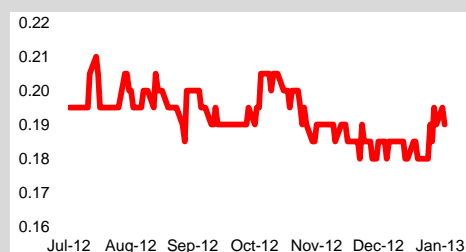


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

One of the largest suppliers of downstream chemicals, specialised lifting and material handling services to the domestic O&G industry

12-Month Target Price	RM0.28
Current Price	RM0.215
Expected Return	30%
Market	Main
Sector	Oil & Gas
Bursa Code	0091
Bloomberg Ticker	DAYA MK

SHARE PRICE CHART


52 Week Range (RM)	0.18-0.24
3-Month Average Vol ('000)	4,197.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	16.2	4.9	11.6
Relative Returns	22.7	9.8	4.1

KEY STOCK DATA

Market Capitalisation (RM m)	261.9
No. of Shares (m)	1,218.3

MAJOR SHAREHOLDERS

	%
Dato' Mazlin Bin Md. Junid	13.00
Dato' Sri Koh Kin Lip JP	6.41
Nathan Tham Jooi Loon	6.08

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Secures RM303m Contract

Daya announced on Friday that its wholly-owned subsidiary Daya CMT SB has been awarded a letter of award (LOA) and a letter of intent (LOI) from B Braun Medical Industries SB for about RM228m and RM75m respectively, for the construction of an extension to the existing manufacturing facility on an approximately 75,500 square meter built-up area in mainland Penang for a period of 30 months (February 2013 - July 2015).

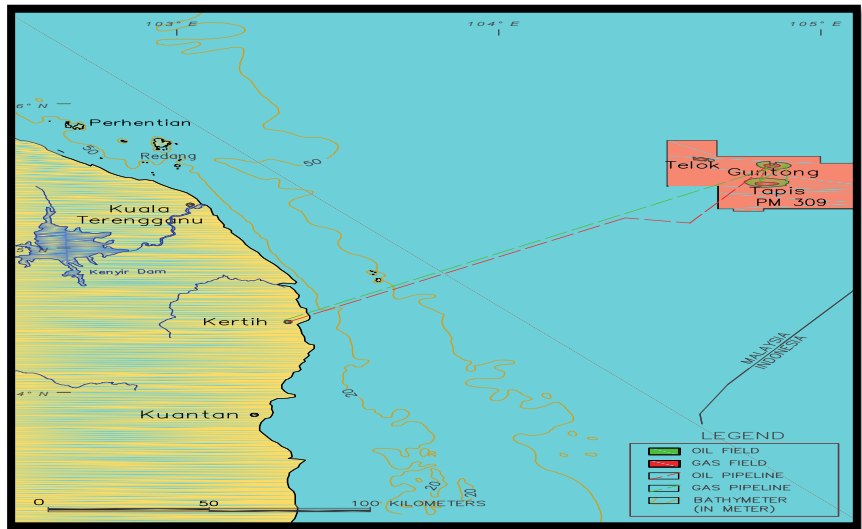
- **Secured order book at RM1.8bn.** Based on the outstanding order book worth RM460m from O&G and RM1.34bn from its Technical Services segment, the outlook of Daya remains bright. Going forward, we anticipate Daya to secure at least RM1bn worth of contracts in 2013 for the O&G related jobs hence skewing the order book towards O&G segment.
- **Focus on subsea construction and engineering.** Daya's main drivers would come mostly from subsea works i.e. TL Offshore project worth about RM186m which will commence from March to Nov 2013 (location of the project is depicted in Figure 1). The Group is also a potential contender for Petro Vietnam and marine HVAC contracts worth some RM250m and RM300m respectively. Meanwhile, we understand that its first vessel 'Siem Daya 1' (details in page 2) is currently in negotiation phase for a long-term charter rate of approximately RM600m over the term.
- **Tembikai-Chenang project halted.** On a separate note, Petronas has decided not to proceed with the RSC contract due to uncertainty over the status of the cluster. To recap, Daya and its partner Hydra Energy Pty Ltd had in June 2012 tendered for the job. Nevertheless, we believe Daya and its partner are still keen to participate in upcoming RSCs.
- **Reiterate Outperform call.** We are maintaining our target price of RM0.28 as we had earlier factored in some order book replenishment. Our valuation of Daya is based on 12x multiple over FY13 EPS of 2.34 sen. We like Daya for its strong strategic business model, expanding capabilities and sound financials.

KEY FORECAST TABLE (RM m)

FYE Dec	2010A	2011A	2012F	2013F	2014F	CAGR
Revenue	174.2	281.7	291.5	452.2	548.6	25.8%
Gross Operating Profit	25.6	26.3	26.4	37.4	50.2	14.4%
Pre-tax Profit	22.7	23.8	27.4	38.6	51.5	17.8%
Core Net Profit	16.9	17.4	20.5	28.5	38.1	17.6%
EPS (Sen)	1.6	1.5	1.7	2.3	3.1	13.8%
P/E (x)	13.1	14.3	12.8	9.2	6.9	-
DPS (Sen)	0.2	0.3	0.3	0.5	0.6	-
Dividend Yield (%)	1.2	1.2	1.6	2.3	3.1	-

Source: Company, PublicInvest Research estimates

Figure 1: Location of the TL Offshore project



Source: Company, PublicInvest Research

The project is to install subsea cables, rigid spools, tie-in works for Tapis EOR and Rejuvenation and Telok Gas Development for SapuraKencana subsidiary, TL Offshore SB worth about RM186m. The project is expected to be completed in 8 months starting from March 2013 with estimated margin of 20% and IRR 55%.

Figure 2: Siem Daya 1



Source: www.siemoffshore.com, PublicInvest Research

Daya's subsidiary, Daya OCI (Labuan) had on 4 Dec 2012 entered into a 5 years charter agreement with Siem Offshore for one of their Offshore Subsea Construction Vessels (OSCV) which is to be named the Siem Daya 1. The vessel is designed and equipped for subsea operation duties such as construction and installation work, inspection and maintenance. Delivery of the vessel is expected to be in Aug 2013 for a charter period of 5 years with 2 years options. Daya has an option to buy 50% of the vessel from Siem Offshore. The vessel will sail under the Norwegian flag and is likely to operate in European seas. Siem Offshore currently owns a fleet of 44 vessels which include large AHTS and support vessels. Meanwhile, Daya is planning to charter Siem Daya 2 which is expected to be delivered in Oct 2013. The vessel is aiming to run on a Malaysian flag.

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2010A	2011A	2012F	2013F	2014F
Revenue	174.2	281.7	291.5	452.2	548.6
Gross Operating Profit	25.6	26.3	26.4	37.4	50.2
Other Income	3.0	6.4	6.7	6.7	6.7
Other Expenses	-23.1	-22.2	-24.8	-24.8	-24.8
Finance Cost	-3.1	-4.0	-4.0	-3.9	-3.7
Pre-tax Profit	22.7	23.8	27.4	38.6	51.5
Income Tax	-5.8	-6.3	-6.9	-9.6	-12.9
Effective Tax Rate (%)	25.4	26.6	25.0	25.0	25.0
Minorities	-0.1	-0.1	-0.1	-0.4	-0.5
Core Net Profit	16.9	17.4	20.5	28.5	38.1
Growth					
Revenue (%)	-7.4	61.7	3.5	55.1	21.3
Gross Operating Profit (%)	17.3	3.0	0.4	41.5	34.1
Net Profit (%)	24.9	2.8	17.9	39.2	33.5

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2010A	2011A	2012F	2013F	2014F
Property, plant and equipment	90.9	100.0	110.2	119.8	128.9
Inventories	13.4	14.2	11.6	18.7	22.7
Trade receivables	57.3	86.5	89.5	138.9	168.5
Cash and bank balances	34.2	62.8	84.2	100.5	121.9
Total Assets	292.0	378.1	410.1	492.5	556.5
ST Borrowings	14.6	17.9	32.0	32.0	32.0
LT Borrowings	53.9	48.9	48.0	48.0	48.0
Trade Payables	35.6	94.5	96.7	155.9	189.0
Minority Interests	0.6	0.0	0.1	0.4	1.0
Total Liabilities	114.9	167.5	183.0	242.2	275.3
Total Equity	177.2	210.6	227.1	250.3	281.3
Total Equity and Liabilities	292.0	378.1	410.1	492.5	556.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2010A	2011A	2012F	2013F	2014F
Book Value Per Share	0.1	0.2	0.2	0.2	0.2
NTA Per Share	0.1	0.2	0.2	0.2	0.2
EPS (sen)	1.6	1.5	1.7	2.3	3.1
DPS (sen)	0.2	0.3	0.3	0.5	0.6
Payout Ratio (%)	14.6	16.7	20.0	20.0	20.0
ROA (%)	5.8	4.6	5.0	5.9	6.9
ROE (%)	9.6	8.3	9.1	11.6	13.8

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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