

# Dayang Enterprise Holdings

## 15-Month Contract from Petronas

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**DAYANG announced being awarded a 15-month hook-up, commissioning and topside maintenance contract from Petronas Carigali, starting Aug 2019. We guesstimate contract value to be roughly around ~RM100-200m, fetching mid-teens EBIT margins. Overall, we are positive on the contract win, highlighting DAYANG's job delivery capabilities. Maintain MARKET PERFORM with an unchanged TP of RM1.45.**

**15-month contract from Petronas Carigali.** DAYANG announced being awarded a contract for the provision of hook-up, commissioning and topside major maintenance services for Petronas Carigali Sdn Bhd – Peninsular. The duration of the contract is for a period of 15 months, effective from 16 Aug 2019 and will expire on 15 Nov 2020.

**Impact from the contract.** While no value or other contract details were included in the announcement, we guesstimate the contract value to be somewhere within the region of ~RM100-200m. Of course, actual contract value would depend on the work orders received. We believe the contract would be able to fetch EBIT margins at around the mid-teens region. With this contract, we expect DAYANG's order-book to remain >RM3b, bringing the YTD-announced new contract wins to an estimated value of ~RM450-600m (still well within our replenishment assumption of RM1b).

**Positive on the contract win.** We also posit that the contract could possibly serve as an "interim" contract while a possible re-tendering of Petronas Carigali's integrated hook-up and commissioning contract is underway, as reported in the press. Nonetheless, we are positive on the win as it highlights the company's job delivery capabilities, thus enabling its clients' confidence in awarding DAYANG work contracts.

**Maintain MARKET PERFORM,** with an unchanged SoP-TP of RM1.45. Note that our TP has already taken into account full share-base dilution from the proposed corporate exercises (~20% dilution). Our TP, which implies a forward PBV of 1.4x, is already priced near +1SD premium against its 5-year mean. No changes made to our FY19-20E numbers.

**Risks to our call include:** (i) greater-than-expected work orders, (ii) higher-than-expected vessel utilisation, (iii) stronger-than-expected margins, and (iv) falling through of corporate exercises.

# MARKET PERFORM ↔

**Price :** RM1.36  
**Target Price :** RM1.45 ↔

### Share Price Performance



KLCI	1,591.52
YTD KLCI chg	-5.9%
YTD stock price chg	151.9%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	1,312.1
Shares outstanding	964.8
52-week range (H)	1.75
52-week range (L)	0.50
3-mth avg daily vol:	14,742,490
Free Float	58%
Beta	1.3

### Major Shareholders

Naim Holdings Bhd	26.4%
Urusharta Jamaah Sdn	7.9%
Ling Suk Kiong	7.6%

### Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Revenue	937.6	1,145.4	1,195.4
EBIT	292.9	218.6	227.6
PBT	220.0	151.5	164.7
<b>Net Profit (NP)</b>	<b>164.2</b>	<b>108.5</b>	<b>118.4</b>
<b>Core Net Profit</b>	<b>164.2</b>	<b>108.5</b>	<b>118.4</b>
Consensus (NP)	-	122.3	138.3
Earnings Revision (%)	-	-	-
Core EPS (sen)	14.2	9.4	10.2
Core EPS growth (%)	N.M.	-33.9	9.1
BV/share (RM)	1.0	1.0	1.1
DPS (sen)	0.0	0.0	0.0
Core PER (x)	9.6	14.5	13.3
PBV (x)	1.4	1.4	1.2
Gearing (x)	0.8	0.9	0.7
Dividend Yield (%)	0.0	0.0	0.0

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<b>Sum-of-Parts Valuation</b>		
<b>Division</b>	<b>Value</b>	<b>Remarks</b>
Offshore TMS	1535.0	Based on 16x PER of FY20E
PERDANA	139.4	60.5% stake in PERDANA @ 0.5x PBV
<b>Fair value</b>	<b>1674.3</b>	
No. of shares	1157.8	Fully-diluted basis
<b>SoP value/share (RM)</b>	<b>1.45</b>	

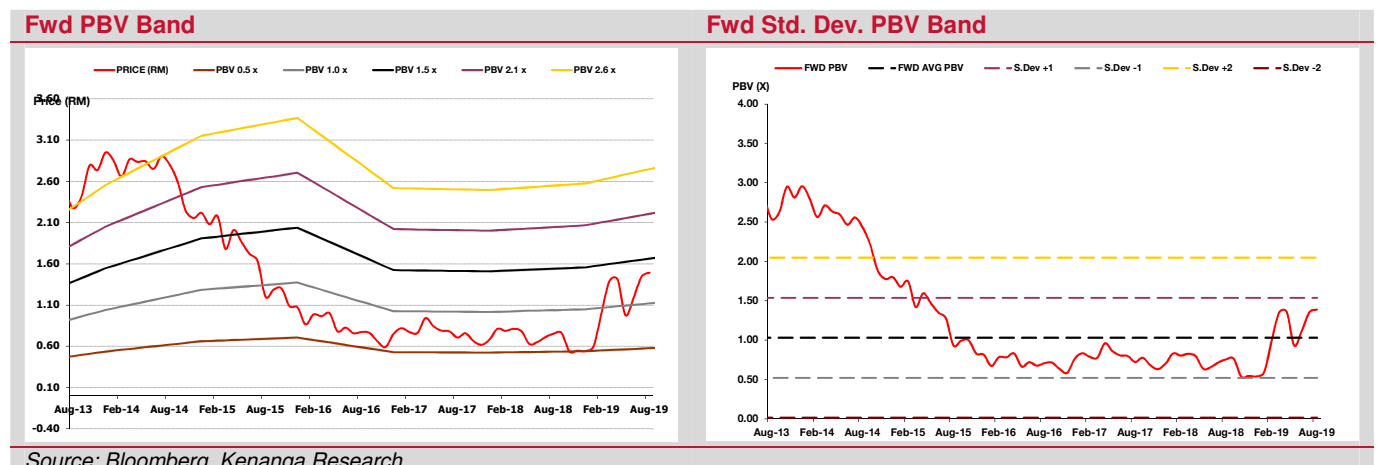
Source: Company, Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E	FY Dec (RM m)	2016A	2017A	2018A	2019E	2020E
Revenue	708.2	695.5	937.6	1145.4	1195.4	<b>Growth</b>					
EBITDA	302.5	156.9	403.9	336.5	323.4	Revenue	-9.0	-1.8	34.8	4.2	4.4
Depreciation	-124.5	-125.5	-111.0	-117.9	-95.9	GP	-24.1	-15.5	81.5	4.2	4.4
Operating Profit	178.0	31.4	292.9	218.6	227.6	EBITDA	18.4	-48.1	157.5	13.4	-3.9
Interest Expense	-99.3	-95.2	-77.8	-67.1	-62.9	PBT	-61.3	-181.2	-444.7	39.9	8.7
Associate	0.0	0.0	0.0	0.0	0.0	Core Net Profit	-68.3	-364.0	-379.0	1.5	9.1
PBT	0.0	0.0	0.0	0.0	0.0						
Taxation	78.7	-63.8	220.0	151.5	164.7	<b>Profitability (%)</b>					
Minority Interest	-24.7	-88.4	-72.0	-37.9	-41.2	EBITDA Margin	42.7	22.6	43.1	29.4	27.1
<b>Net Profit</b>	<b>0.6</b>	<b>8.3</b>	<b>16.2</b>	<b>-5.1</b>	<b>-5.1</b>	Operating Margin	25.1	4.5	31.2	19.1	19.0
<b>Core Net Profit</b>	<b>54.5</b>	<b>-143.9</b>	<b>164.2</b>	<b>108.5</b>	<b>118.4</b>	PBT Margin	11.1	-9.2	23.5	13.2	13.8
						Core Net Margin	-0.5	-8.5	17.5	9.5	9.9
						Effective Tax Rate	31.4	-138.4	32.7	25.0	25.0
						ROE	4.3	-12.5	14.6	8.1	8.1
						ROA	1.7	-4.9	6.1	4.0	4.2
						<b>DuPont Analysis</b>					
						Net Margin (%)	-0.5	-8.5	17.5	9.5	9.9
						Assets Turnover(x)	0.2	0.3	0.3	0.4	0.4
						Leverage Factor(x)	2.5	2.8	2.4	2.4	2.2
						ROE (%)	-0.3	-6.2	14.6	9.3	9.2
						<b>Leverage</b>					
						Debt/Asset (x)	0.5	0.5	0.4	0.4	0.4
						Debt/Equity (x)	1.3	1.3	0.9	1.0	0.8
						Net (Cash)/Debt	1,345.8	1,058.4	866.4	1,036.8	852.8
						Net Debt/Equity(x)	1.1	1.1	0.8	0.9	0.7
						<b>Valuations</b>					
						EPS (sen)	-0.3	-5.1	14.2	9.4	10.2
						DPS (sen)	0.0	0.0	0.0	0.0	0.0
						BV/share (RM)	1.1	0.8	1.0	1.0	1.1
						PER (x)	-449.0	-26.8	9.6	14.5	13.3
						Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
						P/BV (x)	1.2	1.7	1.4	1.4	1.2

Source: Kenanga Research, Bloomberg, Bursa Malaysia



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## Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
BUMI ARMADA BERHAD	0.250	1,469.1	N	12/2019	-15.9%	0.0%	34.4%	2.3%	6.5	4.8	4.7	0.4	0.4	9.0%	0.0%	0.200	UP
DAYANG ENTERPRISE HLDGS BHD	1.36	1,312.1	Y	12/2019	22.2%	4.4%	-33.9%	9.1%	8.0	12.1	11.1	1.2	1.1	9.5%	0.0%	1.45	MP
DIALOG GROUP BHD	3.47	19,564.9	Y	06/2020	17.7%	6.1%	4.5%	9.7%	36.5	34.9	31.9	5.2	4.9	14.4%	1.2%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.800	1,280.0	Y	12/2019	-10.1%	43.0%	845.5%	139.3%	N.A.	88.3	36.9	0.5	0.5	0.6%	0.0%	1.05	OP
MISC BHD	7.15	31,915.8	Y	12/2019	3.1%	-2.9%	30.2%	5.3%	24.1	18.5	17.6	0.9	0.9	4.9%	4.2%	7.60	MP
PANTECH GROUP HOLDINGS BHD	0.500	375.0	Y	02/2020	1.3%	5.9%	1.3%	6.4%	8.6	8.4	7.9	0.7	0.6	7.6%	3.2%	0.690	OP
PETRONAS CHEMICALS GROUP BHD	6.80	54,400.0	Y	12/2019	-13.9%	4.8%	-30.3%	14.5%	10.9	15.7	13.7	1.8	1.7	11.1%	3.2%	7.70	MP
PETRONAS DAGANGAN BHD	21.42	21,279.8	Y	12/2019	-5.6%	2.0%	12.9%	7.7%	25.4	22.5	20.9	3.6	3.4	15.6%	3.1%	22.45	MP
SAPURA ENERGY BHD	0.270	4,303.6	Y	01/2020	5.9%	20.7%	1875.6%	258.5%	N.A.	89.1	24.9	0.3	0.3	0.4%	0.0%	0.430	OP
SERBA DINAMIK HOLDINGS	4.39	6,446.7	Y	12/2019	23.2%	14.3%	17.2%	13.3%	16.8	14.3	12.7	3.1	2.7	20.2%	2.1%	5.25	OP
UZMA BHD	0.735	235.2	Y	06/2020	-7.6%	-0.1%	117.5%	44.1%	24.2	11.1	7.7	0.5	0.5	4.2%	0.0%	0.610	MP
VELESTO ENERGY BHD	0.305	2,505.8	Y	12/2019	5.3%	6.2%	119.7%	152.0%	N.A.	164.9	65.4	0.9	0.9	0.5%	0.0%	0.350	OP
WAH SEONG CORP BHD	0.625	481.5	Y	12/2019	-47.7%	-7.7%	-18.8%	-18.1%	7.7	9.4	11.5	0.5	0.5	5.4%	0.0%	0.620	MP
YINSON HOLDINGS BHD	6.88	7,433.8	Y	01/2020	0.1%	70.2%	-7.1%	55.9%	28.3	30.4	19.5	4.3	3.9	13.5%	0.9%	7.75	OP

Source: Bloomberg, Kenanga Research

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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