

# Cautious optimism over Daya Materials' future prospects

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## Daya Materials Bhd

(Sept 18, 7.5 sen)

**Maintain neutral with a target price (TP) of seven sen:** Daya Materials Bhd announced last Friday that its subsidiary, Daya OCI Sdn Bhd, has signed a memorandum of understanding (MoU) with Mimos Semiconductor Sdn Bhd to establish collaborative partnership engagements in areas of technology.

This includes the provision of a crowd management and passenger system comprising information technology data transfer, security information capabilities, monitoring, management and recording of mass people and materials movements and other potential similar crowd management systems to be applied in rail or non-rail systems such as port entry and stadiums.

The MoU heralds the start of the group's strategy in refocusing its plans away from the oil and gas sector. It serves as an enhancement service to its construction contracts in infrastructure.

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We continue to maintain our neutral view, however, while we wait on the finalisation of the disposal of its vessel and further confirmed prospects which we believe will boost the potential of the group going forward.

Our TP of seven sen is premised on an eight-times multiple to its financial year 2018 (FY18) forecast earnings per share (EPS) of 0.9 sen.

Mimos Semiconductor is a wholly-owned subsidiary of Mimos Bhd, a government-funded research and development organisation that has developed certain technologies for commercialisation. The set-up is a commercial arm to manage, develop and commercialise Mimos' technologies.

The group's current order book stands at RM590.6 million with about 70% of its contracts from the technical services segment.

With over RM2 billion in the group's tender book and the outcome to translate into its order book expected from the third quarter of FY17 onwards, we are cautiously optimistic over Daya Materials' future prospects, underpinned by plans to turn around the group. — *PublicInvest Research*, Sept 18