

DATE	18 DECEMBER 2013	CATEGORY	COMPANY
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SECTION	HOME BUSINESS	HEADLINE	DAYA ENTERING AN EXCITING PHASE

Daya entering an exciting phase

Daya Materials Bhd
(Dec 17, 40 sen)

Maintain outperform at 37.5 sen with a target price of 45 sen: Daya Vessels Ltd (DVL), a subsidiary of 67%-owned Daya OCI Sdn Bhd (DOCI), and SBM Installer S.A.R.L (SBM) have entered into a memorandum of agreement (MOA) for the US\$180 million (RM583 million) acquisition of a newbuild diving support and construction vessel (DPDSV).

The acquisition, however, may likely lapse considering the details of the MOA. Despite this, with current contracts on hand and potential contracts it could be close to securing, Daya can continue to look forward to entering an exciting phase. We reiterate our "outperform" call with an unchanged target price of 45 sen premised on 12 times financial year 2014 ending

Dec 31 (FY14) earnings per share (EPS) of 3.71 sen.

While SBM had agreed to sell the DPDSV, Daya however did not appear to have the intention of purchasing the vessel, and as such did not attempt to meet the terms of the MOA. We believe the group

is seeking further legal advice to resolve this matter.

To recap, our valuation does not factor in this acquisition or other potential future acquisitions such as SD3. Remaining conservative, we like to ensure the materialisation of assets prior to accounting for them. Should Daya purchase any additional assets, we can regard them as a bonus to the group's performance and thus valuation.

We are maintaining our target

price of 45 sen, but with prospects for further rerating pending the clarity of securing new oil and gas contracts. The group's outlook remains bullish with an order book worth about RM2.1 billion which will provide earnings visibility up to FY17.

The group has tendered for approximately RM1 billion to RM1.5 billion worth of new contracts under the subsea engineering segment. We do believe Daya has the capacity to grow buoyed by better oil and gas sector growth, going forward. Our current valuation of Daya is based on a 12 times multiple to FY14 EPS of 3.71 sen. — *Public IB Research, Dec 17*

FYE Dec (RM mil)	2011A	2012A	2013F	2014F	2015F	CAGR (%)
Revenue	281.7	276.9	453.8	672.4	818.7	23.8
Operating profit	26.3	31.0	36.2	56.3	68.6	21.1
Pre-tax profit	23.8	28.4	37.9	58.3	70.5	24.3
Core net profit	17.4	20.2	27.3	46.1	55.7	26.2
EPS (sen)	1.5	1.7	2.2	3.7	4.5	24.5
PER (x)	25.0	22.7	17.1	10.1	8.4	-
DPS (sen)	0.3	0.3	0.4	0.6	0.8	-
Dividend yield (%)	0.7	0.7	1.0	1.7	2.0	-

Source: Company, PublicInvest Research estimates

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