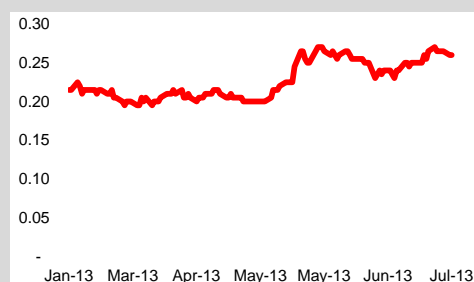


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

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

12-Month Target Price	RM0.28
Current Price	RM0.26
Expected Return	7.7%
Market	Main
Sector	Oil & Gas
Bursa Code	0091
Bloomberg Ticker	DAYA MK

SHARE PRICE CHART


52 Week Range (RM)	0.18-0.28
3-Month Average Vol ('000)	16,743.9

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	9.4	31.3	19.3
Relative Returns	6.8	24.1	9.4

KEY STOCK DATA

Market Capitalisation (RM m)	324.3
No. of Shares (m)	1,247.3

MAJOR SHAREHOLDERS

	%
Dato' Mazlin Bin Md. Junid	12.13
Tan Sri Dato' Sri Koh Kin Lip	6.26
Nathan Tham Jooi Loon	5.94

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Buys Stake in Reach Energy

Daya Materials announced that the company is acquiring a stake in Reach Energy SB in the form of redeemable convertible preference shares (RCPS) and ordinary shares for a total consideration of RM8m. Additionally, Reach Energy proposes to undertake an initial public offering and listing on the Main Market as a Special Purpose Acquisition Company (SPAC). We view this development positively as this give Daya Materials another avenue in the expansion of its oil and gas earning base. Reach Energy will be involved in exploration and production once it completes its qualifying acquisition, and is aiming to list in 1Q14, making it the fourth SPAC to list on Bursa, subject to Securities Commission (SC) approval.

- **Subscription details.** Daya will subscribe to (i) 533,334 RCPS of RM0.01 each at an issue price of RM4.50 in Reach Energy for a consideration of RM2.4m and acquire (ii) 12.44m ordinary shares of RM0.01 each together with 12.44m free detachable warrants at an issue price of RM0.45 per share in Reach Energy for a consideration of RM5.6m. Daya has fully paid for the RCPS subscription.
- **Beginning to expand on growth strategies.** Daya Materials sees opportunities to acquire good assets through Reach Energy in concession or production sharing contract. The company is headed by its director Ir. Shahul Hamid Mohd Ismail who has extensive experience in the oil and gas industry. Assets that the Group is targeting have reserves in excess of 30 million barrels or daily production of 10,000 barrels per day. Nonetheless, the proposed IPO is subject to the approval of the SC. Further information will be made available upon issuance of the Prospectus of Reach Energy.
- **Reiterate Outperform call.** We are maintaining our target price of RM0.28 for now pending clarity in securing of new O&G contracts, particularly on the chartering of its first lay barge vessel (Siem Daya 1) in the North Seas (Norwegian). The delivery of the vessel is expected to be in Aug 2013. Our current valuation of Daya is based on a 12x multiple to FY13 EPS of 2.3 sen.

KEY FORECAST TABLE (RM m)

FYE Dec	2011A	2012A	2013F	2014F	2015F	CAGR
Revenue	281.7	276.9	453.8	542.2	661.8	18.6%
Gross Operating Profit	26.3	31.0	38.5	46.0	56.1	16.3%
Pre-tax Profit	23.8	28.4	40.2	47.9	58.1	19.6%
Core Net Profit	17.4	20.2	28.9	34.5	41.8	19.2%
EPS (Sen)	1.5	1.7	2.3	2.8	3.4	17.4%
P/E (x)	17.3	15.8	11.2	9.4	7.8	-
DPS (Sen)	0.3	0.3	0.4	0.5	0.6	-
Dividend Yield (%)	1.0	1.0	1.5	1.8	2.2	-

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
Revenue	281.7	276.9	453.8	542.2	661.8
Gross Operating Profit	26.3	31.0	38.5	46.0	56.1
Other Income	6.4	5.7	9.5	11.4	13.9
Other Expenses	-22.2	-29.2	-42.1	-50.3	-61.3
Finance Cost	-4.0	-4.1	-3.3	-3.0	-3.0
Pre-tax Profit	23.8	28.4	40.2	47.9	58.1
Income Tax	-6.3	-8.3	-10.8	-12.9	-15.7
Effective Tax Rate (%)	26.6	29.1	27.0	27.0	27.0
Minorities	-0.1	0.1	-0.4	-0.5	-0.6
Core Net Profit	17.4	20.2	28.9	34.5	41.8
Growth					
Revenue (%)	61.7	-1.7	63.9	19.5	22.0
Gross Operating Profit (%)	3.0	17.6	24.2	19.5	22.0
Net Profit (%)	2.8	16.1	43.3	19.4	21.1

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
Property, plant and equipment	100.0	105.6	111.7	121.5	130.8
Inventories	14.2	14.1	16.3	19.5	23.8
Trade receivables	86.5	72.6	118.9	142.1	173.5
Cash and bank balances	62.8	66.4	76.3	93.3	122.8
Total Assets	378.1	399.2	463.8	516.9	591.4
ST Borrowings	17.9	40.3	40.0	35.0	35.0
LT Borrowings	48.9	41.0	20.0	20.0	20.0
Trade Payables	94.5	85.6	146.8	175.4	214.1
Minority Interests	0.0	-0.1	0.3	0.8	1.4
Total Liabilities	167.5	168.3	208.1	231.8	270.4
Total Equity	210.6	230.9	255.6	285.2	320.9
Total Equity and Liabilities	378.1	399.2	463.8	516.9	591.4

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	1.7	2.3	2.8	3.4
DPS (sen)	0.3	0.3	0.4	0.5	0.6
Payout Ratio (%)	16.7	15.2	17.2	17.2	17.2
ROA (%)	4.6	5.0	6.3	6.8	7.2
ROE (%)	8.3	8.7	11.5	12.3	13.3

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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