

# Big role for Daya Offshore in O&G

CEO Midgley plans to make the company the largest contributor to Daya Materials' earnings

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**M**ark Midgley, the newly appointed CEO of Daya Offshore Construction Sdn Bhd (DOC), is a man in a hurry. Organic growth isn't what he has in mind. This former oil and gas commercial diver has huge ambitions for DOC and is resolute in making it the largest contributor in terms of earnings for its parent company, Daya Materials Bhd.

This is not far fetched, as earnings from the nine-month-old DOC will begin to flow in by year end once it completes the RM150mil Tapis enhanced oil recovery and rejuvenation and Telok gas development project.

This contract was awarded by TLO Offshore Sdn Bhd, a subsidiary of SapuraKencana Petroleum Bhd in March this year. The job will be completed in eight months and Midgley is expecting margins of not less than 20% for its work.

Midgley, who has some 30 years experience in the industry, owns 20% of DOC, while the remaining portion is held by Daya Materials. The company has a paid up capital of RM5mil.

Daya Material's focus on oil and gas has been getting increasingly apparent. While it started off as a specialised polymers company, it has expanded aggressively into the oil and gas segment. It has a few oil and gas subsidiaries which specialise in services and exploration, namely Daya OCI Sdn Bhd and Daya Petroleum Ventures Sdn Bhd.

DOC was formed in September last year to provide specialised subsea construction, installation, survey and inspection repair as well as maintenance services that involves complex engineering.

With its focus on oil and gas, it is not surprising that this segment now contributes RM100mil out of Daya's revenue of RM274.4mil as of its financial year ended Dec 31, 2012. For 2012, Daya's revenue dropped 3% to RM277mil while net profit rose 13.2% to RM20.1mil.

"The oil and gas segment is going to be the group's most important driver of growth



**Mazlin:** 'The oil and gas segment is going to be the group's most important driver of growth moving forward.'

moving forward. While in the past we already had a leadership position in the downstream chemicals and energy services, we are now developing our upstream capabilities," said Daya Materials executive vice-chairman and group CEO Datuk Mazlin Junid.

He is especially excited about the prospects of DOC given the company's technical capabilities and the arrival of its DP2 subsea construction vessel, the "Siem Daya 1".

Midgley was attracted to join DOC because the company had a clear vision on where it wanted to be in the oil and gas upstream arena and that it needed to be built from literally ground zero.

"I like building up companies and turning them into something extraordinary. My vision for DOC is to transform it into a highly spe-



**Midgley:** 'My vision for DOC is to transform it into a highly specialised marine and subsea contender in the region.'

cialised marine and subsea contender in the region. We are targeting to own some four to five vessels over the next three years," says Midgley.

Since its formation, DOC has employed 37 people, including 10 expatriates. Midgley is expecting to increase the headcount to over a 100 by year-end, as more projects begin kicking in.

"We will continue to aggressively pursue lucrative contracts worldwide and maintain our low overhead onshore divisions by ensuring that we attract and retain the best people the industry has to offer," says Midgley.

He adds that his drive to grow the business to mammoth proportions was similar to Mazlin's who are both workaholics and Facetime each other at least five times a day

even until the wee hours of the morning strategising and moving the company forward.

DOC will be taking delivery of "Siem Daya 1" in August, which will be a game changer for Daya Materials as a whole.

"We have chartered the vessel for five years with the option to charter it out for a further two years. We are confident of putting this vessel to work before year end," says Mazlin.

Midgley adds that the third and fourth quarter of this year is expected to be a busy period in terms of award of projects.

"Once we put Siem Daya 1 to work, we will be looking to either charter or acquire another similar vessel. Such a vessel would probably cost about US\$200mil and will take 18 months to construct," says Mazlin.

Midgley says that the company was now looking to expand and operate future offices in Norway, the UK, West Africa, the Gulf of Mexico and South America, as well as having affiliate locations worldwide that offer a wide range of subsea services. He is especially keen on the prospects in the North Sea.

"East Africa is another new frontier to look out for, since huge amounts of gas reserves was discovered. That is an extremely interesting market which we intend to eventually explore," said Midgley.

On the recently garnered Tapis job, the scope of work entails provision of vessels, project management and engineering to support subsea operations related to the installation of power cable, the engineering and subsequent installation of rigid spool tie-ins and associated risers. DOC's chartered vessel, the Bourbon Evolution 803, has been engaged to execute the project.

The DP2 "Siem Daya 1" is an offshore subsea construction vessel designed specifically for subsea operational duties such as construction and installation work, inspection and maintenance.

Daya Materials' oil and gas divisions now have businesses in offshore construction, downstream chemicals, specialised facility maintenance services, engineering and construction, solvent and waste oil recycling, and ventilation and energy services.