

DAYA MATERIALS BERHAD - New Long-Term Award - PublicInvest Research

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Daya Materials (Daya) via its subsidiary, Daya Maxflo Sdn Bhd (DMAX) has been awarded a 3-year contract by Schlumberger Middle East S.A. for the provision of specialised well services in Saudi Arabia. The contract is expected to commence in the third quarter 2016. We are positive on this contract, not just for its long-term earnings visibility contribution, but also a promising establishment of a partnership with a major O&G market leader. The performance of this award could be the Group's pivotal moment for longer-term prospects, from Daya's current weaker performance in this challenging oil price environment. For the interim however, our contract replenishment assumptions is sufficient. However, considering that no contract value has been disclosed at this juncture, we thus continue to maintain our Neutral recommendation, with a unchanged TP of RM0.11 premised on a 20% discount to book value (BV) for FY17F.

About Schlumberger. One of the world's leading provider of technical reservoir characterization, drilling, production, and processing to the oil and gas industry. Working in more than 85 countries and employing approximately 100,000 people who represent over 140 nationalities, Schlumberger supplies the industry's most comprehensive range of products and services, from exploration through production and pore-to-pipeline solutions for hydrocarbon recovery that optimize reservoir performance.

Remain Neutral while we continue to assess the company's performance going forward with on-going initiatives to brace its results in these uncertain oil price landscape. We understand that Daya continues to carry out its transformation plans which includes i) restructuring its subsea business, ii) debt financing, iii) selective asset divestment.

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+0.005 (6.25%)

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