TP): RM1.30

INVESTMENT HIGHLIGHTS

- **Dayang Enterprise's 3QFY18 reported earnings surged by +68.7%yoy to RM51.3m**
- **Revenue expanded by +32.5%yoy to RM281.9m premised on higher work orders**
- **Maintain BUY with an unchanged TP of RM1.30 per share**

Reported earnings surged +68.7%yoy. Dayang's 3QFY18 reported earnings surged by +68.7%yoy to RM53.3m. The company's revenue grew by +32.5%yoy to RM281.9m whilst its cumulative normalised FY18 earnings registered a profit of RM66.5m. The growth in revenue was mainly attributable to higher work orders received and performed under the topside maintenance services during the quarter.

Perdana Petroleum remains profitable. Perdana Petroleum continues to show improvements with a reported net profit of RM6.5m vs -RM18.9m in 3QFY17 attributable to good utilisation rates of 84% compared with only 70% in 3QFY17.

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 3QFY18. Similarly, its vessel UR also witnessed an improvement at 84% in 3QFY18 vs 70% during 2QFY18 and 27% in the first quarter of FY18. The company also disclosed after securing a larger portion of the Pan MCM contracts estimated at RM1.5-2.0b for the next five years, this brings 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 6.5 years old. All of which are fit for purpose, within the stringent specifications required by Petronas and its production sharing contractors.


RETURN STATS

Price (23 November 2018)	RM0.70
Target Price	RM1.30
Expected Share Price Return	+85.5%
Expected Dividend Yield	+0.0%
Expected Total Return	+85.5%

STOCK INFO

KLCI	1,695.88
Bursa / Bloomberg	5141 / DEHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	964.5
Market cap. (RM'm)	675.4
Price over NA	0.69x
52-wk price Range	RM0.50 – RM0.92
Beta (against KLCI)	1.54
3-mth Avg Daily Vol	3.66m
3-mth Avg Daily Value	RM2.36m
Major Shareholders (%)	
Naim Holdings	26.42
Kumpulan Wang Persaraan	12.11
Lembaga Tabung Haji	7.98
Lim Suk Kiong	7.59
Ahmad Shahrudin Yusuf	6.83
Vogue Enterprise	6.35

Impact on earnings. Due to the strong earnings recorded during the quarter under review, we are revising our FY18F earnings upwards to RM87.8m as we revise our vessel utilisation assumption higher. However, we are maintaining our FY19F earnings estimate at this juncture.

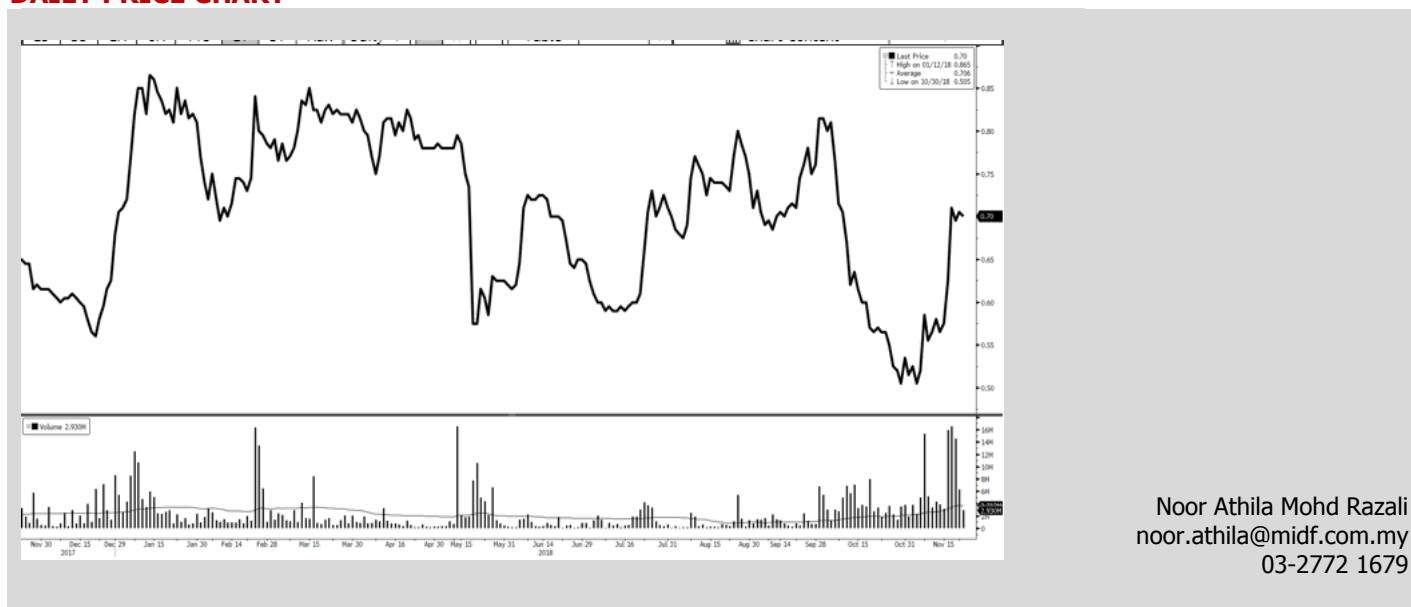
Reiterate BUY. We are reiterating our **BUY** recommendation on Dayang with an unchanged target price of **RM1.30** per share. Our BUY recommendation is premised on: (i) Large potential share upside; (ii) Earnings up-cycle in FY18; (iii) Improving operating climate with higher activity levels and improving 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 (RM'm)	2015	2016	2017	2018F	2019F
Operating Revenue	779.1	694.6	695.5	937.7	1037.7
Direct Operating Costs	(440.5)	(436.4)	(479.5)	(429.9)	(509.4)
Gross Profit	338.6	258.5	216.0	507.7	528.2
EBITDA	155.8	219.7	170.0	222.7	247.7
EBIT	258.4	190.6	31.2	222.7	247.7
Associates	-6.3	-	-19.0	-18.0	-17.0
Profit before tax	147.0	80.0	(63.8)	171.1	190.6
Tax	(53.2)	(25.7)	(88.4)	(83.3)	(86.2)
PAT	202.0	54.9	(152.2)	87.8	104.4
Standardized EPS (sen)	19.6	6.3	(15.4)	9.1	10.8
Net Margin (%)	25.9	7.9	-21.9	9.4	10.1
PER (x)	6.6	11.2	nm	7.7	6.5
Dividend yield (%)	5.4	0.0	0.0	0.0	0.0

Source: MIDFR

DAILY PRICE CHART



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Source: MIDFR, Company

Table 1: Dayang's quarterly earnings summary

FYE Dec (RM'm)	Quarterly Results					Cumulative Results		
	3QFY17	2QFY18	3QFY18	QoQ (%)	YoY (%)	9MFY17	9MFY18	YoY (%)
Revenue	212.8	221.3	281.9	27.4	32.5	521.7	652.0	25.0
Operating expenses	(138.6)	(139.7)	(178.6)	27.9	28.9	(348.7)	(430.1)	23.4
Gross profit	74.2	81.6	103.3	26.6	39.3	173.1	221.9	28.2
Other income	4.4	8.8	7.6	(13.5)	72.8	7.5	18.5	145.5
Admin expense	(25.2)	(21.4)	(21.9)	2.2	(13.1)	(71.4)	(64.4)	(9.9)
Finance costs	(25.9)	(29.0)	(26.6)	(8.1)	2.6	(72.4)	(76.0)	4.9
PBT	14.8	57.0	67.7	18.8	357.6	(57.5)	88.8	254.3
Tax expense	(14.1)	(14.0)	(16.4)	17.2	16.7	(35.0)	(42.1)	20.3
PATAMI	1.1	38.9	48.8	25.5	4,245.3	(89.7)	66.5	174.1
EPS (sen)	0.1	4.0	5.1	25.3	4,108.3	(9.7)	6.9	171.3
Segmental								
Revenue:								
Investment Holdings	497.0	1.3	1.3	0.0	(495.7)	499.5	3.8	(99.2)
Offshore	179.2	201.5	238.2	36.7	59.0	454.4	577.1	27.0
Marine charter	71.7	70.9	107.6	36.7	35.8	153.1	206.9	35.1
Equipment rental	4.6	5.7	6.3	0.5	1.6	11.7	14.7	25.9
Elimination	(539.7)	(58.1)	(71.3)	(13.3)	468.4	(597.0)	(150.6)	(74.8)
PBT:								
Investment Holdings	482.3	(9.3)	(8.9)	0.4	(491.2)	463.9	(25.7)	(105.5)
Offshore	35.6	54.6	59.3	4.7	23.7	121.1	157.1	29.7
Marine charter	(5.1)	12.8	17.7	4.9	22.9	(136.7)	(37.5)	72.6
Equipment rental	1.1	2.1	2.8	0.7	1.7	(0.2)	4.3	1,901.7
Elimination	(499.0)	(3.1)	(3.1)	(0.0)	495.9	(505.7)	(9.4)	(98.1)

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.