Daya Materials (DAYA MK)

Buy

Energy - Oil & Gas Services

Target Price: MYR0.48

Market Cap: USD154m

Price: MYR0.385

Small But Mighty

Macro ◆◆
Risks ◆◆
Growth ◆◆◆
Value ◆◆◆

Source: Bloomberg

Avg Turnover (MYR/USD)	9.01m/2.78m
Cons. Upside (%)	-5.1
Upside (%)	24.7
52-wk Price low/high (MYR)	0.18 - 0.39
Free float (%)	65

Shareholders (%)	
Dato' Mazlin bin Md Junid	11.7
Dato' Sri Koh Kin Lip JP	6.2
Nathan Tham Jooi Loon	5.7

Shariah compliant

The Research Team
+603 9207 7609
research2@rhbgroup.com

We initiate coverage on Daya with a MYR0.48 FV, pegged to 15x FY14F EPS, in line with other small cap oil & gas (O&G) companies. The O&G division will spearhead its growth going forward, given its ambition to expand its expertise beyond the downstream segment. We like Daya's strong earnings growth, attractive 12x FY14F P/E and potential ownership of vessels to capture higher recurring earnings.

- **An undiscovered gem.** Despite a shift in focus to the O&G segment in 2007 from polymers and technical services, Daya has yet to receive the attention it deserves from the investment community. We believe this is due to the lack of a solid domestic track record. Locally, Daya has only been involved in the Tapis enhanced oil recovery (EOR) and Telok Gas Development projects.

- **First local O&G company to clinch a North Sea job.** A major milestone for Daya was when its subsidiary, Daya Offshore Construction (DOC), landed two long-term North Sea contracts from Technip totalling up to MYR610m in August this year.

- **Potential vessel ownership will add significantly to bottomline.** Management indicates that DAYA intends to acquire stakes in the *Siem Daya 1* (SD1) and *Siem Daya 2* (SD2) offshore subsea construction vessels (OSCVs). If finalised, we are positive on the deal despite the group having to take on higher debt, as – assuming a 51% stake in a USD120m vessel and 75% debt to total asset – we estimate DAYA's share of net profit at MYR4.9m per annum per vessel.

- **O&G to drive 21% EPS CAGR over FY12-15F.** We expect Daya to achieve 65%/27%/6.8% earnings growth for FY13F/14F/15F, mainly driven by its North Sea charter contract and higher orderbook recognition from offshore services.

- **BUY, MYR0.48 FV.** Our FV is based on a 15x FY14F P/E, in line with other small cap O&G stocks. Daya is trading at a FY14F P/E of 12x, or a 25% discount to its comparable peer average. The key risks are: i) falling out with Siem Offshore (SIOFF NO, NR), ii) inability to maintain high fleet utilisation, iii) loss of key personnel, and iv) USD volatility.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	174	282	277	574	641
Reported net profit (MYRm)	15.6	19.5	23.0	34.5	43.8
Recurring net profit (MYRm)	16.5	17.8	20.9	34.5	43.8
Recurring net profit growth (%)	0.0	7.4	17.5	65.3	27.0
Core EPS (MYR)	0.02	0.02	0.02	0.02	0.03
DPS (MYR)	0.000	0.002	0.003	0.003	0.004
Dividend Yield (%)	0.0	0.6	0.6	0.9	1.1
Core P/E (x)	24.0	25.2	22.5	15.4	12.2
Return on average equity (%)	0.0	10.1	10.4	13.6	15.0
P/B (x)	2.39	2.19	2.06	1.94	1.71
P/CF (x)	na	17	131	6	8
EV/EBITDA (x)	15.8	18.0	15.3	10.2	9.0
Net debt to equity (%)	19.4	1.9	6.5	60.7	103.2
Our vs consensus EPS (%)				0.0	0.0

Source: Company data, RHB estimates

Vessel type	Quantity
Vessels in operations	

Investment Merits

Joining the fray

We believe that Daya management's apparent shift in focus to expand its offshore O&G capability has been timely. Despite the lack of a track record, Daya managed to clinch a North Sea subsea services contract from Technip that was heavily contested by other more established international players. This provides a solid foundation to back its bid for more Malaysian offshore O&G contracts.

The right ingredients

Daya's push to break out of its bread-and-butter business can be credited to its highly capable management team, which has a diverse background and expertise. The presence of management personnel with prior working experience in international O&G companies also provides inroads into abundant overseas contract opportunities.

Ready commitment the winning factor

We view that Daya's ready commitment to deploy the state-of-the-art SD1 OSCV as the winning factor behind the landing of the Technip contract. The risk taken by the group to charter the vessel from SIOFF for the purpose of the contract also represents management's confidence in its offshore services capability.

Capex-light model

SIOFF's willingness to jointly-control future offshore subsea construction vessels (OSCVs) helps lighten the burden of high capital expenditure and financing costs that come with 100% ownership. It also allows room for the group to venture into other offshore O&G opportunities such as risk-sharing contracts (RSCs).

Undemanding valuation

Daya is currently trading at 12x based on our FY14 EPS estimate of MYR0.032, making it one of the cheapest proxies to the O&G sector. Its growing subsea services business, sizeable construction and engineering orderbook, positive contribution from its tank-cleaning services, and the ramping-up of its solvent and waste oil recycling plant underpin our bullish earnings estimate for FY14 onwards.

Investment Risks

Falling out with SIOFF

Its subsea services division would be at risk should SIOFF: i) bids for similar contracts on its own, ii) refuse to charter its OSCVs for future bids, or iii) charge higher charter rates that will erode profits.

Loss of key personnel

We believe that Daya's growth is highly leveraged on a few key personnel. Any departure may stunt its potential.

Inability to fill in the gaps

It is possible that Daya may not be able to secure OSCV spot charters in time for the "naked period", ie after the end of the long-term charter (100-175 days) with Technip every year. However, we view this risk as limited, owing to the growing need for such vessels in the market.

Exchange rate volatility

Considering that the bulk of its O&G revenue is USD-denominated, the greenback's weakness vs the MYR will lead to lower profitability for Daya's O&G segment.

The Perfect Concoction

Background

♦ Several notable M&As form a stronger foundation for the group

Daya was established in 1994 and was initially involved in the: i) manufacturing compounds for cables and wires, and ii) trading in specialty chemicals, related polymer and compounds, and hardware. It was listed on the ACE Market in July 2005 and transferred to the Main Board in November 2009.

Today, Daya is a small integrated O&G player that offers mainly offshore and onshore services. These include the provision of: i) complete logistics, trading and distribution of specialty chemicals and catalysts, ii) technical services to the downstream O&G sector, and iii) subsea and crane services.

Figure 1: Business segments and their main subsidiaries

Segment	Subsidiary	Stake	Business	Presence
Polymer	Daya Polymer SB (DP)	100%	A recognised leader in specialised polymer compound industry in Malaysia. Has developed proprietary technologies and processes in this field	Distributorship in Malaysia, Indonesia, Thailand, Vietnam, Philippines and China
Oil & gas	Daya Proffscorp SB (DPC)	67%	Principally engaged in ownership and hiring of mobile cranes, crawler cranes, rough terrain cranes and heavy machineries (and related manpower services) in the onshore/offshore O&G industry	Operations based in Terengganu, Johor, Penang and Sabah
	Daya Secadyme SB (DSSB)	67%	Licensed by Petronas since the 1990s. Involved in the complete logistics, trading and distribution of specialty chemicals and catalysts and the provisioning of technical services to the downstream O&G sector	Represents some 25 international principals and over 50 different specialty chemical products
	Daya Offshore Construction SB (DOC)	80%	Provides specialised subsea construction, installation and inspection, repair and maintenance services that involve complex engineering to the offshore energy	Services offered in South East Asia, Australia, New Zealand, China, Middle East and the North Sea
	Daya OCI SB (DOCI)	67%	Supplies mechanical equipment and insulation materials and other niche products and services within the oil & gas, building and marine industries	-
Technical services	Daya CMT SB (DCMT)	100%	Wide range of services including design, engineering, construction, project management and maintenance of commercial and industrial buildings and facilities	Mainly in the Northern West Malaysia
	Daya Clarimax SB (DCLX)	100%	Principally involved in the business of cleaning and repairs of ISO tanks as well as the recycling of waste oil and spent solvent	-

Source: Company

The management team

♦ A highly capable management team with a broad range of background and expertise

Dato' Azmil Khalili bin Dato' Khalid
Dato' Azmil is an independent non-executive chairman of the group and was appointed to the board on 19 Sept 2007. He graduated with a Bachelor's degree in civil engineering and subsequently with a Master's in business administration. He currently holds positions in various listed and non-listed companies that are involved in the construction of infrastructure, environment, building and manufacturing plants, property development, quarrying, and solid waste management, among others. He was a former non-independent non-executive director of M3energy, an exploration & production (E&P) company with strategic focus on marginal field development.

Dato' Mazlin bin Md Junid
Dato' Mazlin is an executive vice chairman, president and group CEO. He was appointed to the board on 16 Aug 2007 following the merger between DSSB and Daya Materials group. He holds a Bachelor of Science in mechanical engineering and a Master's in business administration. His stint in several well-regarded organisations such as Sime Darby (SIME MK, BUY, FV: MYR10.73), Sapura Industrial and Sapura Technology provides him with vast experience in corporate management, business and financial management.

Dato' Mazlin is the driving force behind Daya's pursuit of the O&G sector. The group's gradual shift started in 2007 when DSSB merged with Daya Materials group via a reverse takeover, which also saw Dato' Mazlin's appointment to the board. He is now largely involved in the group's O&G segment.

Nathan Tham Jooi Loon
Mr Tham was appointed to the board on 30 May 2005 and currently holds the position of group managing director. He is a qualified chartered financial analyst (CFA) and was formerly attached to Chase Manhattan Bank in 1989 before joining UBS in 1995, becoming its executive director responsible for Malaysian investment banking and Asia-Pacific M&A practices.

We believe his entry into the group marks the beginning of several acquisitions and mergers that have proved instrumental in transforming Daya into the entity that it is today. He became involved in the business upon the invitation of his brother, Daya co-founder Mr Tham Wooi Loon in 2005. The former took over as group managing director when the latter resigned in 2011.

Fazrin Azwar bin Md Nor
He is Daya's senior independent non-executive director and was appointed to the board on 30 May 2005. He holds a Bachelor of Law (LLB) Honours from the University of Malaya. He is an advocate and solicitor, and is a member of the Malaysian Bar. He is also a chartered member of the Malaysian Institute of Directors and the Institute of Internal Auditors Malaysia. He holds several board positions in companies that are involved in the packaging, steel fastener and paint industries, among others.

Dato' Sri Koh Kin Lip
Dato' Sri Koh is an independent non-executive director and was appointed to the board on 22 Dec 2008. He graduated from Plymouth Polytechnic, UK, with a Higher National Diploma in business studies and a Council's Diploma in management studies. He is the founder of Rickoh Holdings SB, a flagship family company incorporated in 1987 with interests in property investment and development, leasing of properties, insurance brokerage, oil palm plantations, sea and land transportation for CPO and palm kernels, IT business, golf equipment and accessories trading, quarry operations, and hotel businesses.

Lim Soon Foo (with Ronnie Lim Hai Liang as alternate director)
Mr Lim is an independent non-executive director and was appointed to the board on 15 Aug 2011. He has been a member of the Chartered Institute of Shipbrokers, London, since 1979 and holds positions in companies that provide highly specialised services in the Asia-Pacific fibre optic submarine cable industry. He also holds board positions in several non-listed companies that are involved in plantation, logging and real estate.

Mark Midgley (of Daya Offshore Construction)

Daya Offshore Construction (DOC) is helmed by two highly experienced personnel based in Oslo, Norway, namely Mr Mark Midgley and Mr James Klopper.

Mr Midgley joined DOC as CEO in 2012. He has a Bachelor of Engineering degree in mechanical engineering and started his career in the O&G industry with Wharton Williams in the Middle East in 1983. Mr Midgley holds a 20% stake in DOC.

James Klopper (of Daya Offshore Construction)

Mr Klopper has been DOC's COO since April. He began in O&G career with Clough Offshore where he spent 10 years working in various countries within the Asia-Pacific region. He subsequently worked for several O&G giants like McDermott (MDR US, NR), Subsea 7 (SUBC NO, NR) and Petrofac (PFC LN, NR).

O&G At The Forefront

- Daya is recognised for the quality of its services, which boosts its ability to represent international principals in the downstream segment

Onshore activities. The onshore O&G business under Daya Secadyme SB (DSSB) revolves around the transportation, trading and distribution of specialty chemicals and catalysts. This 100%-owned subsidiary was injected into the group via a reverse acquisition in Aug 2007. The MYR24m acquisition was satisfied via: i) the issuance of 83.6m new ordinary shares in Daya at an issue price of MYR0.23 per share, and ii) a cash consideration of MYR4.8m.

DSSB holds 25 important licences from Petronas, complemented by an ISO 9001:2008 certification. Its heavy investment on logistic equipment over the years lent credibility that helped bag the rights to represent 50 different international principals like Arkema Inc, Sud-Chemie Inc, JJ Degussa Chemicals, Infineum International and The Dow Chemical Co (DOW US, NR). Petronas and Gas Malaysia (GMB MK, NR) are among its local customers.

- Management remains positive on Indonesia's population growth, which, in turn, will drive the largely untapped use of LPG

DSSB is also the sole supplier of odorants for gas in Malaysia and has extended its footprint into Surabaya, Indonesia, via a contract with Pertamina. DSSB's market presence in Indonesia is still small, but it has the scope to expand beyond Surabaya going forward. The Indonesian market remains attractive, given its tremendous population growth and the use of liquefied petroleum gas (LPG) LPG, to which DSSD's odorant is added into, has yet to reach nationwide acceptance and hence provides opportunities for expansion.

Onshore/offshore activities. Daya Proffscorp SB (DPSB), another unit within the O&G segment, is mainly involved in the provision of mobile cranes and heavy lifting services for both the onshore and offshore O&G industries. It has a fleet of 25 cranes, ranging from a 20-tonne *Tadano* to a 400-tonne *Liebherr*, aged 2-30 years.

- Offshore O&G business is the main thrust of growth for the group

Offshore activities. Offshore works are undertaken by its Daya Offshore Construction SB (DOC) subsidiary. It offers specialised subsea construction, installation, engineering, as well as inspection, repair and maintenance (IRM) services locally and abroad. DOC operates a fleet of vessels, coupled with technically advanced equipment, survey systems, remotely operated vehicles (ROVs) and modulated diving systems (MHS). The company is currently backed by a team of 40-50 people.

- It clinched its first international O&G subsea contract from O&G giant Technip

The game changer. In August 2013, Daya announced that its sub-subsidiary, Daya OCI (Labuan) Ltd (DOCIL) entered into a charter party contract with Technip Norge AS (Technip) to provide an OSCV (the SD1) that will undertake a range of offshore services works for Technip in the North Sea and North Atlantic. DOC will execute the charter on behalf of DOCIL.

The contract is the group's biggest achievement to date, as it marks its maiden foray into the international offshore subsea services market. DOCIL trumped six other international bidders who have far superior experience in executing works of such nature, especially in the harsh environment of the North Sea. Apart from providing a team of highly-experienced engineers, it was the deployment of the state-of-the-art SD1 by a fledgling O&G services company that greatly impressed Technip.

The arrangement entails a daily charter rate of USD102,000 per day for a period of 100-175 days per year for seven years. The contract is set to commence in 1Q14. A shorter-term charter of 40 days commenced in mid-September and 4Q13 will be the first full-quarter contribution from Daya's charter services.

We gather from management that Technip has agreed to charter the SD1's "sister" vessel (the SD2), under similar terms but for a shorter period of three years.

Figure 2: New contracts secured for offshore services segment

Commencement	Vessel	Job	Value	Period
Sept 2013	*Bourbon Evolution 803*	**Tapis EOR & Rejuvenation and Telok Gas Development Project** Project management and engineering to support subsea operations related to the installation of 40Km of power and fibre optic cable, the engineering and subsequent installation of rigid spool tie-ins and associated risers	MYR186m	Six months
Aug 2013	*Siem Daya 1 (SD1)*	**Chartered by Technip Norge AS** Provision of offshore subsea construction vessel together with a range of offshore services on a long-term charter basis for the North Sea and North Atlantic region	MYR250m-440m	100-175 days for seven years
Oct 2013	*Siem Daya 1 (SD1)*	**Chartered by Allseas UK Ltd** Provision of offshore walk-to-work subsea construction vessel together with a range of offshore services for the UK's North Sea region	MYR7.8m-11.8m	20-30 days, a 1x5 day optional period and 5x1 day optional periods
2014	*Siem Daya 2 (SD2)*	**Chartered by Technip Norge AS** Provision of a second offshore subsea construction vessel together with a range of offshore services on a long-term charter basis for the North Sea and North Atlantic regions	MYR100m- 176m	100-175 days for three years

Source: Bursa Malaysia

Under the agreement with Technip, both vessels will be on spot charter at the end of each 100-175 day period. Management indicated that spot basis charter rates are generally higher, possibly fetching USD130,000 per day. A lump-sum mobilisation cost of MYR700,000 will be charged to the subsequent charterer as costs for moving the vessel to the next working location.

- Access to state-of-the-art vessels gives it an edge over other bidders

The centrepieces. Both SD1 and SD2 are OSCVs designed and equipped specifically for subsea operations that call for surface and seabed installation solutions in water depths up to 3,000m. Each OCSV is also equipped with a work and ROV moonpool. The vessels comply with the code of safety for special purpose ships 2008 (SPS 2008) and consume less fuel than other similar vessels, making them environmentally friendly. Both the SD1 and SD2 are designed and built for all weather.

We understand from management that the vessels are deployed with two ROVs at all times, be it on long-term or spot charters. Daya took delivery of SD1 in early September under a long-term charter with SIEM. The charter is for five years with an option to extend for another two years at a daily rate of USD67,500.

SD2 is scheduled for delivery in early FY14, possibly under a different arrangement. The vessel, worth USD129m, could come under a jointly-controlled asset (JCA) agreement between Daya and SIOFF (51:49). The majority stake enables the vessel to bear the Malaysian flag, in line with the group's intention to participate in domestic offshore jobs.

Figure 3: *Siem Daya 1*

Source: Company

The OSCVs will be dry-docked for repair and maintenance (R&M) after five years of continuous use, which will render both vessels idle for around 60 days. Including the long-term charter, we assume SD1 and SD2 will be in working condition for only a total of 240 days during their sixth year of operation.

- Daya is also involved in domestic O&G projects, albeit as a sub-contractor

Building up a domestic track record. Daya is currently working on the installation of power cables, rigid spools and tie-in works for the Tapis EOR and rejuvenation, and the Telok Gas Development for SapuraKencana Petroleum (SAKP MK, BUY, FV: MYR4.96)'s subsidiary, TL Offshore SB. The project employs the use of the chartered *Bourbon Evolution 803* (BE803) from Bourbon (GBB FP, NR), a Euronext-listed company that specialises in marine and subsea services. The 96m Guido Perla-class multi-purpose supply vessel (MPSV) is built by Zhejiang Shipbuilding Co. The project is worth MYR186m over a period of 9-10 months, starting from March 2013.

Trickle-down effect from SAKP's Newfield acquisition. Daya's involvement in the Tapis EOR and rejuvenation as well as Telok Gas Development projects may also open doors for more sub-contract works from SAKP upon the latter's acquisition of Newfield's Malaysian assets. That said, we are uncertain over the scope of work that the group may be able to contribute, considering that this development in SAKP is still in its early stage.

Figure 4: The *Bourbon Evolution 803*

Source: Company

In March, the JV between Daya's DOCI and Cofely Axima (60:40) was given the letter of award from Boustead Naval Shipyard SB for heating, ventilation and air-conditioning (HVAC) works amounting to EUR49.4m. The project is scheduled to be completed 40 months later and entails a pre-tax margin of 20%.

We expect Daya's 3Q13 and 4Q13 to improve significantly vis-à-vis the preceding year's corresponding periods, mainly because the bulk of the revenue from its Tapis EOR work is expected to be reflected in 2H13.

Figure 5: Vessel details

	Siem Daya 1	*Siem Daya 2*	*Bourbon Evolution 803*
			
Built	2013	2013	2012
Flag	Norway	TBA	France
Design	STX OSCV 11L	STX OSCV 11L	Bourbon Evolution 800 Series
Capabilities	Operate in water depths up to 3,000m SPS 2008 Clean Design with low fuel consumption ROV hangar with 2x250Hp WROVs Main crane lifting capacity 250tonnes, operations at depth of 3,000m Additional crane lifting capacity 50tonnes, operations at depth of 3,000m One ROV moonpool One work moonpool	Operate in water depths up to 3,000m SPS 2008 Clean Design with low fuel consumption ROV hangar with 2x250Hp WROVs Main crane lifting capacity 250tonnes, operations at depth of 3,000m Additional crane lifting capacity 50tonnes, operations at depth of 3,000m One ROV moonpool One work moonpool	Diesel-electric propulsion system, reduce fuel consumption by 30% Large bridge measuring 1,200sq m to accommodate two robots Use of both two ROVs and two cranes simultaneuosly Storage capacity of 1,000cu m in fuel, 900cu m in water and 370cu m in special product Main crane lifting capacity 150tonnes on surface, operations at depth of 3,000m An additional 40 tons crane
Function	Subsea construction and installation work Subsea inspection, repair and maintenance	Subsea construction and installation work Subsea inspection, repair and maintenance	Deepwater precision lifting and inspection up to 3,000m ROV, survey and rescue operations Buoy maintenance Platform maintenance support Methanol and flotel transport
Shipyard	Vard Brattvaag	Vard Brattvaag	Zhejiang Shipbuilding
Accommodation	110 persons	110 persons	105 persons

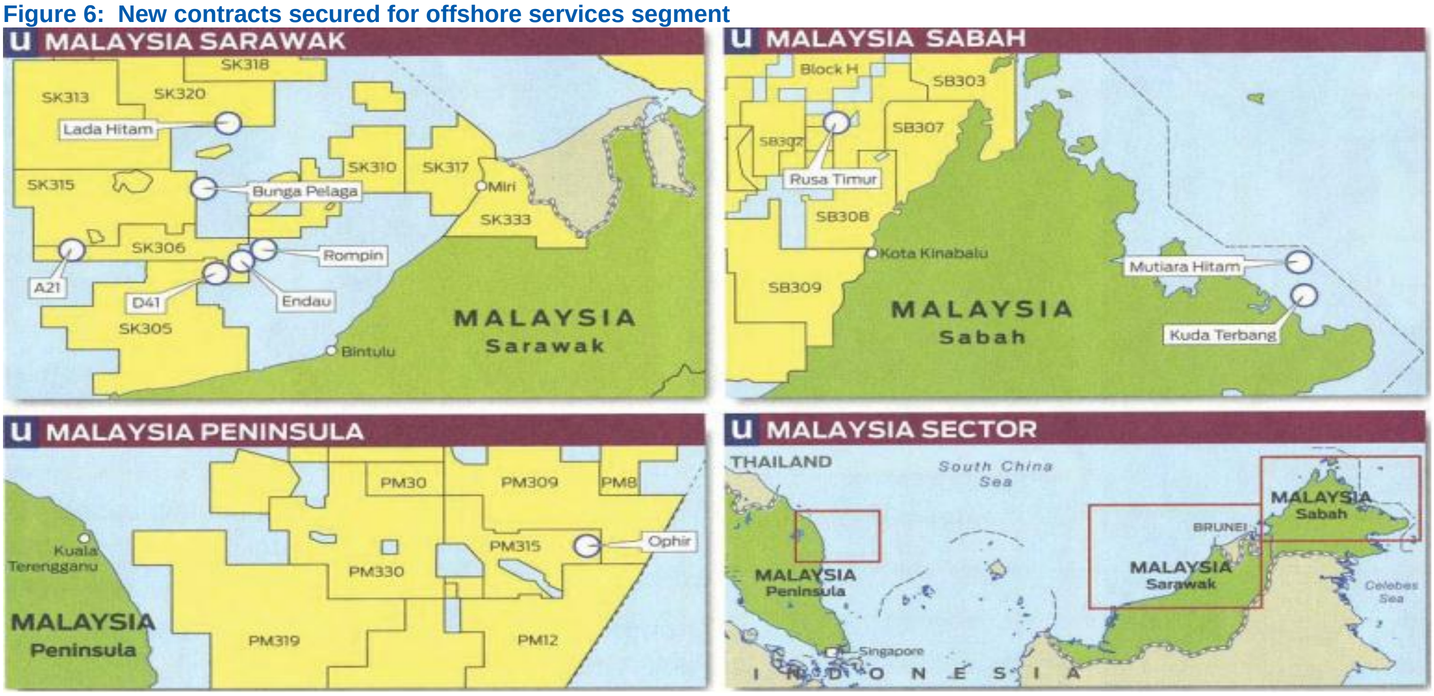
Source: Company

- Daya intends to move up the value chain, with its subsea expertise seen as complementing to such a goal

Vying for risk-sharing contracts. Daya, together with its partner, Hydra Energy Pte Ltd (Hydra), tendered for bids when the second round of domestic RSCs was announced last year. News has been slow in this aspect, but we believe that the group and its partner remain interested in collectively bidding for such contracts in the future. However, we are concerned as to whether Daya has enough financial capacity and expertise to undertake such projects.

Petronas initially aimed to award up to four marginal field RSCs per year. To date, we have no knowledge of any further progress since three RSCs were awarded as at end-2012, namely to: i) SAKP-Petrofac (Berantai), ii) Dialog (DLG MK, BUY, TP: MYR3.18) & ROC Oil (ROC AU, NR) (Balai), and iii) Petra Energy (PENB MK, NEUTRAL, TP: MYR2.70) and Coastal Energy (CEN CN, NR) (Kapal, Banang and Meranti) clusters. We believe that news flow will continue to be fluid in the coming months, as there are another 10 marginal fields that have been identified and opened for bids.

Figure 6: New contracts secured for offshore services segment



Source: 17th AOGC Conference (produced by Upstream)

Key Partnership With SIOFF

♦ SIEM's large fleet of vessels and offshore expertise may open up opportunities for Daya to expand its technical know-how

Background. SIOFF was established in July 2005 as a separate entity following a spinoff from Subsea 7. The company is based in Kristiansand, Norway, and is listed on the Oslo Stock Exchange (OSE). It has a presence in Brazil, Germany, the Netherlands, Ghana, the US and India.

SIOFF mainly constructs and manages its own vessels. As at end-2012, its fleet of 45 self-owned offshore support vessels (OSVs) comprises: i) platform support vessels (PSVs), ii) anchor-handling, tug, supply (AHTS) vessels, iii) multi-purpose field and ROV support vessels (MRSVs), iv) OSCVs, and v) a variety of other service vessels. SIOFF also operates two AHTS vessels on behalf of a pool partner. In 2012, its entire fleet could be found operating in the North Sea, West Africa, Middle East, India, the Gulf of Mexico and Brazil.

SIOFF is also involved in the installation of submarine power cables and wind farms and provides specialised engineering solutions for the development and implementation of combat management systems for vessels in the Brazilian navy – a business it inherited following the acquisition of Siem Offshore do Brasil.

Figure 7: Vessels in operation and under construction

Vessel type	Quantity
Vessels in operation	
AHTS	10*
OSCV	2
Core drilling vessel	1
PSV - 3,300-4,700 deadweight tonnage	12
Smaller Brazilian vessels	11
Well simulation vessel	1
Vessels under construction	
OSCV	4
OSRV	2
PSV - 3,300-4,700 deadweight tonnage	3
ISV	1
CLV	1
** Two owned by a partner*	

Source: Siem Offshore

Figure 8: Vessels in operation

Anchor handling tug supply (AHTS) vessel

Well stimulation vessel

Offshore subsea construction vessel (OCSV)

Core drilling vessel

Platform supply vessel (PSV)

Smaller Brazilian vessel

Source: Siem Offshore

Figure 9: Vessels under construction

Offshore subsea construction vessel (OCSV)

Oil spill recovery vessel (OSCV)

Platform supply vessel (PSV)

Installation support vessel (ISV)

Cable lay vessel (CLV)

Source: Siem Offshore

♦ A win-win partnership with SIEM

All is good. We view favourably the tie-up between Daya and SIOFF, as it: i) helps lighten the capex burden, and ii) lends extra credibility to the group when it tenders for international offshore contracts with the use of state-of-the-art vessels from SIOFF. We understand that Daya has plans to purchase a 51% stake in another three similar vessels from SIEM and the latter's willingness to oblige to such terms signifies its confidence in the former's ability to secure more charter contracts.

Two-Pronged Approach

♦ The TS division is an equally profitable business, contributing a bigger chunk of revenue currently, as the O&G segment is still in its nascent stage

Engineering and construction arm. Daya acquired 30% of Daya CMT SB (DCMT) in Oct 2007 for a cash consideration of MYR2.7m before taking full control in July 2008 for an additional MYR19m. DCMT offers design, engineering, construction, project management and maintenance services for commercial and industrial buildings.

Its track record includes the ongoing construction of B Braun Medical Industries SB (BBMI)'s manufacturing plant in Bayan Lepas, Penang, which is part of the latter's MYR1.75bn planned investment that was announced in April 2010 for the expansion and upgrading of its existing campus over the course of five years. Since 2011, DCMT has been awarded with works valued at a combined MYR531m.

DCMT has also ventured into the building of high-rise buildings, extending its construction and engineering expertise further from just industrial facilities. Yuk Tung Construction SB awarded a MYR270m project to DCMT in May 2012 for the sub-construction of three blocks of 28-storey mixed development. It comprises 526 units of small office home office (SOHO), 503 units of service apartments and 10 units of office lots.

The most recent project undertaken by DCMT is the joint development of a 0.8 ha piece of land in Penampang, Sabah. The project entails a GDV of MYR300m, consisting of 83 retail shops and 320 small office versatile office (SOVO). Initial earthworks and piling have commenced, but the bulk of the development will only start in FY14 and is scheduled for completion in three years.

Opportunistic approach. In line with its focus to be more O&G-centric, management has adopted an opportunistic approach towards property development, ie riding on any opportunities that are beneficial to the group. We understand that the development of the Penampang, Sabah land includes a revenue sharing of 10%. To date, 50% of Phase 1 of this development has been sold at a value of MYR40m and, going forward, we expect Daya to continue taking such a stand for similar future projects.

♦ Its tank-cleaning services as well as solvent and waste oil recycling segment may provide an earnings boost after some hiccups last year

Tank-cleaning service. Daya Clarimax SB (DCLX) provides: i) ISO tank cleaning, repair and maintenance (R&M) services, ii) the recycling of waste solvents, and iii) the manufacturing of high purity electronics and technical solvents. April 2010 marked the commencement of DCLX's tank services plant in Pulau Indah, Selangor, which has been earmarked to handle 400 tanks per month with a cost of MYR20m. The plant was designed to undertake several roles in phases. Phase 1 would see the provision of tank cleaning, repair and refurbishment, while Phase 2 would see DCLX providing solvent and waste oil recycling (SWOR) services. It counts the likes of Stolt Nielson Ltd (SNI NO, NR)), Sutton International Ltd and Hoyer Global Transport, among others, as customers of its tank-cleaning services.

Some hiccups. While Phase 1 incurred high investment and start-up costs in FY10, Daya was able to post a turnaround in FY11. Phase 2, however, was not operational until 4Q12 due to an extended delay in licensing and implementation. Thus, we do not expect significant contribution from this segment until FY14. Hence, we believe that Daya's technical services (TS) division will depend on its engineering and construction arm to shore up earnings in FY13 and FY14, at least until DCLX is able to contribute significantly to FY14 net profit.

Polymer Unit Likely To Be Sold

♦ DAYA's exit from the polymer business is a positive sign that management is making better use of the group's financial resources

Polymer. Daya Polymer SB (DPSB) is primarily involved in the manufacturing of several polymer compounds for power and communication cables insulation. Its products are marketed and sold under the brand name *Dayacom* and has a distributorship network that spans across Asia.

DPSB owns the proprietary rights to its technologies and has developed a quality management system that has earned it an ISO 9001:2000 certification. DPSB was the first unit within the group to be ISO-certified.

Competitive sector. However, management acknowledged that the segment has underperformed. Apart from the cyclical nature of the business, the influx of cheap imports has also resulted in price competitiveness and a worsening business environment. Profit margins are razor-thin currently and FY12 saw the segment go into the red from a slight profit of MYR1.1m in FY11. In view of these factors, management has decided to sell off the business, although no timeline has been set. On an NTA basis, the polymer business is valued at MYR20m.

Sources Of Financing

Securing financing for fleet expansion. In line with the management's intention to grow the O&G business, we estimate that Daya will incur yearly capex of around MYR200m over the next three years. This assumption is based on the group's current vessel acquisition arrangement with SIOFF. The MYR200m also encompasses the recurring capex for repair and maintenance.

♦ Debt is the preferred source of financing. The effective interest rate is low, at 5% per annum

Convertible bond issue of MYR50m-70m. In a recent press report, Daya's management revealed that it is likely to pursue a convertible bond issue of about MYR50m-70m to finance acquisitions. We opine that this may not be sufficient, as the group still needs to part-finance projects undertaken by its TS division. In line with this, management has taken steps to redeploy part of its resources that were initially intended for the TS division. We estimate that the group will finance 75% of its vessel acquisition cost via borrowings and the rest through internally generated funds, thus increasing its net gearing position to 0.39x (FY13F) and 0.52x (FY14) from 0.06x in FY12.

♦ Daya's current cash generating ability suggest that it is capable of funding 25% of the vessel cost

Figure 10: SD1 and SD2 - financing assumptions

Value per vessel		USDm	120.0
		MYRm	381.6
Cost to DAYA, assuming it will acquire 51% stake in the asset		MYRm	194.6
Financed through borrowings	75%	MYRm	146.0
Internally generated funds	25%	MYRm	48.6

Source: RHB estimates

Given its relatively healthy net gearing position in FY12 and decent cash generating capability, we do not anticipate Daya encountering any difficulty in securing future financing. The group's recent proposal to undertake a 10% private placement of new ordinary shares is mainly to finance the repayment of debt taken to fund the Tapis EOR project, as well as for overdraft facilities utilised in its day-to-day operations. We view this restructuring arrangement positively as it will give the group more headroom to raise borrowings to pursue its fleet expansion, given that management has highlighted in recent media reports that equity-raising would be its last resort.

Figure 11: Brief history of Daya's capital deployment

Announcement date	Event	Amount (MYRm)	Remarks
21 Oct 2013	Proposes to undertake a private placement of new ordinary shares, up to 125.78m shares (10% of issued and paid-up capital) at an indicative price of MYR0.305 per share.	38	MYR30m - for repayment of debt amounting to MYR131.61m taken to finance the Tapis EOR job and overdraft. MYR7.96m - working capital. MYR0.40m - defray expenses in relation to the proposed private placement.
9 Oct 2013	DAYA and Chang Cheng Realty SB mutually agreed to re-award the construction works of land in Penampang, Sabah. DAYA's subsidiary, DCMT has been appointed as the developer of the project instead.	250	Mutually agreed to by both parties, given DAYA's significant amount of order book on hand and resource deployment strategy. Contract was initially awarded to DCMT in Oct 2012.
25 Jan 2013	Award of contract by B Braun Medical Industries SB to build an extension to the existing manufacturing facility, comprising production section, car park, office, plant room, cafeteria and sub-basement.	303	MYR228m - LOA to execute and complete the works. MYR75m - LOI for standing order for the works. The project was to be funded via internally generated fund and bank borrowings.
5 Dec 2012	Awarded the contract to construct a new 6-storey manufacturing facility for B Braun Medical Industries SB.	108	The project was to be funded via internally generated funds and bank borrowings.
15 May 2012	Awarded with a contract by Gemesis Malaysia SB for the construction of a new office, factory and facilities.	57	The project was to be funded via internally generated funds and bank borrowings.
2 May 2012	Awarded with the entire scope of works for the building of three blocks of 28-storey buildings as principal sub-contractor by Yuk Tung Construction SB.	270	The project was to be funded via internally generated funds and bank borrowings.

Source: RHB estimates

Valuations

MYR0.48 FV based on 15x FY14F P/E

Under the radar. Despite the shift to the O&G segment since 2007 following its merger with DSSB, Daya has yet to receive the attention it deserves from the investment community. We believe that this is due to the lack of a solid local track record. Tracking the milestones of the group reveals that it has always been involved in the downstream segment, with its major breakthrough being the Tapis EOR works.

Finding a niche. At this juncture, we understand that management is placing more emphasis on getting overseas O&G works. This, however, does not mean it will not participate in Malaysian projects in the future. We also believe that its participation in international offshore projects and its partnership with SIOFF will help build and strengthen its capabilities.

Small, but gaining in might. Daya's O&G segment made up 38% and 62% of its revenue and PBT respectively in FY12. We believe the numbers are set to grow from FY14 onwards, underpinned by the estimated full-year contribution from the SD1 and SD2. Both vessels are expected to help double the segment's revenue from FY12's level and to lift PBT contribution by 49% in FY13.

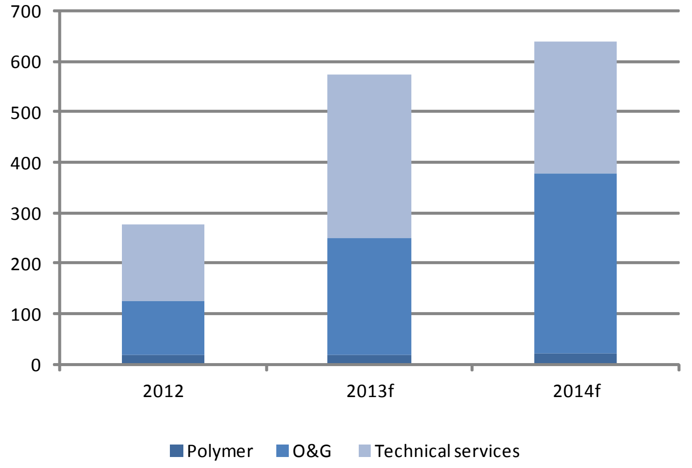
We conservatively assume that both subsea vessels will be chartered for 260 days per year each. The long-term contract with Technip ranges around 100-175 days per year, and hence, we expect spot charters to amount to 85-160 days per year. We project conservative blended gross profit, PBT and PAT margins of 23%, 15% and 10% respectively for the vessel chartering business. Management guided that spot charters generally yield better GPMs of 25-30% vs GPMs of 15-20% for long-term contracts.

Getting its priorities right. The construction and engineering sub-segment makes up the bigger portion of Daya's TS division. Management has indicated that it will be selective in future projects to ensure good allocation of resources that will maximise returns. The division historically recorded PBT margins of 4-11%. We have imputed a conservative PBT margin of 6% in our estimates.

This sub-segment is expected to contribute lumpy income to the division in FY13-15. It currently carries an estimated orderbook of MYR800m, which is expected to sustain the division for the next three years. The construction works contracted by B Braun Medical Industries currently make up about 50% of this orderbook.

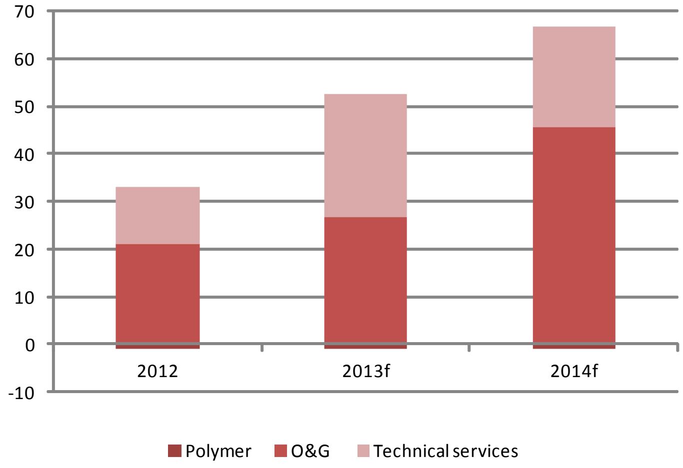
We expect the TS division to contribute 51% of total revenue and 44% of PBT in FY13, from 55% and 34% respectively in FY12. We incorporated a small contribution from its tank-cleaning services segment, which began to turn around in the previous year. Not included in our earnings estimates is the potential contribution from the ramping-up of its SWOR operation, which suffered licensing delays in FY12.

Figure 12: Revenue (MYRm)



Source: Company, RHB estimates

Figure 13: PBT (MYRm)



Source: Company, RHB estimates

BUY, with MYR0.48 FV. Our TP is based on a 15x FY14F P/E, which is on par with other small cap O&G stocks. Based on its latest closing price of MYR0.385 and FY14F EPS of MYR0.032 per share, the stock is trading at a P/E of 12x, which makes it severely undervalued compared with its comparable peers, whose market caps are between MYR500m-1bn. Our FV also implies a 25% upside from the stock's last closing price.

We believe Daya's potential is tremendous and premised on the following: i) its growing capabilities in the offshore O&G segment, leveraging on its in-house expertise and partnership with SIOFF, ii) its inroads into more overseas offshore markets, and iii) equal opportunity for all local O&G players to benefit from Petronas' planned MYR300bn capex. Daya's participation in local projects, even as a sub-contractor, helps the company establish a track record that may see it undertake domestic projects as a main contractor in the future.

We also believe that the significance of the TS and polymer divisions will diminish going forward given management's emphasis on the O&G division.

Figure 14: Regional peer comparison

Company	Ticker	Mkt cap USDm		Last	Rating	TP	FYE	P/E (x) Hist	P/E (x) Pros-1	P/E (x) Pros-2	Yield (%) Pros-1	Yield (%) Pros-2	Chg (%) 1m	Chg (%) 3m	Chg (%) 6m
Malaysia															
Petronas Chemicals	PCHEM MK	18,117	MYR	7.13	Neutral	6.55	Dec	16.2	13.4	12.8	3.7%	3.9%	4	8	9
Petronas Gas	PTG MK	15,310	MYR	24.36	Neutral	18.57	Dec	34.3	32.1	30.0	2.2%	2.3%	11	17	24
SapuraKencana Petroleum***	SAKP MK	7,727	MYR	4.06	Buy	4.96	Jan	46.4	26.6	18.0	0.0%	0.0%	10	5	28
Bumi Armada	BAB MK	3,724	MYR	4.00	Buy	4.40	Dec	30.4	25.4	20.0	0.9%	1.1%	3	1	0
Dialog ***	DLG MK	2,072	MYR	2.70	Buy	3.18	Jun	36.4	29.5	23.6	1.5%	1.8%	6	-3	14
MMHE	MMHE MK	1,987	MYR	3.91	Neutral	3.80	Dec	25.9	30.5	22.6	2.6%	2.6%	0	-8	3
Dayang Enterprise	DEHB MK	957	MYR	5.48	Buy	6.50	Dec	29.8	18.4	12.6	2.7%	4.0%	15	15	56
Coastal Contract	COCO MK	531	MYR	3.46	Neutral	3.00	Dec	14.1	13.0	11.9	1.7%	1.9%	18	29	73
Perisai Petroleum Teknologi	PPT MK	503	MYR	1.46	Buy	1.58	Dec	17.1	20.4	13.1	0.0%	0.0%	14	-1	28
Wah Seong	WSC MK	416	MYR	1.70	Buy	2.50	Dec	25.1	14.2	9.6	3.3%	3.3%	0	-11	4
Alam Maritim	AMRB MK	411	MYR	1.62	Buy	2.00	Dec	21.3	16.6	11.7	0.2%	0.2%	13	9	79
Perdana Petroleum	PETR MK	333	MYR	2.02	Neutral	1.80	Dec	41.6	19.7	13.9	1.7%	1.7%	9	9	37
Petra Energy	PENB MK	231	MYR	2.26	Neutral	2.70	Dec	98.2	32.0	13.8	0.6%	1.5%	9	-3	51
Favelle Favco	FFB MK	207	MYR	3.04	Buy	3.55	Dec	10.4	10.0	8.6	2.5%	2.9%	13	-8	46
KNM Group	KNMG MK	189	MYR	0.41	Neutral	0.40	Dec	12.4	14.4	9.1	0.0%	0.0%	-1	-9	-6
Singapore															
Keppel Corp	KEP SP	15,913	SGD	10.92	Buy	12.24	Dec	10.3	14.0	13.3	4.3%	4.1%	5	6	3
Sembcorp Marine	SMM SP	7,700	SGD	4.57	Buy	5.60	Dec	17.6	17.0	15.2	3.3%	3.3%	1	0	6
Sembcorp Industries	SCI SP	7,659	SGD	5.32	Buy	5.90	Dec	12.6	12.3	11.2	2.8%	2.8%	1	5	7
Yangzijiang Shipbuilding	YZJSGD SP	3,630	SGD	1.18	Buy	1.45	Dec	6.2	7.4	8.0	4.3%	3.8%	7	26	24
Ezion Holdings	EZI SP	1,724	SGD	2.22	Buy	3.18	Dec	23.6	13.7	7.8	0.1%	0.1%	1	0	9
Ezra Holdings ***	EZRA SP	1,050	SGD	1.33	Sell	0.75	Aug	-20.5	26.0	14.4	0.4%	0.4%	16	54	39
VARD	VARD SP	837	SGD	0.88	Buy	1.10	Dec	5.5	10.8	8.0	2.7%	3.8%	1	7	-15
Nam Cheong	NCL SP	483	SGD	0.29	Buy	0.39	Dec	10.1	8.3	6.9	2.4%	2.9%	2	2	10
Jaya Holdings Ltd ***	JAYA SP	429	SGD	0.69	Neutral	0.61	Jun	9.3	10.7	9.8	5.8%	6.5%	2	19	3
RH Petrogas	RHP SP	387	SGD	0.66	Buy	1.33	Dec	44.8	530.8	44.4	0.0%	0.0%	0	35	30
Kreuz	KRZ SP	332	SGD	0.74	Buy	1.14	Dec	8.2	7.0	6.1	2.0%	2.2%	2	-3	44
Technics Oil & Gas Ltd	TGH SP	153	SGD	0.81	Sell	0.64	Sep	8.4	-53.6	40.2	0.0%	1.3%	-5	-4	-2
MTQ Corp ***	MTQ SP	148	SGD	1.46	Buy	2.20	Mar	7.9	6.7	5.8	3.4%	4.1%	1	-5	33
XMH Holdings***	XMH SP	130	SGD	0.37	Buy	0.56	Apr	12.5	9.2	7.6	3.9%	4.3%	-10	-2	33
Ausgroup ***	AUSG SP	113	SGD	0.29	Sell	0.26	Jun	12.2	86.3	17.0	5.3%	1.2%	-12	-18	-45
Marco Polo Marine	MPM SP	103	SGD	0.38	Buy	0.61	Sep	7.5	6.9	5.0	2.1%	2.1%	-4	-1	-12
Indonesia															
Perusahaan Gas Negara	PGAS IJ	11,169	IDR	5,150	Buy	6,500	Dec	13.4	13.0	12.0	4.2%	4.0%	-1	-13	-18
Wintermar Offshore	WINS IJ	213	IDR	650	Buy	640	Dec	10.8	9.4	8.2	1.1%	1.3%	10	18	33
Hong Kong															
Anton Oilfield Services	3337 HK	1,358	HKD	4.88	Buy	6.00	Dec	26.7	20.6	15.3	1.6%	2.1%	-5	1	-21
Hilong Holding	1623 HK	1,168	HKD	5.35	Buy	5.74	Dec	18.3	14.8	12.5	1.8%	2.4%	19	18	69
SPT Energy	1251 HK	868	HKD	4.40	Buy	6.10	Dec	18.1	14.8	11.5	0.0%	0.0%	12	-5	16
Malaysia average								**28.9**	**23.2**	**19.8**	**2.3%**	**2.4%**			
Singapore average								**11.7**	**18.6**	**12.7**	**3.4%**	**3.3%**			
RHB coverage average								**20.5**	**20.2**	**16.1**	**2.9%**	**2.9%**			

Source: RHB estimates

Financial Exhibits

- Revenue contribution from the TS division is expected to be lumpy in FY13 and FY14, given its large number of short-term ongoing projects
- These short-term projects often yield low profit margins
- We expect its tank-cleaning services to contribute positively to its earnings from FY13 onwards
- We have yet to include any contribution from its SWOR operation, which was plagued by licensing delays last year

Profit & Loss (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	174	282	277	574	641
Cost of sales	(127)	(239)	(222)	(471)	(512)
Gross profit	**47**	**43**	**55**	**103**	**128**
Gen & admin expenses	(19)	(18)	(25)	(36)	(35)
Selling expenses	(1)	(1)	(1)	(2)	(2)
Other operating costs	(4)	(5)	(5)	(7)	(11)
Operating profit	**23**	**20**	**25**	**59**	**81**
Operating EBITDA	27	24	30	66	92
Depreciation of fixed assets	(4)	(5)	(5)	(7)	(11)
Operating EBIT	**23**	**20**	**25**	**59**	**81**
Net income from investments	0	1	2	2	2
Other recurring income	3	6	6	6	6
Interest expense	(3)	(4)	(4)	(15)	(23)
Exceptional income - net	(1)	2	3	-	-
Pre-tax profit	**22**	**26**	**31**	**52**	**66**
Taxation	(6)	(6)	(8)	(17)	(22)
Minority interests	(0)	(0)	0	(0)	(0)
Profit after tax & minorities	**16**	**20**	**23**	**35**	**44**
Reported net profit	**16**	**20**	**23**	**35**	**44**
Recurring net profit	**17**	**18**	**21**	**35**	**44**

Source: Company data, RHB estimates

- We expect an annual capex of MYR200m for FY13-15 as management intends to grow its fleet of subsea vessels

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	**23**	**20**	**25**	**59**	**81**
Depreciation & amortisation	**4**	**5**	**5**	**7**	**11**
Change in working capital	**(25)**	**13**	**(17)**	**46**	**7**
Other operating cash flow	2	(1)	2	7	15
Operating cash flow	**3**	**36**	**15**	**119**	**113**
Interest received	1	1	1	-	-
Interest paid	(3)	(4)	(4)	(15)	(23)
Tax paid	(8)	(7)	(8)	(17)	(22)
Cash flow from operations	**(7)**	**27**	**4**	**88**	**69**
Capex	(31)	(17)	(7)	(200)	(200)
Other new investments	(0)	(1)	(11)	-	-
Other investing cash flow	(12)	8	5	(33)	(15)
Cash flow from investing activities	**(43)**	**(10)**	**(12)**	**(233)**	**(215)**
Dividends paid	(2)	(3)	(3)	(6)	(7)
Shares repurchased	-	(0)	(3)	-	-
Proceeds from issue of shares	17	19	-	-	-
Increase in debt	28	(2)	18	210	170
Other financing cash flow	(1)	(2)	-	-	-
Cash flow from financing activities	**41**	**12**	**12**	**204**	**163**
Cash at beginning of period	43	34	63	66	124
Total cash generated	**(10)**	**29**	**3**	**58**	**16**
Implied cash at end of period	**34**	**63**	**66**	**125**	**140**

Source: Company data, RHB estimates

Financial Exhibits

- Daya's current net gearing position of 0.06x allows room for more borrowings to fund its fleet expansion

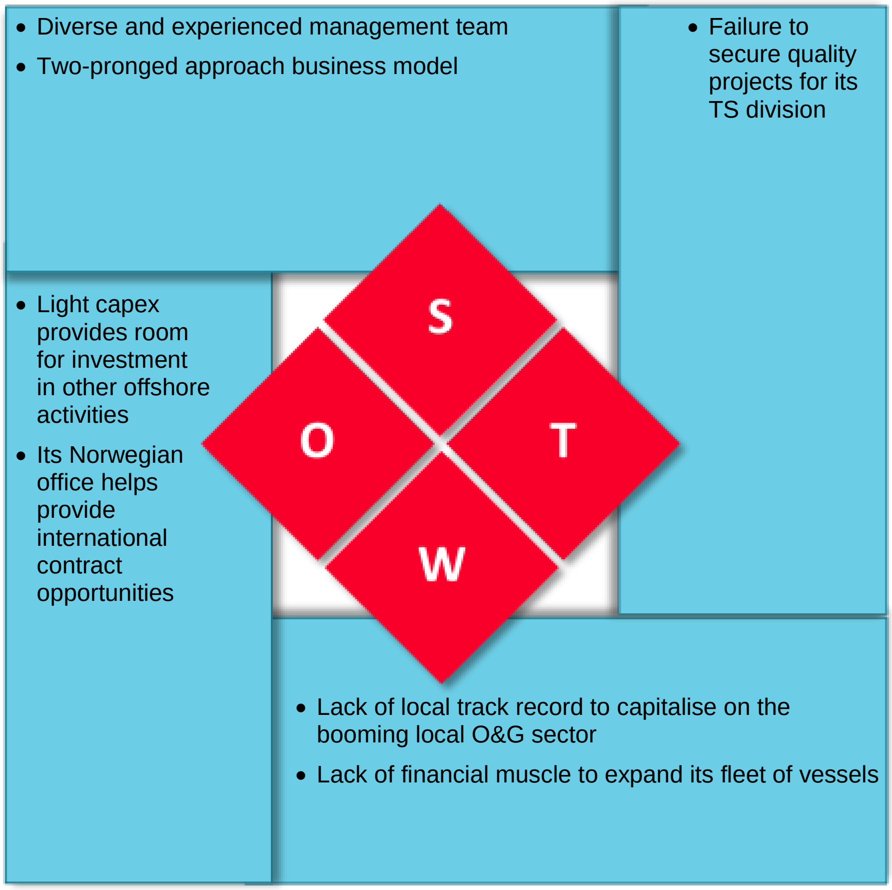
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	34	63	66	124	140
Inventories	13	14	14	65	70
Accounts receivable	57	87	73	126	140
Other current assets	9	25	42	55	55
Total current assets	**114**	**189**	**195**	**370**	**406**
Total investments	4	6	15	16	18
Tangible fixed assets	91	100	106	299	488
Intangible assets	84	84	84	84	84
Total non-current assets	178	190	204	399	590
Total assets	**292**	**378**	**399**	**769**	**996**
Short-term debt	15	18	40	80	80
Accounts payable	36	95	86	155	169
Other current liabilities	5	2	1	4	4
Total current liabilities	**55**	**115**	**127**	**239**	**253**
Total long-term debt	54	49	41	211	381
Other liabilities	6	4	0	45	52
Total non-current liabilities	**60**	**53**	**41**	**256**	**433**
Total liabilities	**115**	**168**	**168**	**494**	**685**
Share capital	110	120	123	138	138
Retained earnings reserve	67	91	108	136	173
Shareholders' equity	**177**	**211**	**231**	**275**	**311**
Minority interests	1	-	(0)	(0)	(0)
Other equity	-	-	0	0	(0)
Total equity	**177**	**211**	**231**	**274**	**311**
Total liabilities & equity	**292**	**378**	**399**	**769**	**996**

Source: Company data, RHB estimates

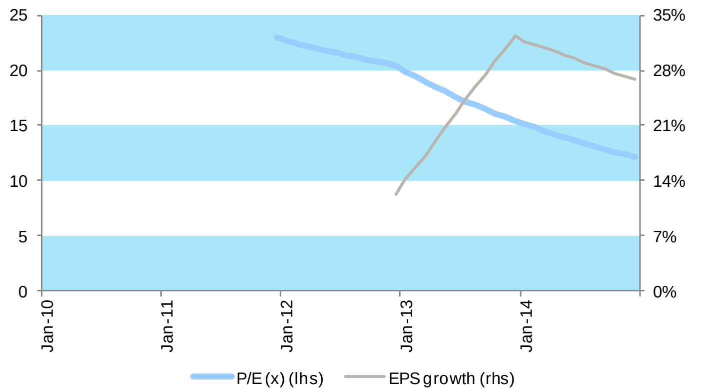
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	(7.4)	61.7	(1.7)	107.3	11.6
Operating profit growth (%)	17.1	(11.9)	26.6	134.1	36.9
Net profit growth (%)	18.2	25.0	17.9	50.0	27.0
EPS growth (%)	0.0	10.8	12.3	32.3	27.0
Bv per share growth (%)	0.0	9.1	6.6	6.0	13.2
Operating margin (%)	13.0	7.1	9.1	10.3	12.6
Net profit margin (%)	9.0	6.9	8.3	6.0	6.8
Return on average assets (%)	0.0	5.8	5.9	5.9	5.0
Return on average equity (%)	0.0	10.1	10.4	13.6	15.0
Net debt to equity (%)	19.4	1.9	6.5	60.7	103.2
DPS	0.000	0.002	0.003	0.003	0.004
Recurrent cash flow per share	(0.01)	0.02	0.00	0.06	0.05

Source: Company data, RHB estimates

SWOT Analysis

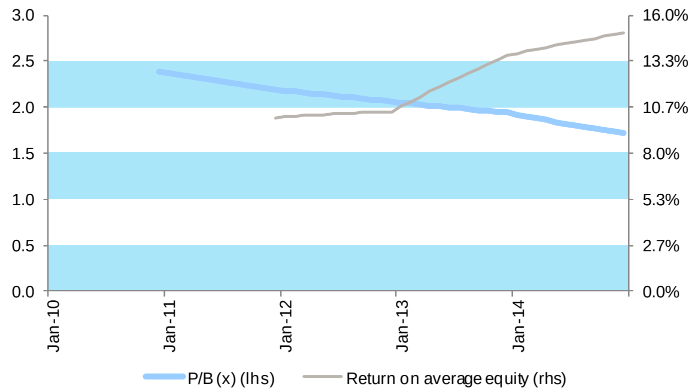


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Daya Materials Bhd (Daya) is a small integrated oil & gas (O&G) player that offers mainly offshore and onshore services. Its operations include the provision of: i) complete logistics, trading and distribution of specialty chemicals & catalysts, ii) technical services to the downstream O&G sector, and iii) subsea, crane and mechanical & engineering services. It also markets and sells specialised polymer compounds with a distributorship network across Asia.

Recommendation Chart

Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-10-31			

Source: RHB estimates, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
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	Bangkok	
	RHB OSK Securities (Thailand) PCL **(formerly known as OSK Securities (Thailand) PCL)** 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax : +(66) 108 0999	