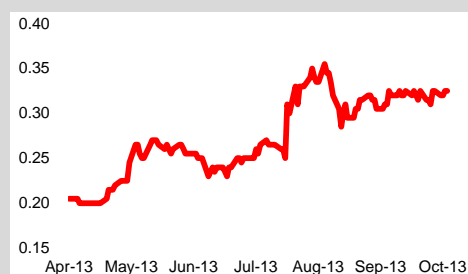


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

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	RM0.370
Current Price	RM0.325
Expected Return	14%
Market	Main
Sector	Oil & Gas
Bursa Code	0091
Bloomberg Ticker	DAYA MK
Shariah-compliant	Yes

SHARE PRICE CHART


52 Week Range (RM)	0.18-0.37
3-Month Average Vol ('000)	25,869.8

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	6.6	31.3	60.1
Relative Returns	3.9	24.8	47.8

KEY STOCK DATA

Market Capitalisation (RM m)	406.2
No. of Shares (m)	1,249.8

MAJOR SHAREHOLDERS

	%
Dato' Mazlin Bin Md. Junid	11.8
Tan Sri Dato' Sri Koh Kin Lip	6.3
Nathan Tham Jooi Loon	6.0

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Secures Short-Term Charter Contract

A subsequent contract for Daya Offshore Construction SB (DOC), a subsidiary of Daya Materials was announced yesterday in relation to its first vessel Siem Daya 1 (SD1). The estimated value of the contract ranges from RM7.8m to RM11.8m for a period of 20 to 30 days commencing Oct 2013. Under the agreement, DOC will provide a range of offshore services to Allseas UK Ltd for the United Kingdom North Sea region. The success of the charter therefore further strengthens its position as prominent provider globally. We maintain our earnings estimates for now as we had factored in this contract into our valuation earlier. Hence, we reiterate our **Outperform** call with unchanged RM0.37 target price.

- **More short-term contracts expected.** Recall that Daya has been awarded a long-term charter contract with Technip worth up to RM440m for SD1 (starting May 2014). Daya is now signing a short-term contract with Allseas UK Ltd for the same vessel (starting Oct-Nov 2013). We believe the company is finalising further agreements on a spot basis to fill-in significant charter gaps.
- **Better rate secured.** Based on the contract value, we gather Daya is currently locking-in charter rates approximately 15% higher than the long-term one of USD105k/day (USD121k x RM3.2 x 20 days or 30 days), a standard practice in the market which normally see increases by 10% to 20% from average market rates. We are anticipating the same figure for both SD1 as well as SD2.
- **Strong orderbook.** Outlook remains bullish with order book worth about RM2.1bn which will provide the group earnings visibility up to FY17.
- **Retain Outperform call.** We are maintaining our TP of RM0.37 as we had earlier factored in orderbook replenishments. Our target price is pegged to a PE multiple of 12x FY14 EPS of 3.1 sen. Nevertheless, we see a re-rating potential should it secure higher margins on the chartering business.

KEY FORECAST TABLE (RM m)

FYE Dec	2011A	2012A	2013F	2014F	2015F	CAGR
Revenue	281.7	276.9	453.8	638.7	762.0	22.0%
Operating Profit	26.3	31.0	36.2	50.9	62.3	18.8%
Pre-tax Profit	23.8	28.4	37.9	52.9	64.3	22.0%
Core Net Profit	17.4	20.2	27.3	38.1	46.3	21.6%
EPS (Sen)	1.5	1.7	2.2	3.1	3.8	20.2%
P/E (x)	21.7	19.7	14.7	10.5	8.6	-
DPS (Sen)	0.3	0.3	0.4	0.5	0.6	-
Dividend Yield (%)	0.7	0.7	1.1	1.6	1.9	-

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	638.7	762.0
Gross Operating Profit	26.3	31.0	36.2	50.9	62.3
Other Income	6.4	5.7	9.5	13.4	16.0
Other Expenses	-22.2	-29.2	-42.1	-59.2	-70.6
Finance Cost	-4.0	-4.1	-3.3	-3.0	-3.0
Pre-tax Profit	23.8	28.4	37.9	52.9	64.3
Income Tax	-6.3	-8.3	-10.2	-14.3	-17.4
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	27.3	38.1	46.3
Growth					
Revenue (%)	61.7	-1.7	63.9	40.7	19.3
Gross Operating Profit (%)	3.0	17.6	16.8	40.7	22.3
Net Profit (%)	2.8	16.1	35.2	39.6	21.5

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	16.4	23.1	27.5
Trade receivables	86.5	72.6	119.0	167.4	199.7
Cash and bank balances	62.8	66.4	75.7	98.5	131.6
Total Assets	378.1	399.2	463.3	551.0	630.2
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	147.7	207.9	247.4
Minority Interests	0.0	-0.1	0.3	0.9	1.5
Total Liabilities	167.5	168.3	209.0	264.2	303.7
Total Equity	210.6	230.9	254.3	286.8	326.4
Total Equity and Liabilities	378.1	399.2	463.3	551.0	630.2

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	2.2	3.1	3.8
DPS (sen)	0.3	0.3	0.4	0.5	0.6
Payout Ratio (%)	16.7	15.2	17.0	17.0	17.0
ROA (%)	4.6	5.0	6.0	7.0	7.4
ROE (%)	8.3	8.7	10.9	13.5	14.4

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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