

30 July 2018 | Corporate Update

Dayang Enterprise Holdings Bhd

PM-MCM from Murphy Sarawak and Murphy Sabah

Maintain BUY

Unchanged Target Price (TP): RM1.06

INVESTMENT HIGHLIGHTS

- **Dayang Enterprise clinched PM-MCM from Murphy Sarawak and Murphy Sabah**
- **Campaign period for 2018-2023 with one year extension option**
- **Contract is on call-out basis estimated to be between RM1-2b**
- **Reiterate BUY with unchanged target price of RM1.06 per share**

PAN-MCM. Dayang Enterprise announced that it has secured a Pan Malaysia Maintenance Construction and Modification (PM-MCM) contract from Murphy Sarawak Oil Co Ltd and Murphy Sabah Oil Co Ltd for the campaign period of 2018-2023. The contract period is effective from 17 July 2018 and shall expire on 16 July 2023 with an option to extend for a period of one year.

Current jobs at hand. 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) has improved in 1QFY18 despite the typical cyclical monsoon months and will continue to improve into 3QFY18. The company's current orderbook, inclusive of this new win stands at approximately RM2.5-3b lasting through to 2023.

Tenderbook. The company has participated in approximately RM8b worth of projects, in particular the Pan MCM tenders. 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 maintenance, construction and modification (MCM) works as it was the incumbent for the previous HUC contracts from 2013, and more recently the winner of the MCM from Petronas Carigali. 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 (27 July 2018)	RM0.71
Target Price	RM1.06
Expected Share Price Return	+49.3%
Expected Dividend Yield	-
Expected Total Return	+49.3%

STOCK INFO	
KLCI	1,769.14
Bursa / Bloomberg	5141 / DEHB MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	964.8
Market cap. (RM'm)	685.0
Price over NA	0.75x
52-wk price Range	RM0.56 – RM0.87
Beta (against KLCI)	1.38
3-mth Avg Daily Vol	1.8m
3-mth Avg Daily Value	RM1.2m
Major Shareholders (%)	
Naim Holdings Bhd	26.42
Kumpulan Wang Persaraan	12.56
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.

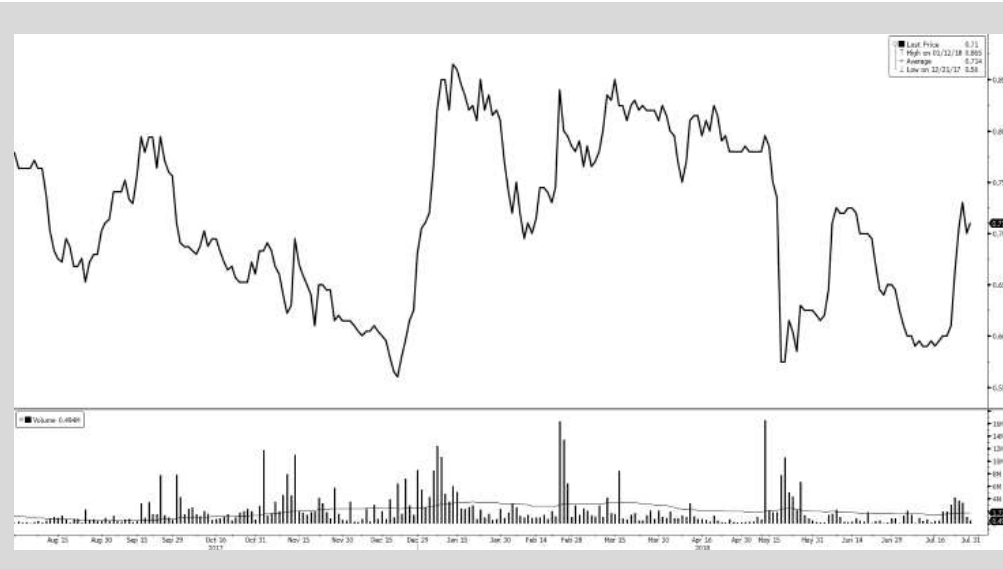


INVESTMENT STATISTICS

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)
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	11.3	nm	9.3	6.6
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	Kebangunan 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.