



DAYA MATERIALS BERHAD

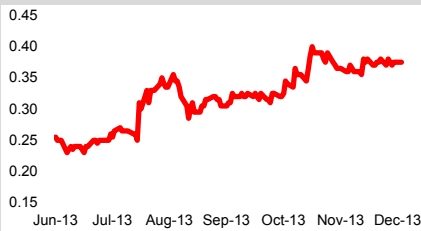
Outperform

DESCRIPTION

The Group involves in upstream and downstream O&G activities i.e. offshore pipeline services, subsea installation, automated welding, production chemical, FPSO desludging and others. Sub-segment also includes engineering and industrial plant construction.

12-Month Target Price	RM0.450
Current Price	RM0.375
Expected Return	20%
Market	Main
Sector	Oil & Gas
Bursa Code	0091
Bloomberg Ticker	DAYA MK
Shariah-compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	0.18-0.41
3-Month Average Vol ('000)	20,182.4

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	2.7	23.0	48.5
Relative Returns	0.1	16.8	41.8

KEY STOCK DATA

Market Capitalisation (RM m)	471.7
No. of Shares (m)	1,257.8

MAJOR SHAREHOLDERS

	%
Dato' Mazlin Bin Md. Junid	11.5
Tan Sri Dato' Sri Koh Kin Lip	6.2
Nathan Tham Jooi Loon	5.9

Research Team

T 603 2031 3011
F 603 2272 3704
E research@publicinvestbank.com.my

DPDSV MOA To Lapse?

Daya Vessels Limited (DVL), a subsidiary of Daya OCI Sdn Bhd (DOCI) and SBM Installer S.A.R.L (SBM) entered into an MOA for the USD180m (c.RM577m) acquisition of a newbuild diving support and construction vessel (DPDSV). The acquisition however may likely lapse considering the details of the MOA. Albeit this, with current contracts on hand coupled with potential contracts it could be close to securing, Daya will continue to look forward to entering an exciting phase. We reiterate our **Outperform** call with an unchanged TP of RM0.45 premised on 12x FY14 EPS of 3.71 sen.

- **The MOA**, was entered between Daya Vessels Limited (DVL), a subsidiary of Daya OCI Sdn Bhd (DOCI), which is also a subsidiary of Daya Materials and SBM Installer S.A.R.L (SBM) on 7 November 2013 for the acquisition of a DPDSV. Daya's Board of Directors recognised their responsibility to make appropriate and timely announcements, however in this case did not want to mislead or confuse its shareholders.
- **The scenario**. While SBM agreed to sell the DPDSV, Daya however did not have the intention to purchase 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.
- **Maintaining conservative**. 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 it. Should Daya purchase any additional assets, we can then regard as a bonus to the Group's performance and thus valuation.
- **Reiterate Outperform call**. We are maintaining our target price of RM0.45, but with prospects for further re-rating pending the clarity of securing the new O&G contracts. The Group's outlook remains bullish with an orderbook worth about RM2.1bn which will provide the Group's earnings visibility up to FY17. The group has tendered for approximately RM1bn-RM1.5bn worth of new contracts under the subsea engineering segment, apart from the possibility of winning the re-negotiation of charter contracts from Technip for SD1 and SD2. We do believe Daya has the capacity to grow buoyed by better O&G sector growth outlook going forward. Our current valuation of Daya is based on a 12x multiple to FY14 EPS of 3.71 sen.

KEY FORECAST TABLE (RM m)

FY Dec	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%
P/E (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

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RM m)	2011A	2012A	2013F	2014F	2015F
Revenue	281.7	276.9	453.8	672.4	818.7
Operating Profit	26.3	31.0	36.2	56.3	68.6
Other Income	6.4	5.7	9.5	14.1	17.2
Other Expenses	-22.2	-29.2	-42.1	-62.3	-75.9
Finance Cost	-4.0	-4.1	-3.3	-3.0	-3.0
Pre-tax Profit	23.8	28.4	37.9	58.3	70.5
Income Tax	-6.3	-8.3	-10.2	-11.7	-14.1
Effective Tax Rate (%)	26.6	29.1	27.0	20.0	20.0
Minorities	-0.1	0.1	-0.4	-0.6	-0.7
Core Net Profit	17.4	20.2	27.3	46.1	55.7
Growth					
Revenue (%)	61.7	-1.7	63.9	48.2	21.8
Gross Operating Profit (%)	3.0	17.6	16.8	55.6	21.8
Net Profit (%)	2.8	16.1	35.2	68.8	21.0

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	24.2	29.4
Trade receivables	86.5	72.6	119.0	176.3	214.6
Cash and bank balances	62.8	66.4	75.7	105.2	147.2
Total Assets	378.1	399.2	463.3	567.7	662.6
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	217.8	265.2
Minority Interests	0.0	-0.1	0.3	0.9	1.6
Total Liabilities	167.5	168.3	209.0	274.1	321.5
Total Equity	210.6	230.9	254.3	293.5	341.1
Total Equity and Liabilities	378.1	399.2	463.3	567.7	662.6

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	3.7	4.5
DPS (sen)	0.3	0.3	0.4	0.6	0.8
Payout Ratio (%)	16.7	15.2	17.0	17.0	17.0
ROA (%)	4.6	5.0	6.0	8.2	8.5
ROE (%)	8.3	8.7	10.9	15.9	16.6

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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Published and printed by:

PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2031 3011
F 603 2272 3704
Dealing Line 603 2260 6718