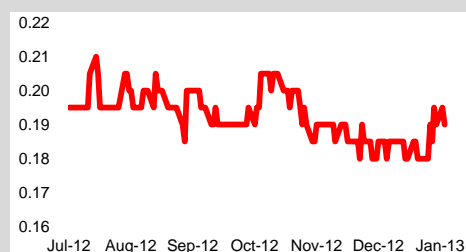


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

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 |

Research Team

T 603 2031 3011
F 603 2272 3704
E research@publicinvestbank.com.my

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).

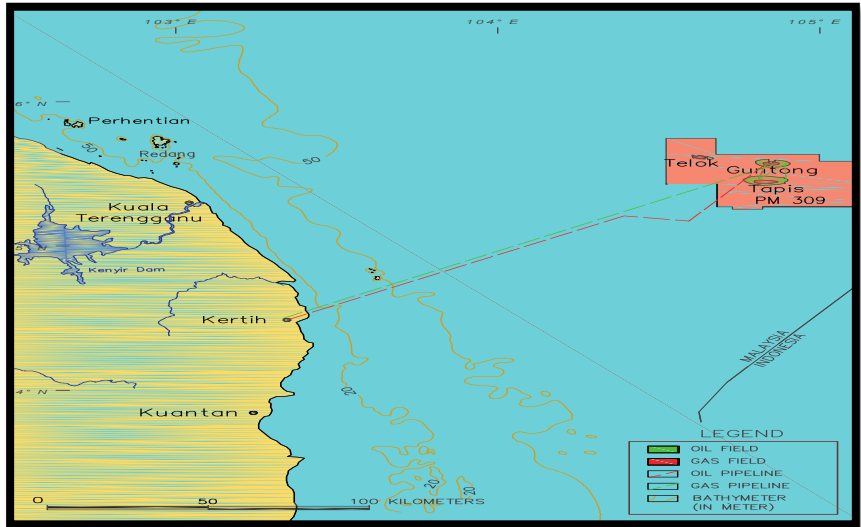
- **Secured order book at RM1.8bn.** Based on the outstanding order book worth RM460m from O&G and RM1.34bn from its Technical Services segment, the outlook of Daya remains bright. Going forward, we anticipate Daya to secure at least RM1bn worth of contracts in 2013 for the O&G related jobs hence skewing 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. |

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:

PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2031 3011
F 603 2272 3704
Dealing Line 603 2260 6718