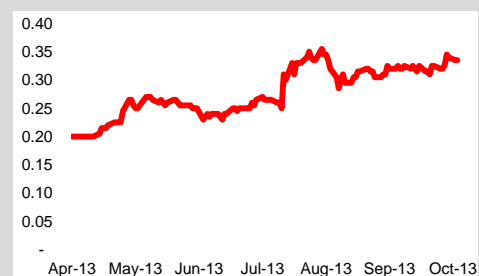


DAYA MATERIALS BERHAD
Outperform
DESCRIPTION

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	RM0.335
Expected Return	10%
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)	27,185.8

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	4.7	27.6	65.0
Relative Returns	4.6	23.7	54.7

KEY STOCK DATA

Market Capitalisation (RM m)	421.4
No. of Shares (m)	1,257.8

MAJOR SHAREHOLDERS

	%
Dato' Mazlin Bin Md. Junid	10.1
Tan Sri Dato' Sri Koh Kin Lip	6.2
Nathan Tham Jooi Loon	5.5

Nuraida Mohd Ali

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Proposes Private Placement

Daya Materials announced that it is planning to undertake up to 10% private placement of its shares of RM0.10 each. It has proposed multiple tranches private placement of up to 125.8m shares. The shares will be placed to third party investors, who will be identified at a later date. We are leaving our forecasts unchanged for the time being, pending the completion of the placement within the next six months.

- **Pricing of the placement.** Indicative price of the placement shares has yet to be known. However, it is expected to be priced based on a discount of not more than 10% from the 5-day weighted market average market price of Daya shares immediately before the price fixing date. Assuming an indicative issue price of RM0.305 per share (for illustrative purposes), Daya's placement is expected to raise proceeds of RM38.4m.
- **Utilisation of proceeds.** Bulk of the proceeds from the placement will be used to refinance existing borrowings and partly on working capital. We understand that this will pare down the existing borrowings which was undertaken to finance the offshore cable laying operations. In addition, the proposed repayment of borrowings is expected to result in interest saving of RM1.76m per annum.
- **Dilutive impact.** The proposed placement is expected to have a dilutive effect on Daya's FY14 EPS. Based on the enlarged share capital of 1,385.6m, our forecasted FY14 EPS will be diluted by approximately 7% to 2.9sen from 3.1sen.
- **Retain Outperform call with unchanged target price of RM0.37.** We are maintaining our TP of RM0.37 based on 12x FY14 for now but will review it upon completion of the private placement.

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)	22.3	20.3	15.1	10.8	8.9	-
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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