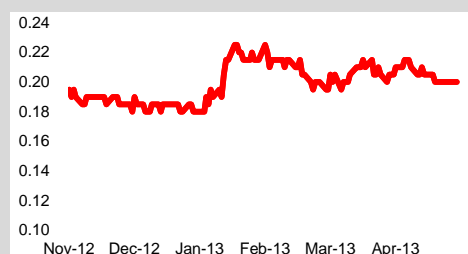


**DAYA MATERIALS BERHAD**
*Outperform*
**DESCRIPTION**

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

<b>12-Month Target Price</b>	RM0.28
<b>Current Price</b>	RM0.20
<b>Expected Return</b>	40%
<b>Market</b>	Main
<b>Sector</b>	Oil & Gas
<b>Bursa Code</b>	0091
<b>Bloomberg Ticker</b>	DAYA MK

**SHARE PRICE CHART**


52 Week Range (RM)	0.18-0.24
3-Month Average Vol ('000)	2,874.9

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-2.4	-7.0	0.0
Relative Returns	-4.0	-11.6	-3.3

**KEY STOCK DATA**

Market Capitalisation (RM m)	246.6
No. of Shares (m)	1,232.8

**MAJOR SHAREHOLDERS**

	%
Dato' Mazlin Bin Md. Junid	12.5
Dato' Sri Koh Kin Lip JP	6.3
Nathan Tham Jooi Loon	6.0

**Nuraida Mohd Ali**

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**Wins RM199m Contract**

Daya announced yesterday that its subsidiary Daya OCI SB (DOCI) and its joint venture (JV) partner had been given a letter of award (LOA) from Boustead Naval Shipyard SB for HVAC (Heating, Ventilation and Air-Conditioning) works amounting to about EUR49.4m (RM199m). We view this development positively as the company is increasingly positioning itself in the oil and gas business.

- **Making good progress in O&G segment.** DOCI and Cofely Axima, a 60:40 JV will undertake the ventilation jobs for 6 new Royal Malaysian Navy vessels. The scope of the project is to design, supply, install, test and commission HVACs for the period of approximately 4 years with an approximate 20% pre-tax margin.
- **Aiming for another O&G contract.** We understand that Daya is in negotiation with multiple parties for a long-term charter rate of approximately RM600m for its first vessel 'Siem Daya 1' (refer to our note on 29 Jan 2013). The agreement is expected to be finalised by May/June 2013. Hence, we believe given the secured and potential contracts, we see Daya's 2Q13 earnings and going forward entering an exciting phase.
- **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 also introduce our FY15 estimates.

**KEY FORECAST TABLE (RM m)**

FYE Dec	2011A	2012A	2013F	2014F	2015F	CAGR
Revenue	281.7	274.4	452.2	548.6	661.9	18.6%
Gross Operating Profit	26.3	27.3	37.2	45.2	54.5	15.7%
Pre-tax Profit	23.8	28.2	38.4	46.5	56.0	18.7%
Core Net Profit	17.4	19.7	28.1	34.0	41.0	18.7%
EPS (Sen)	1.5	1.6	2.3	2.8	3.4	17.5%
P/E (x)	13.3	12.4	8.7	7.2	5.9	-
DPS (Sen)	0.3	0.3	0.4	0.5	0.6	-
Dividend Yield (%)	1.3	1.3	2.0	2.4	2.9	-

Source: Company, PublicInvest Research estimates

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

<b>FYE Dec (RM m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>
Revenue	281.7	274.4	452.2	548.6	661.9
Gross Operating Profit	26.3	27.3	37.2	45.2	54.5
Other Income	6.4	5.7	9.5	11.5	13.9
Other Expenses	-22.2	-30.5	-42.3	-51.3	-61.9
Finance Cost	-4.0	-4.0	-3.9	-3.7	-3.5
Pre-tax Profit	23.8	28.2	38.4	46.5	56.0
Income Tax	-6.3	-8.6	-9.9	-12.0	-14.5
Effective Tax Rate (%)	26.6	30.5	25.8	25.8	25.8
Minorities	-0.1	0.1	-0.4	-0.5	-0.6
<b>Core Net Profit</b>	<b>17.4</b>	<b>19.7</b>	<b>28.1</b>	<b>34.0</b>	<b>41.0</b>
<b>Growth</b>					
Revenue (%)	61.7	-2.6	64.8	21.3	20.7
Gross Operating Profit (%)	3.0	3.6	36.5	21.3	20.7
Net Profit (%)	2.8	13.1	42.9	21.1	20.5

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

<b>FYE Dec (RM m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>
Property, plant and equipment	100.0	110.3	120.8	130.5	139.8
Inventories	14.2	14.2	16.3	19.8	23.9
Trade receivables	86.5	42.1	69.5	84.3	101.7
Cash and bank balances	62.8	64.5	117.7	149.5	189.9
<b>Total Assets</b>	<b>378.1</b>	<b>392.0</b>	<b>485.2</b>	<b>544.9</b>	<b>616.0</b>
ST Borrowings	17.9	33.7	37.0	37.0	37.0
LT Borrowings	48.9	41.7	48.0	48.0	48.0
Trade Payables	94.5	84.3	143.9	174.5	210.6
Minority Interests	0.0	-0.1	0.3	0.8	1.4
<b>Total Liabilities</b>	<b>167.5</b>	<b>161.7</b>	<b>230.9</b>	<b>261.5</b>	<b>297.6</b>
Total Equity	210.6	230.3	254.3	283.4	318.4
<b>Total Equity and Liabilities</b>	<b>378.1</b>	<b>392.0</b>	<b>485.2</b>	<b>544.9</b>	<b>616.0</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

<b>FYE Dec</b>	<b>2011A</b>	<b>2012A</b>	<b>2013F</b>	<b>2014F</b>	<b>2015F</b>
Book Value Per Share	0.2	0.2	0.2	0.2	0.3
NTA Per Share	0.2	0.2	0.2	0.2	0.3
EPS (sen)	1.5	1.6	2.3	2.8	3.4
DPS (sen)	0.3	0.3	0.4	0.5	0.6
Payout Ratio (%)	16.7	15.5	17.2	17.2	17.2
ROA (%)	4.6	5.0	5.9	6.3	6.7
ROE (%)	8.3	8.5	11.2	12.2	13.1

Source: Company, PublicInvest Research estimates

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

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

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