



DAYA MATERIALS BERHAD

Neutral

DESCRIPTION

The Group is involved in upstream and downstream O&G activities i.e. offshore pipeline services, production chemical, automated welding and FPSO desludging.

Table with 2 columns: Metric (12-Month Target Price, Current Price, Expected Return, Market, Sector, Bursa Code, Bloomberg Ticker, Shariah-compliant) and Value (RM0.330, RM0.295, 11.9%, Main, Oil & Gas, 0091, DAYA MK, Yes).

SHARE PRICE CHART

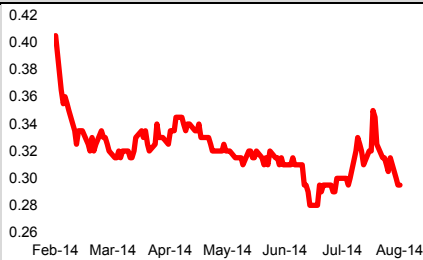


Table with 2 columns: Metric (52 Week Range (RM), 3-Month Average Vol ('000)) and Value (0.27-0.46, 12,358.9).

SHARE PRICE PERFORMANCE

Table with 4 columns: Metric, 1M, 3M, 6M. Rows include Absolute Returns and Relative Returns.

KEY STOCK DATA

Table with 2 columns: Metric (Market Capitalisation (RM m), No. of Shares (m)) and Value (409.7, 1,388.8).

MAJOR SHAREHOLDERS

Table with 2 columns: Shareholder Name and Percentage (%). Shareholders include Dato' Mazlin Bin Md. Junid (8.5%), Tan Sri Dato' Sri Koh Kin Lip (5.8%), and Nathan Tham Jooi Loon (5.4%).

Research Team

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Disappointing Earnings

Daya Materials' (Daya) 1HFY14 revenue is within expectations, recording RM303.4m (+31.2% YTD YoY, +34.6% QoQ), but earnings was compressed to RM5.6m (-52.2% YTD YoY, +>100% QoQ) from prolonged higher operating expenses and set-up costs in the subsea business.

- 1HFY14. Improvement in revenue is attributed to the increase in sales on downstream chemical and contribution from subsea contract in the North Sea.
Polymer (Revenue: 3% contribution), as per last quarter remains constant, from slow growth of the industry coupled with continued foreign competition.
O&G (Revenue: 55% contribution), will continue to be Daya's main growth driver, enhanced by i) assumed full utilisation of SD1 and SD2 which have been deployed to the North Sea since March 2014, ii) associate contributions from Reach Energy (initial amount RM10m) who is expected to identify a qualifying acquisition by this year, iii) downstream chemicals and specialised lifting services, iv) going forward, improved margins upon acquisition of SD1 and SD2.
Technical Services (Revenue: 41% contribution) saw improved progress in several of its projects that were previously delayed, thus higher revenue was recognized this year.
Neutral. We are not overly enthused about the multiple fund raising proposals to acquire SD1 and SD2, which will severely dilute the Group's EPS.

KEY FORECAST TABLE

Table with 7 columns: FYDec (RMm), 2012A, 2013A, 2014F, 2015F, 2016F, CAGR. Rows include Revenue, Operating Profit, Pre-tax Profit, Core Net Profit, EPS (Sen), P/E (x), DPS (Sen), and Dividend Yield.

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>2Q14</u>	<u>2Q13</u>	<u>1Q14</u>	<u>QoQ Chg</u>	<u>YoY Chg</u>	<u>YTD 14</u>	<u>YTD 13</u>	<u>YoY Chg</u>	<u>Comments</u>
Revenue	174.1	131.1	129.3	35%	33%	303.4	231.2	31%	Higher revenue contribution from O&G and Technical Services segments.
Cost of sales	-143.9	-110.3	-113.4	27%	30%	-257.3	-195.3	32%	
Gross profit	30.2	20.8	15.9	90%	46%	46.1	35.9	29%	
Other income	1.4	0.9	0.6	>100%	67%	2.1	1.4	52%	
Other expenses	-20.7	-10.1	-11.7	77%	104%	-32.4	-17.0	91%	
Operating profit	11.0	11.5	4.8	>100%	-5%	15.8	20.2	-22%	
Finance costs	-2.3	-1.6	-2.0	14%	44%	-4.3	-2.9	48%	
Share of results of associated companies	0.1	0.1	0.2	-46%	-26%	0.3	0.2	27%	
Pre-tax profit	8.8	10.0	3.0	>100%	-12%	11.8	17.6	-33%	Lower due to higher operating expenses and set up costs in the subsea business.
Tax	-3.0	-2.9	-2.0	48%	4%	-5.0	-5.4	-7%	Higher effective tax rate of 34% this qtr, due to losses incurred on some of the subsidiaries of the Group and certain expenses were not deductible for tax purposes.
Net profit	5.8	7.1	1.0	>100%	-19%	6.8	12.2	-44%	
Minorities	-1.1	-0.4	-0.1	>100%	178%	-1.2	-0.4	>100%	
Core net profit	4.7	6.7	0.9	>100%	-31%	5.6	11.8	-52%	
EPS (sen)	0.3	0.5	0.1	>100%	-37%	0.4	1.0	-57%	
Gross Margin	0.2	0.2	0.1	41%	10%	0.3	0.3	-4%	
Pre-tax Margin	0.1	0.1	0.0	>100%	-34%	0.1	0.2	-51%	
Net Margin	0.0	0.1	0.0	>100%	-48%	0.0	0.1	-66%	
Revenue	174.1	131.1	129.3	35%	33%	303.4	231.2	31%	
Polymer	5.9	6.0	5.7	3%	-1%	11.6	11.7	0%	
Oil & Gas	96.6	79.1	52.8	83%	22%	149.4	114.4	31%	Higher sales on downstream chemical and contribution from subsea contract in the North Sea.
Technical Services	71.6	46.0	70.8	1%	56%	142.4	105.2	35%	Increase in revenue is due to improved progress in several of its projects which were previously delayed, hence higher revenue recognised this qtr.

Source: Company

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Dec (RMm)	2012A	2013A	2014F	2015F	2016F
Revenue	296.6	523.8	672.4	818.7	900.6
Operating Profit	31.9	17.2	25.0	80.2	88.2
Other Income	16.5	5.4	6.9	8.4	9.2
Selling & Distribution Expenses	-1.0	-1.1	-1.4	-1.7	-1.9
Administration Expenses	-29.2	-65.3	-74.0	-65.7	-72.2
Pre-tax Profit	28.4	11.5	17.3	75.3	83.4
Income Tax	-8.3	-7.2	-4.3	-18.8	-20.8
Effective Tax Rate (%)	29.1	63.1	25.0	25.0	25.0
Minorities	0.1	-0.6	-0.2	-0.8	-0.8
Core Net Profit	20.2	3.6	12.8	55.7	61.7
Growth					
Revenue (%)	0.1	0.8	0.3	0.2	0.1
Gross Profit (%)	0.1	0.7	0.2	0.5	0.1
Net Profit (%)	0.2	-0.8	2.6	3.4	0.1

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RMm)	2012A	2013A	2014F	2015F	2016F
Property, plant and equipment	100.0	143.8	176.8	182.9	188.4
Inventories	14.2	17.5	31.7	37.2	41.0
Trade receivables	88.9	127.0	163.0	198.4	218.3
Cash and bank balances	62.8	70.0	129.3	119.1	173.6
Total Assets	378.1	525.2	662.4	699.5	783.4
ST Borrowings	17.9	77.8	85.9	35.0	35.0
LT Borrowings	48.9	63.3	63.3	63.3	63.3
Trade Payables	94.5	138.3	179.7	210.9	232.0
Minority Interests	0.0	1.3	1.5	2.2	3.0
Total Liabilities	167.5	283.3	332.8	313.1	334.2
Total Equity	210.6	242.0	329.6	386.4	449.2
Total Equity and Liabilities	378.1	525.2	662.4	699.5	783.4

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2012A	2013A	2014F	2015F	2016F
Book Value Per Share	0.2	0.2	0.2	0.3	0.3
NTA Per Share	0.2	0.2	0.2	0.3	0.3
EPS (Sen)	1.7	0.3	0.9	4.1	4.5
DPS (Sen)	0.0	0.0	0.0	0.0	0.0
Payout Ratio (%)	0.2	0.9	0.3	0.1	0.1
ROA (%)	5.3	0.8	2.0	8.1	8.0
ROE (%)	9.6	1.8	4.0	14.7	14.0

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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