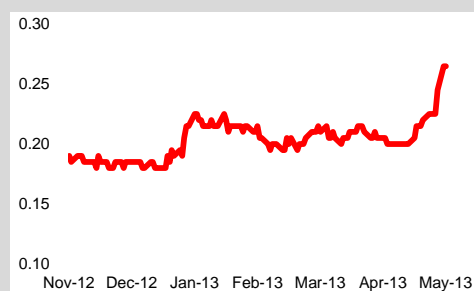


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

The Group involves in upstream O&G activities i.e. offshore pipeline services, production chemical, automated welding and FPSO desludging

12-Month Target Price	RM0.28
Current Price	RM0.265
Expected Return	5.7%
Market	Main
Sector	Oil & Gas
Bursa Code	0091
Bloomberg Ticker	DAYA MK

SHARE PRICE CHART


52 Week Range (RM)	0.18-0.27
3-Month Average Vol ('000)	7,990.2

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	29.3	23.3	39.5
Relative Returns	24.1	17.4	27.4

KEY STOCK DATA

Market Capitalisation (RM m)	330.5
No. of Shares (m)	1,247.3

MAJOR SHAREHOLDERS

	%
Dato' Mazlin Bin Md. Junid	12.38
Dato' Sri Koh Kin Lip JP	6.26
Nathan Tham Jooi Loon	5.94

Nuraida Mohd Ali

T 603 2031 3011

F 603 2272 3704

E nuraida.ali@publicinvestbank.com.my

Earnings Delivery On Track

Daya recorded earnings of RM5.0m in 1QFY13, up 8% q-o-q and 71% y-o-y mainly due to significant contributions from the oil & gas (O&G) and trading services segments. Revenue soared 230% y-o-y to RM100.2m (5% q-o-q), highlighting 2013 as a breakthrough year for the Group. We believe that given what it has on hand, and the potential contracts it could be close to securing, Daya's 2HFY13 earnings is moving forward into an exciting phase.

- O&G contributes significantly.** The O&G segment registered revenue of RM35.2m for the 1QFY13, a jump of 119% from RM16.1m a year ago, underpinned by progress billings in the offshore cable laying project and higher seasonal chemical sales. Revenue for the trading services segment rose a significant 711% to RM59.2m from RM7.3m last year mainly due to progress construction works done with B.Braun, Yuk Tung, Gemesis and Dream Mont Developer.
- On track to deliver stronger 2H.** We note that Daya's earnings growth drivers rely much on O&G-related activities, owing to the higher profit margins involved (c. 20%). Hence, the Group is moving progressively to focusing on upstream O&G activities i.e. subsea construction engineering, venturing into risk sharing contract (RSC) and securing long-term charters for its first vessel 'Siem Daya 1'. We have been made to understand that the Group is in negotiations with multiple parties for a charter rate of approximately RM600m over 5 years, expected to be finalised by May/June 2013.
- Reiterate Outperform call.** We are maintaining our target price of RM0.28 for now. Further re-rating is possible pending clarity in the securing of new O&G contracts, especially the long-term charter which would increase our prospective fair value to about RM0.40 upon the rollover of valuations to FY14. We do believe Daya has room to grow considering better the O&G sector growth outlook. Our current valuation of Daya is based on a 12x multiple to FY13 EPS of 2.34 sen.

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)	17.7	16.5	11.5	9.5	7.9	-
DPS (Sen)	0.3	0.3	0.4	0.5	0.6	-
Dividend Yield (%)	0.9	0.9	1.5	1.8	2.2	-

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	1Q13	1Q12	4Q12	Q-o-Q chg (%)	Y-o-Y chg (%)	YTD FY13	YTD FY12	Y-o-Y chg (%)	Comments
Revenue	100.2	30.4	95.8	4.5	229.9	100.2	30.4	229.9	Stronger revenue in the current quarter due to progress billing on offshore and progress construction works done
Cost of sales	-85.1	-23.8	-81.3	4.6	257.7	-85.1	-23.8	257.7	
Gross profit	15.1	6.6	14.5	4.4	129.5	15.1	6.6	129.5	
Other income	0.5	1.1	0.6	-19.7	-54.9	0.5	1.1	-54.9	
Other expenses	-6.8	-6.0	-7.6	-10.3	13.7	-6.8	-6.0	13.7	
Operating profit	8.8	1.7	7.5	17.4	423.3	8.8	1.7	423.3	
Finance costs	-1.3	-1.1	-1.1	25.1	21.0	-1.3	-1.1	21.0	
Share of results of associated companies	-	-	-	-	-	-	-	-	
Pre-tax profit	7.5	4.6	6.5	16.0	64.1	7.5	4.6	64.1	Higher PBT mainly attributable to the higher contributions from O&G and trading services segment
Tax	-2.5	-1.7	-1.9	34.7	52.3	-2.5	-1.7	52.3	
Net profit	5.0	2.9	4.7	7.7	70.9	5.0	2.9	70.9	
Core EPS (sen)	0.4	0.2	0.4	7.9	70.8	0.4	0.2	70.8	
DPS (sen)	-	-	-	-	-	-	-	-	
Gross Margin (%)	15.1	21.7	15.1	-	-	15.1	21.7	-	
Pre-tax Margin (%)	7.5	15.1	6.8	-	-	7.5	15.1	-	
Net Margin (%)	5.0	9.7	4.9	-	-	5.0	9.7	-	Lower profit margin mainly attributable to the higher revenue contribution in the technical services segment which tend to have lower profit margin as compared to O&G segment.

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
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
Core Net Profit	17.4	19.7	28.1	34.0	41.0
Growth					
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

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
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	96.6	127.9	167.7
Total Assets	378.1	392.0	464.1	523.4	593.9
ST Borrowings	17.9	33.7	45.0	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
Total Liabilities	167.5	161.7	209.8	240.0	275.4
Total Equity	210.6	230.3	254.3	283.4	318.4
Total Equity and Liabilities	378.1	392.0	464.1	523.4	593.9

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2011A	2012A	2013F	2014F	2015F
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	6.1	6.6	7.0
ROE (%)	8.3	8.5	11.2	12.2	13.1

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