

13 August 2013

Daya Materials

Scaling "Up" The Stream

Rating

Fair Value

Current		RM0.34
Kenanga	Trading Buy	RM0.38
Consensus	Buy	RM0.28

INVESTMENT MERIT

- Eyeing the Norwegian subsea sector.** The company is looking to seal a long-term charter contract (expected to be for a firm period of c.100-130 days p.a.) in Norway soon, of which they will be engaging a state-of-the-art offshore subsea construction vessel; Siem Daya 1 (from Siem Offshore) on third-party charter. Should DAYA win this contract: (i) there will be higher percentage of upstream oil and gas ventures in its order backlog, (ii) it is another source of recurrent earnings and (iii) will strengthen DAYA's reputation in the global market as it is rare that a Malaysian company is able to secure contracts in a relatively competitive and mature market. This will not be DAYA's first upstream oil and gas foray, as there is a RM180.0m contract, out of its current order book of c.RM1.2b, from Sapura Kencana Petroleum (SKPETRO; OP; TP:RM4.72) for cabling and spooling for the Tapis EOR project. This project is estimated to be completed in FY13.
- Hedging its upstream bets via Risk Service Contract and SPAC involvements.** DAYA has tied up with Hydra Energy (a small international E&P player). It is also looking to be one of the early investors of an upcoming Special Purpose Acquisition Company (SPAC) called REACH. We understand that the involvement in both such ventures means it gets further inroads to the exploration and production (E&P) segment, that is pretty lucrative and will enhance DAYA's technical knowledge of the sector. Such ventures could also eventually lead to spin-off work for its offshore businesses.
- Net profit continues growing in the next two years.** Assuming DAYA successfully lands the Norwegian contract and around RM130.0m of other oil and gas contracts per annum, we estimate FY13-14 net profit to be RM33.8m and RM38.9m respectively.
- More value for now.** We like DAYA for its ambitious upstream O&G aspirations and believe a Norway win will place the stock firmly on investors' radar. Ascribing a target PER of 12x (similar to small-cap stocks like Coastal Contract and Pantech), we value DAYA at RM0.38. **This implies an upside of c.10% from current share price making the stock a Trading Buy for now.**

SWOT ANALYSIS

- Strength:** (i) Asset-light business model implies lower balance sheet risk; and (ii) Stable existing ventures imply recurrent baseline earnings.
- Weaknesses:** Short track record in upstream oil and gas segment could lead to difficulties in securing contracts.
- Opportunities:** RSC and SPAC provide potential prospects.
- Threats:** Lower-than-expected vessel utilisation and contract replenishment.

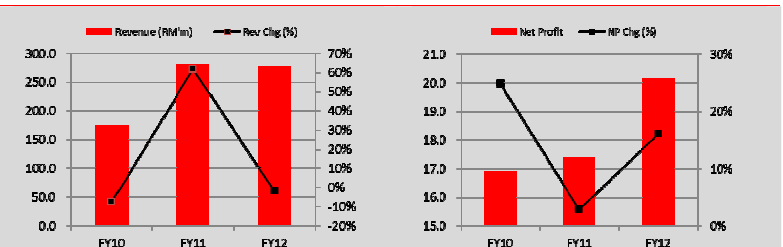
TECHNICALS

- Resistance:** RM0.350 (R1), RM0.370 (R2), RM0.400 (R3)
- Support:** RM0.310 (S1), RM0.280 (S2), RM0.265 (S3)
- Views:** Bullish in the S-T & M-T
- Comments:** DAYA's technical picture looks bullish after the share price broken above recent high @0.335 that marks a resumption of previous uptrend. Should the RM0.350 resistance being taken out as well, we believe that could eventually make its way up towards RM0.370 and RM0.400 soon.



Source: Bloomberg

FINANCIALS



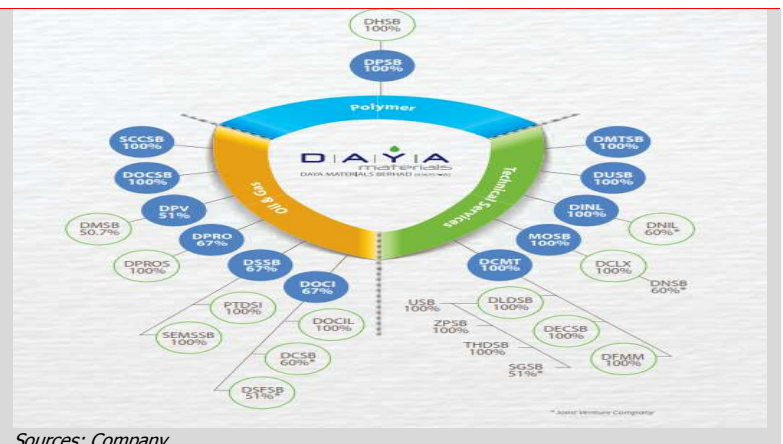
FY Dec (RMm)	1Q12	1Q13	YoY	4Q12	1Q13	QoQ
Revenue	30.4	100.2	229.9%	95.8	100.2	4.5%
PBT	4.6	7.5	64.2%	6.5	7.5	16.0%
Net Profit	2.9	5.0	71.2%	4.7	5.0	7.7%
EPS (sen)	0.2	0.4	70.8%	0.4	0.4	7.9%
DPS (sen)	0.0	0.0	N.M.	0.0	0.0	N.M.

Source: Company

	2011A	2012A	2013F
PER	13.4	11.2	12.6
PBV	1.1	1.0	1.6

Source: Bloomberg, Company

CORPORATE STRUCTURE



Sources: Company

BUSINESS OVERVIEW

DAYA is a Malaysian company with diversified offerings such as ; (i) downstream oil and gas services, (ii) construction, office maintenance and recycling services; and (iii) manufacturing of advanced materials for the power cables and wires industry and the trading of related polymer compounds. It is looking to going further upstream in the oil and gas segment which offers compelling margins and better earnings prospects.

BUSINESS SEGMENTS

- Oil and gas.** The segment is involved in trading and distribution of specialty chemicals and catalysts, provision of heavy machineries and related manpower services, maintenance services for air-conditioning and ventilation system, onshore crane services, and automatic welding services for offshore pipeline installation to the oil and gas industry.
- Technical services.** The segment performs services in the construction, office maintenance and recycling services.
- Polymer.** The segment is involved in manufacturing of advanced materials for the power cables and wires industry and the trading of related polymer compounds.



DAYA MATERIALS BHD

Industry: Chemicals

Industry Sub-Sector: Chemicals-Plastics

Currency: MYR

Exchange: Bursa Malaysia

Stock ID	Price @	% Chg	% Chg 3	% Chg 1	% Chg 5	\$ Chg 1	\$ Chg
0091	13-Aug-13	1 yr	mth	mth	day	day	YTD
DAYAMK	0.34	65.85	51.11	36.00	13.33	0.00	83.78
KLCI	1784.57	8.40	-0.19	-0.06	0.38	0.30	5.66

Daya Materials Berhad is an oil & gas company. The Company, along with its subsidiaries, provide oil and gas products and services, specialty chemicals, advanced polymers, and technical services. Daya's companies produces and markets downstream chemicals, and also provides engineering and construction, specialized lifting and material handling services to the oil & gas industry.

Ownership Statistics

Ownership Type	Ownership Type
Institutional Ownership	0.0%
Retail Ownership	75.7%
Insider Ownership	24.3%

Financial Stats		FY10	FY11	FY12	FY13F	FY14F
12/2012	MYR	(mil)	(mil)	(mil)	(mil)	(mil)
Revenue		174.2	281.7	276.9	588.6	576.1
EBITDA		27.8	25.5	31.7	58.9	69.0
OP		23.7	21.1	27.3	52.1	60.2
Pretax		22.7	23.8	28.4	47.4	54.6
Net Profit		16.9	17.4	20.2	33.8	38.9
EPS (SEN)		1.5	1.4	1.6	2.7	3.1

Balance Sheet

Non-CA		178.5	189.5	204.3	246.9	287.7
CA		113.6	188.6	194.9	218.9	219.8
Total Assets		292.0	378.1	399.2	465.8	507.5
CL		54.9	114.7	127.1	165.2	174.1
Non-CL		60.0	52.8	41.2	41.2	41.2
Shareholders fund		176.6	210.6	231.0	259.6	292.5
Minority interest		0.6	-	(0.1)	(0.1)	(0.3)
Total Equity & Liabilities		292.0	378.1	399.2	465.8	507.5

Cash Flow

Operating CF		(5.9)	28.3	3.9	3.2	54.8
Investing CF		(64.4)	(20.4)	(7.9)	(51.1)	(50.9)
Financing CF		41.3	12.1	11.8	0.7	(1.2)
Change in Cash		(28.9)	20.0	7.8	(47.1)	2.8

Valuation Stats

12/2012	FY10	FY11	FY12	FY13F	FY14F
PER (x)	14.3	13.4	11.2	12.6	10.9
P/BV (x)	1.4	1.1	1.0	1.6	1.4
EVEBITDA	9.9	9.3	7.6	8.4	7.3
DPS (SEN)	0.2	0.3	0.2	0.4	0.5
Dividend Yield (%)	1.1	1.3	1.4	1.2	1.4
ROE (%)	10.6	9.0	9.1	13.8	14.1
ROA (%)	6.6	5.2	5.2	7.8	8.0
EPS Growth (%)	12.9	(6.0)	12.8	65.7	15.0
Revenue Growth (%)	(7.4)	61.7	(1.7)	112.6	(2.1)
OP Margin (%)	13.6	7.5	9.8	8.9	10.5
NP Margin (%)	9.7	6.2	7.3	5.7	6.7

Domestic Peers Comparison (CY14)

	PER	P/BV	P/NTA	P/CF	Div Yield	Mkt Cap
DAYA MATERIALS BHD	10.30	1.55	2.71	7.91	1.18	424
YINSON HOLDINGS BHD	18.87	0.82	3.42	N.A.	0.26	1,102
PERISAI PETROLEUM TEKNOLOGI	10.88	1.89	2.61	8.22	N.A.	1,390
ALAM MARITIM RESOURCES BHD	11.46	1.66	2.15	11.46	0.13	1,190
PERDANA PETROLEUM BHD	12.01	1.61	2.13	38.20	1.31	981
WAH SEONG CORP BHD	13.15	1.24	1.75	8.53	3.28	1,481
SIMPLE AVG	12.78	1.46	2.46	14.86	1.23	
FTSE Bursa Malaysia KLCI	16.57	2.33			6.01	

Market Cap (mil)	424.1	Return on Capital (%)**	8.3
Total Debt (mil)**	0.1	Return on Assets (%)**	5.9
Total Assets (mil)**	0.4	Return on Common Eqy (%)**	9.6
Total Capital (mil)**	0.3	Sales Growth **	229.9
Tot Debt/Tot Asst (%)**	21.3	Diluted EPS Cont Ops**	0.00
Tot Debt/Tot Cap (%)**	26.0	Current Qtr EPS Est	N/A
Tot Debt/Com Eqy (%)**	35.1	Current Yr EPS Est	0.02
Tot Debt/EBITDA (%)**	2.44 x	Beta (x)	0.65
Book Value (x)**	0.19	Relative Index	FTSE Bursa Malaysia KLCI
Number of Shares Outstanding (mil)	1247.3	Index Weighting	N/A
Avg 6M Daily Vol Traded (mil)	13.6	Alt. Relative Index	FTSE BURSA MALAYSIA EMAS
Avg 6M Daily Value Traded (mil)	3.6	Alt. Index Weighting	0.03
Net Gearing (x)	0.4	2nd Alt. Relative Index	FTSE Bursa Mal Small Cap
Free Float (%)	65.1	2nd Alt. Index Weighting	0.52
Share Price 52 Week High	0.35	Consensus Target Price	0.28
Share Price 52 Week Low	0.18	Target Price (H)	0.28
Altman's Z-Score	3.1	Target Price (L)	0.28
Interest Coverage Ratio	8.0	Consensus Recommendation	BUY
Top 3 Major Shareholders:	%	Expected Earnings Report Date	8/28/2013
BIN MD JUNID MAZLIN	12.1	Last Gross DPS (sen)	0.3
KIN LIP KOH	6.3	Last Net DPS (sen)	0.3
LOON THAM JOOI	5.9	Last Dividend EX Date	7/29/2013

**Trailing numbers as of the most recent quarter End: 2013 Q1

Quarterly Financial Data

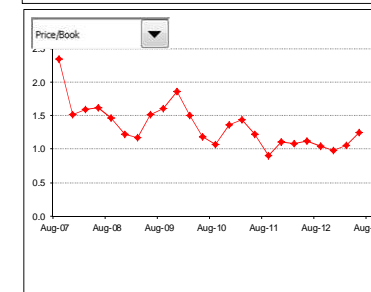
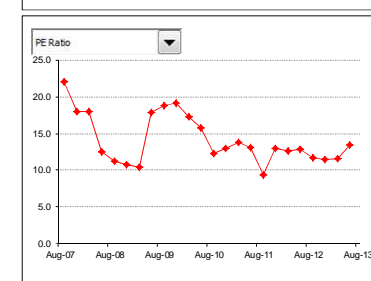
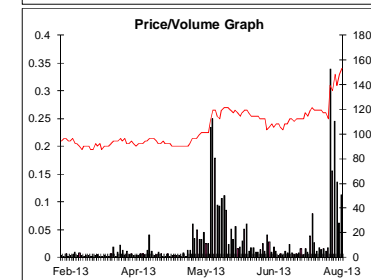
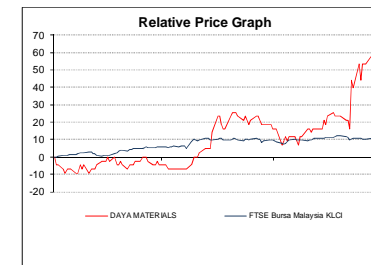
	1Q12	2Q12	3Q12	4Q12	1Q13
Revenue	30.4	75.4	72.9	95.8	100.2
OP	1.4	7.2	7.2	6.8	8.3
Pretax	4.6	9.0	8.1	6.5	7.5
Net Profit	2.9	5.7	6.3	4.7	5.0
EPS	0.2	0.5	0.5	0.4	0.4
EPS Growth (QoQ)	-38.5%	95.8%	10.6%	-26.9%	7.9%
Revenue Growth (QoQ)	-68.5%	9.5%	9.9%	7.1%	8.3%
OP Margin	4.5%	9.5%	9.9%	7.1%	8.3%
DPS	N.A.	N.A.	N.A.	N.A.	N.A.

Revenue Breakdown

	2010	92.1	53%	2011	160.8	57%	2012	152.8	55%
Technical Services									
Oil & Gas		51.5	30%		101.6	36%		104.5	38%
Polymer		30.6	18%		19.3	7%		19.6	7%
Investment Holding &		0.6	0%		0.0	0%		0.0	0%
Inter Segment Revenu		(0.6)	0%		N.A.	N.A.		N.A.	N.A.
Total		174.2			281.7			276.9	

Geographic Breakdown - Revenue

	2010	174.2	100%	2011	281.0	100%	2012	276.2	100%
Malaysia		174.2	100%		281.0	100%		276.2	100%
Other Asian Countrie		N.A.	N.A.		0.8	0%		0.7	0%
Total		174.2			281.7			276.9	



This page is intentionally left blank.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenangaresearch.com



Chan Ken Yew
Head of Research