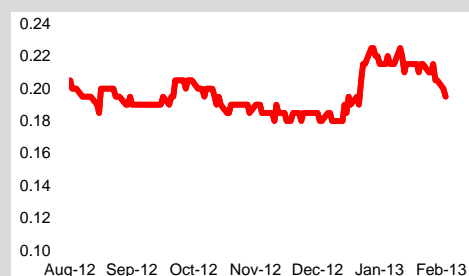


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

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	RM0.20
Expected Return	40%
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)	5039.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-7.0	5.3	2.6
Relative Returns	-6.8	7.2	1.4

KEY STOCK DATA

Market Capitalisation (RM m)	243.7
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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Steady Earnings

Daya posted a net profit of RM19.7m for the year ended Dec 31, 2012, an increase of 13% y-o-y from RM17.4m, contributed largely by higher profit margins from the O&G segment. Revenue for the year declined slightly by 3% however, to RM274m from RM282m previously, due to lower revenue contributions from the Technical Services segment. Daya, in our view will maintain its strategy of targeting more O&G contracts in both the upstream and downstream segments. We continue to like Daya given its healthy financial position and attractive growth prospects in the oil and gas space.

- **FY2012 PBT +18.7% y-o-y** to RM28.2m, boosted by higher profit margins contributed largely by the O&G and Trading Services segments. The polymer segment continued to weaken however as a result of intense foreign competition, notably China. Segmental contribution only amounts to 7% of Group revenue, underlining its growing insignificance, and lesser of a worry. Incidentally, the segment is up for sale.
- **Outstanding order book at RM1.8bn.** Daya's outstanding order book worth RM1.8bn (RM515m O&G; RM1.3bn Technical Services segment) has grown significantly vis-à-vis its small market capitalisation. We see Daya securing another RM1bn worth of contracts going forward, at the very least, most of its O&G-related.
- **Seeking to gain exposure.** Apart from the TL Offshore subsea contract worth about RM186m which will commence from March to Nov 2013, Daya is making good progress in expanding from its existing businesses into new areas, which may see the Group potentially securing the Petro Vietnam and Marine HVAC contracts worth some RM250m and RM300m respectively. Meanwhile, we gather that its first vessel 'Siem Daya 1' is currently in negotiation phase for a long-term charter rate of approximately RM600m over the term.
- **Reiterate Outperform call.** We uphold both our earnings estimate and target price of RM0.28. We believe the current valuations remain attractive given its growth potential going forward. Our valuation of Daya is based on 12x multiple over FY13 EPS of 2.34 sen.

KEY FORECAST TABLE (RM m)

FYE Dec (RM m)	2010A	2011A	2012F	2013F	2014F	CAGR
Revenue	174.2	281.7	274.4	452.2	548.6	25.8%
Gross Operating Profit	25.6	26.3	27.3	37.4	50.2	14.4%
Pre-tax Profit	22.7	23.8	28.1	38.6	51.5	17.8%
Net Profit	16.9	17.4	19.7	28.5	38.1	17.6%
EPS (Sen)	1.6	1.5	1.6	2.3	3.1	13.8%
P/E (x)	12.5	13.3	12.5	8.7	6.5	-
DPS (Sen)	0.2	0.2	0.3	0.5	0.6	-
Dividend Yield (%)	1.2	1.2	1.6	2.3	3.1	-

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>4Q12</u>	<u>4Q11</u>	<u>3Q12</u>	<u>Q-o-Q chg (%)</u>	<u>Y-o-Y chg (%)</u>	<u>YTD FY12</u>	<u>YTD FY11</u>	<u>Y-o-Y chg (%)</u>	<u>Comments</u>
Revenue	95.8	96.3	72.9	31.4	-0.6	274.4	281.7	-2.6	Marginal decrease of 2.6% y-o-y mainly due to lower revenue contribution from the Technical Services segment.
Cost of sales	-81.3	-84.1	-60.1	35.3	-3.3	-222.4	-239.0	-7.0	
Gross profit	14.5	12.2	12.8	13.3	18.4	52.0	42.7	21.7	
Other income	0.6	1.7	1.9	-66.7	-64.0	5.7	6.3	-8.6	
Other expenses	-7.6	-8.0	-5.8	32.1	-4.4	-30.5	-22.7	34.5	
Operating profit	7.5	6.0	8.9	-15.8	25.0	27.3	26.3	3.6	
Finance costs	-1.1	-1.0	-0.9	23.6	9.3	-4.0	-4.0	0.4	
Share of results of associated companies	0.0	0.0	0.0			0.0	0.0		
Pre-tax profit	6.5	5.3	8.1	-19.6	22.1	28.2	23.8	18.7	Stronger PBT of 18.7% y-o-y driven by improvement in profit margin from O&G and Trading Services segments
Tax	-1.9	-0.7	-1.8	5.8	150.7	-8.6	-6.3	36.2	
Net profit	4.7	4.6	6.3	-26.2	1.9	19.7	17.4	13.1	
Core EPS (sen)	0.4	0.4	0.5	-26.9	-2.6	1.6	1.5	7.3	
DPS (sen)	0.0	0.0	0.0	-	-	0.3	0.2	-	
Gross Margin (%)	15.1	12.7	17.5	-	-	18.9	15.2	-	
Pre-tax Margin (%)	6.8	5.5	11.1	-	-	10.3	8.4	-	
Net Margin (%)	4.9	4.8	8.7	-	-	7.2	6.2	-	

Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2010A	2011A	2012A	2013F	2014F
Revenue	174.2	281.7	274.1	452.2	548.6
Gross Operating Profit	25.6	26.3	27.3	37.4	50.2
Other Income	3.0	6.4	5.8	6.7	6.7
Other Expenses	-23.1	-22.8	--30.5	-24.8	-24.8
Finance Cost	-3.1	-4.0	-4.0	-3.9	-3.7
Pre-tax Profit	22.7	23.8	28.2	38.6	51.5
Income Tax	-5.8	-6.3	-8.6	-9.6	-12.9
Effective Tax Rate (%)	25.4	26.6	30.0	25.0	25.0
Minorities	-0.1	-0.1	-0.1	-0.4	-0.5
Core Net Profit	16.9	17.4	19.7	28.5	38.1
Growth					
Revenue (%)	-7.4	61.7	-2.7	55.1	21.3
Gross Operating Profit (%)	17.3	3.0	3.7	41.5	34.1
Net Profit (%)	24.9	2.8	13.3	39.2	33.5

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2010A	2011A	2012A	2013F	2014F
Property, plant and equipment	90.9	100.0	110.3	119.8	128.9
Inventories	13.4	14.2	14.2	18.7	22.7
Trade receivables	57.3	86.5	60.8	138.9	168.5
Cash and bank balances	34.2	62.8	64.5	100.5	121.9
Total Assets	292.0	378.1	392.2	492.5	556.5
ST Borrowings	14.6	17.9	33.7	32.0	32.0
LT Borrowings	53.9	48.9	41.7	48.0	48.0
Trade Payables	35.6	94.5	87.3	155.9	189.0
Minority Interests	0.6	0.0	0.1	0.4	1.0
Total Liabilities	114.9	167.5	161.8	242.2	275.3
Total Equity	177.2	210.6	230.4	250.3	281.3
Total Equity and Liabilities	292.0	378.1	392.2	492.5	556.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2010A	2011A	2012A	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	1.6	2.3	3.1
DPS (sen)	0.2	0.3	0.3	0.5	0.6
Payout Ratio (%)	14.6	16.7	18.8	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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