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SECTION	HOME BUSINESS	HEADLINE	DAYA MATERIALS TECHNICAL SERVICES BUSINESS TO BE MORE PROFITABLE

Daya Materials' technical services business to be more profitable

Daya Materials Bhd
(Feb 21, 13 sen)

Maintain buy at 43 sen with a revised target price of 48 sen: Premised on its financial year 2014 ending Dec 31 (FY14) and FY15 estimated earnings growth of 86% and 18%, Daya Materials remains one of our favourite small-cap oil and gas (O&G) picks, especially given its growing O&G division. We raise our FY14 and FY15 forecasts by 13% and 29% to reflect better profitability for its technical services (TS) business.

Daya Materials' two offshore support construction vessels (OSCVs) — Siem Daya 1 (SD1) and Siem Daya 2 (SD2) — will officially begin their North Sea works with

Technip Norge AS by end-February. Each vessel will be deployed for a period of 220 to 250 days per contracted year. We project 230 days for the North Sea deployment and 30 days for spot charters for each vessel.

Daya Materials' planned acquisition of a 51% stake in SD2, which will cut related costs by around 25%, is targeted to be completed by first half of FY14. Our calculations suggest that the acquisition will bump up FY14 and FY15 earnings estimates by 2% to 4% and 4% to 8% respectively.

The company is negotiating for another vessel chartering contract with Technip Norge involving a similar vessel as SD1 and SD2. We

believe the third vessel's contract arrangement with Siem Offshore could be similar to SD2's and ultimately lead to Daya Materials acquiring a 51% stake.

Daya Materials' TS division did not fare well in the third quarter (3Q) of FY13 due to lower project profitability margins. Management said the division showed improvement in 4QFY13 and reaffirmed its more selective stance on future projects.

Maintain "buy", with a new 48 sen fair value (from 42 sen), pegged to an unchanged 15 times target FY14 price-earnings ratio, which is on par with other small- to mid-cap O&G companies within our coverage universe. — *RHB Research, Feb 21*

Daya Materials Bhd

FYE Dec (RM mil)	2011	2012	2013F	2014F	2015F
Total turnover	282	277	574	665	766
Reported net profit	19.5	23.0	23.6	44.0	51.8
Recurring net profit	17.8	20.9	23.6	44.0	51.8
Recurring net profit growth (%)	7.4	17.5	13.1	86.4	17.7
Recurring EPS (RM)	0.02	0.02	0.02	0.03	0.04
DPS (RM)	0.002	0.003	0.002	0.004	0.005
Recurring PER (x)	28.1	25.1	25.2	13.5	11.5
P/BV (x)	2.45	2.30	2.24	1.97	1.72
P/CF (x)	19	146	8	10	8
Dividend yield (%)	0.6	0.6	0.5	1.0	1.2
EV/Ebitda (x)	20.1	17.0	15.4	12.6	12.0
Return on average equity (%)	10.1	10.4	9.5	15.5	16.0
Net debt to equity (%)	1.9	6.5	77.4	122.5	149.5

Source: Company data, RHB estimates

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