

26 May 2016 | 1QFY16 Results Review

Dayang Enterprise Holdings

Bottomline sank into the red

Maintain NEUTRAL

Revised Target Price (TP): RM0.95
(previously RM1.34)

INVESTMENT HIGHLIGHTS


- **Dayang Enterprise Holdings Bhd's 1Q16 earnings sank into the red at -RM26.4m**
- **The loss was partly attributable to the net loss of -RM12m recorded by Perdana Petroleum in 1Q16**
- **Total orderbook still remains strong at approximately RM3.6b – burnrate until 2018**
- **Maintain NEUTRAL with revised target price of RM0.95**

Earnings sank into the red. Dayang recorded a net loss of -RM26.4m in 1Q16 attributable to (1) losses incurred by Perdana Petroleum, (2) low vessels utilisation rates by Perdana (50% in 1Q16), and (3) lower work orders received and performed during the quarter. In addition, Dayang's earnings are seasonally weakest in 1Q and 4Q due to weather conditions limiting offshore activities.

Orderbook. Dayang has a total orderbook of RM3.6b with a burn-rate until 2018. Its tenderbook stands at approximately RM350m currently. Perdana's current orderbook is approximately RM650m.

Impact on earnings. Due to the weaker than anticipated profit margins, work orders received and continued earnings suppression caused by Perdana Petroleum, we are halving our FY16 and FY17 earnings forecasts to RM68.5m and RM69.0m respectively.

Potential loss on disposal from Perdana Shares. As Dayang is still interested to maintain Perdana's listing status, the company will be divesting at least 25% of the total shareholdings in Dayang that was acquired at a mandatory general offer price of RM1.55 per share. We acknowledge that there is a potential that Dayang might record a loss on disposal if the 25%-stake in Perdana is placed-out now due to the general de-rating of valuation for oil and gas stocks pursuant to the cautious sentiment in crude oil market.

Maintain NEUTRAL. We are maintaining our **NEUTRAL** outlook, albeit with a negative bias, on Dayang with a revised target price of **RM0.95 per share**. Our target price is based on a rolled-forward valuation base year with PER17 of 12.5x pegged to EPS17 of 7.6sen. The target PER17 is based on a 0.5-standard deviation discount to the company's five-year average rolling PER of 15x. 

RETURN STATS	
Price (25 May 2016)	RM1.07
Target Price	RM0.95
Expected Share Price Return	-11.2%
Expected Dividend Yield	+4.7%
Expected Total Return	-6.5%

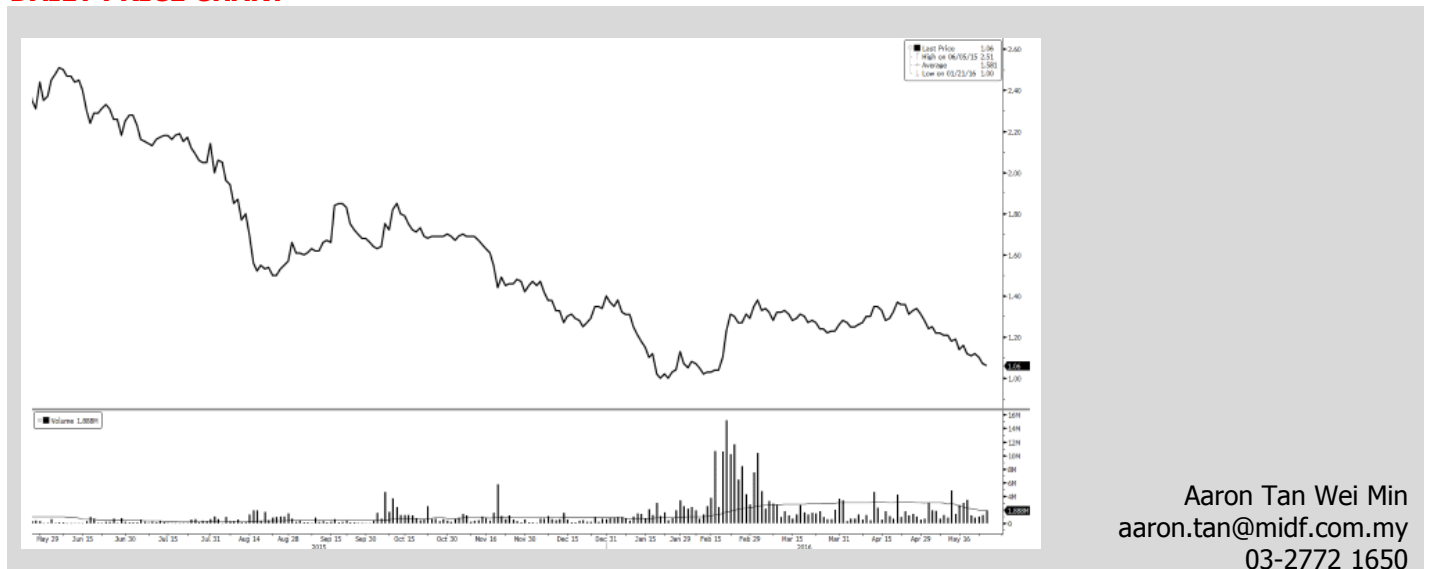
STOCK INFO	
KLCI	1,630.96
Bursa / Bloomberg	5141 / DEHB MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	876.8
Par Value (RM)	1.00
Market cap. (RM'm)	929.4
Price over NA	0.95x
52-wk price Range	RM1.00 – RM2.85
Beta (against KLCI)	1.83
3-mth Avg Daily Vol	1.27m
3-mth Avg Daily Value	RM2.2m
Major Shareholders (%)	
Naim Holdings Bhd	29.07
Kumpulan Wang Persaraan	9.54
Lembaga Tabung Haji	8.89
Ling Suk Kiong	8.81
Ahmad Shahrudin Yusuf	7.52
Vogue Enterprise	6.98

INVESTMENT STATISTICS

Statement of Income (RMm)	2013	2014	2015	2016F	2017F
Operating Revenue	563.4	876.9	779.1	610.5	758.2
Direct Operating Costs	(335.0)	(577.2)	(440.5)	(330.5)	(404.9)
Gross Profit	228.4	299.7	338.6	280.0	353.3
EBITDA	189.5	244.8	155.8	175.7	225.3
EBIT	174.3	221.8	258.4	144.3	190.6
Associates	14.1	22.1	-6.3	-	-
Profit before tax	174.7	217.7	147.0	110.7	148.9
Tax	(25.7)	(39.2)	(53.2)	(47.2)	(79.8)
PAT	149.0	178.6	202.0	68.5	69.0
Standardized EPS (sen)	18.1	21.3	19.6	7.6	7.6
Net Margin (%)	26.4	20.4	25.9	11.2	9.1
PER (x)	5.9	5.0	6.6	14.2	14.1
Dividend yield (%)	7.9	6.5	5.4	4.7	4.7

Source: MIDFR

DAILY PRICE CHART



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Source: MIDFR, Company

1QFY16 Results Review Summary

FYE DEC (RM m)	Quarterly Results				
	1Q15	4Q15	1Q16	QoQ (%)	YoY (%)
Revenue	190.1	222.2	111.8	-49.7	-41.2
Operating expenses	-121.5	-105.4	-80.1	-24.0	-34.1
Gross profit	68.5	116.8	31.8	-72.8	-53.7
Other income	0.8	30.6	2.4	-92.1	217.3
Admin expenses	-25.6	-113.7	-32.8	-71.2	28.1
Finance costs	-0.5	-42.6	-24.1	-43.3	5266.0
Other non-operating income	-	26.9	-	-	-
Associates	2.5	-	-	-	-
PBT	45.7	18.0	-22.7	-226.4	-149.7
Tax	-11.4	-0.7	-4.1	456.0	-64.3
PATAMI	34.4	15.9	-26.4	-266.2	-176.8
EPS (sen)	3.9	1.8	-3.0	-266.3	-176.8
Segmental -					
Revenue:					
Investment Holdings	32.0	-34.4	1.3	-103.7	-96.1
Offshore	188.7	-518.5	85.9	-116.6	-54.5
Marine Charter	16.9	-111.1	54.2	-148.8	220.2
Equipment rental	7.9	-23.5	7.7	-133.0	-2.0
Elimination	-55.5	130.6	-37.3	-128.6	-32.8
PBT:					
Investment Holdings	31.9	-28.3	0.1	-100.3	-99.7
Offshore	40.4	-105.1	1.4	-101.4	-96.4
Marine Charter	-0.8	-9.8	0.3	-102.9	-133.6
Equipment rental	3.2	-10.0	3.9	-138.8	21.9
Elimination	-30.9	30.9	-4.3	-113.9	-86.1

Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.