

# Dayang Enterprise Holdings Berhad

(5142 | DEHB MK) Energy | Energy Infrastructure, Equipment & Services

## Improved offshore margin boosted earnings

### KEY INVESTMENT HIGHLIGHTS

- Dayang's reported a net profit of RM78.2m in 4QFY19
- Earnings was boosted by higher profit margins on work orders and high vessel utilization rate of 74% in 4QFY19
- Earnings supported by improved offshore PBT margin of 52.4% from 47.0% in 4QFY18
- Current orderbook at RM4.5b inclusive of Carigali-PTTEPI contract
- FY20F earnings maintained
- Downgrade to NEUTRAL with unchanged TP of RM2.69

**Dayang's 4QFY19 normalised earnings grew by +10.4%yoy to RM84.7m.** Dayang Enterprise Holdings Berhad's (Dayang) 4QFY19 reported net profit came in at RM78.2m. However, its normalized earnings – excluding a one-off professional fee relating to debt restructuring amounting to RM3.7m and an allowance for impairment loss on PPE of RM2.8m, came in at RM84.7m. This brings its FY19 cumulative earnings to RM232.2m which was within our but above consensus' full-year earnings estimates. Comparing against 4QFY18, revenue was flat year-over-year whilst normalized earnings were higher by +10.4%yoy respectively. Meanwhile on a quarterly sequential basis; revenue and earnings dipped by -20.3% and -12.2% respectively. This was primarily attributable to the one-off expenses incurred during the quarter under review.

**Perdana Petroleum normalized earnings grew by +12.3%yoy to RM10.2m.** Perdana Petroleum's reported a net loss of -RM2.6m in 4QFY19. However, its normalized earnings excluding EI came in at RM10.2m which +12.3% higher year-over-year. This was mainly attributable to improved vessel utilization rate during the quarter at 74% vs 73% in 4QFY18. Its FY19 vessel utilization rate is registered at 70% which is higher than the FY18 utilisation rate of 64%. The higher utilization rate was primarily due to improved work orders/contracts awarded by oil majors during the quarter.

**Higher productivity and efficiency boosted margins.** Aside from the better revenue recognition from its work orders, the improved earnings recorded by Dayang in 4QFY19 was also attributable to higher productivity and improved efficiencies in work orders performed under its topside maintenance contracts. This had resulted in higher profit margins recorded for the maintenance work orders during the quarter.

**Orderbook amounts to RM4.5b as of 21 February 2020.** Dayang's orderbook as at 21 February 2020 amounts to RM4.5b and this is expected to last Dayang until 2025. This is inclusive of its recent win of two I-HUC contracts back in December 2019 from Petronas Carigali and another contract from Carigali-PTTEPI early February 2020. The contract from Carigali-PTTEPI is for a period of three years with two-years of optional extensions for the provision of modification works.

## Downgrade to NEUTRAL

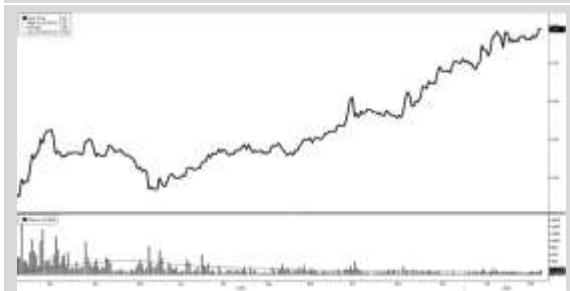
(From BUY previously)

Unchanged Target Price: RM2.69

### RETURN STATISTICS

Price @ 21 <sup>st</sup> February 2020 (RM)	2.94
Expected share price return (%)	-8.5
Expected dividend yield (%)	+0.0
Expected total return (%)	-8.5

### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.16	6.94
3 months	17.13	44.20
12 months	291.10	342.05

### KEY STATISTICS


FBM KLCI	1,531.2
Syariah compliant	Yes
Issue shares (m)	1,013.94
Estimated free float (%)	37.10
Market Capitalisation (RM'm)	3,315.09
52-wk price range	0.74 – 3.01
Beta vs FBM KLCI (x)	0.99
Monthly velocity (%)	11.02
Monthly volatility (%)	64.42
3-mth average daily volume (m)	8.31
3-mth average daily value (RM'm)	20.90
Top Shareholders (%)	
Naim Holdings	26.42
Urusharta Jamaah Sdn Bhd	7.92
Ling Suk Kiong	7.59

### Analyst(s)

Noor **ATHILA** Mohd Razali  
Noor.athila@midf.com.my  
03-2772 1679

**Earnings impact.** We made no changes to Dayang's FY20F earnings estimates at this juncture as we opine that Dayang is on track to meet our earnings projection. Additionally, we have also introduced our FY21-22F numbers in this report.

**Downgrade to NEUTRAL with an unchanged TP of RM2.69.** We are downgrading our recommendation on Dayang to **NEUTRAL** with an unchanged target price of **RM2.69**. Our TP is premised on an unchanged PER20 of 10x pegged to EPS20 of 26.9sen. We opine that the downgrade is fair given that: (i) all the positives have been priced in at this juncture and; (ii) its share price has advance by >+30% since late last year which limits share price appreciation going forward.

That said, we remain sanguine on Dayang's growth prospects going forward given the: (i) upbeat activity levels; (ii) increasing profit margins on work orders; (iii) improving vessel utilization and financials by Perdana Petroleum and; (iv) strong and proven track record as one of the leading MCM service provider. 

## INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm unless otherwise stated)	2018A	2019A	2020E	2021F	2022F
Revenue	937.6	1,046.2	1,516.7	1,562.7	1,637.7
Operating expenses	(552.2)	(547.2)	(685.0)	(765.7)	(802.5)
Gross profit	385.4	499.0	831.7	797.0	835.2
Operating profit	292.9	399.9	467.1	594.0	624.7
Profit before tax	220.0	335.2	383.7	397.5	420.0
Tax expense	(72.0)	(108.0)	(123.8)	(125.6)	(129.1)
<b>Profit after tax</b>	<b>148.1</b>	<b>227.2</b>	<b>259.9</b>	<b>271.9</b>	<b>290.9</b>
PATAMI	164.2	236.3	259.9	271.9	290.9
<b>PATAMI ex-EI</b>	<b>137.9</b>	<b>232.2</b>	<b>259.9</b>	<b>271.9</b>	<b>290.9</b>
EPS (sen)	9.1	22.4	26.9	28.2	30.2
EPS growth (%)	159.3	146.2	20.1	4.6	7.0
PER (x)	32.3	13.1	10.9	10.4	9.7
Dividend per share (sen)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-

Source: Company, MIDFR

## DAYANG ENTERPRISE HOLDINGS BERHAD: 4QFY19 RESULTS SUMMARY

Financial year ending 31st December (in RM'm unless otherwise stated)	Quarterly Results					Cumulative		
	4QFY18	3QFY19	4QFY19	QoQ (%)	YoY (%)	FY18	FY19	YoY (%)
Revenue	285.6	357.6	285.0	(20.29)	(0.22)	937.6	1,046.2	11.58
Operating expenses	(122.1)	(173.5)	(110.6)	(36.27)	(9.44)	(552.2)	(547.2)	(0.91)
Gross profit	163.6	184.1	174.5	(5.24)	6.66	385.4	499.0	29.46
Other income	35.9	11.6	11.0	(4.94)	(69.23)	39.6	26.7	(32.61)
Admin expenses	(34.5)	(28.2)	(42.3)	49.94	22.77	(102.0)	(120.6)	18.24
Other operating expenses	(20.3)	(0.1)	(3.6)	nm	(82.12)	(28.3)	(5.2)	(81.78)
Operating profit	144.6	167.4	139.5	(16.66)	(3.52)	294.7	399.9	35.70
Finance costs	(13.4)	(15.8)	(19.8)	25.28	48.14	(74.7)	(64.7)	(13.40)
Profit before tax	131.2	151.6	119.7	(21.03)	(8.78)	220.0	335.2	52.36
Tax expense	(29.9)	(37.4)	(42.5)	13.80	42.12	(72.0)	(108.0)	50.05
Profit after tax	101.3	114.2	77.2	(32.41)	(23.80)	148.1	227.2	53.49
Minority interest	3.6	7.1	(1.0)	nm	nm	(16.0)	(9.0)	(43.45)
PATAMI	97.7	107.1	78.2	(26.96)	(19.95)	164.0	236.3	44.05
Exceptional Items (EI)	20.8	10.6	(6.5)	nm	nm	26.1	4.1	(84.29)
PATAMI ex-EI	76.9	96.5	84.7	(12.20)	10.14	137.9	232.2	68.34
Basic EPS (sen)	7.97	10.00	8.78	(12.20)	10.14	14.30	24.06	68.34
DPS (sen)	-	-	-	nm	nm	-	-	nm
				<i>+ / (-) ppts</i>				<i>+ / (-) ppts</i>
Gross profit margin (%)	57.3	51.5	61.2	9.72	3.95	41.11	47.70	6.59
Operating profit margin (%)	50.6	46.8	0.5	(46.33)	(50.13)	31.43	38.23	6.79
PBT margin (%)	45.9	42.4	42.0	(0.39)	(3.94)	23.47	32.04	8.58
PATAMI margin (%)	34.2	30.0	0.3	(29.68)	(33.94)	17.49	22.58	5.09
Tax rate (%)	22.8	24.6	35.5	10.86	12.71	7.68	10.32	2.65
<b>Segmental</b>								
Revenue:								
Investment Holdings	1.3	1.2	1.1	(11.76)	(16.13)	2.5	2.5	0.2
Offshore	240.3	289.0	239.5	(17.13)	(0.34)	275.2	339.0	23.2
Marine Charter	105.1	132.5	93.3	(29.57)	(11.20)	81.4	99.4	22.1
Equipment rental	7.2	4.1	4.7	15.37	(34.28)	7.1	8.5	20.0
Elimination	(68.2)	(69.3)	(53.6)	(22.59)	(21.43)	(57.2)	(79.2)	38.4
PBT:								
Investment Holdings	(6.5)	(9.3)	(15.9)	71.00	144.88	(18.4)	(16.8)	(8.4)
Offshore	113.0	130.2	125.5	(3.59)	11.05	85.5	97.8	14.4
Marine Charter	16.7	28.8	10.4	(63.79)	(37.73)	(131.5)	(55.2)	58.0
Equipment rental	3.1	1.9	1.8	(6.52)	(40.49)	(1.3)	1.5	(216.9)
PBT margin:				<i>+ / (-) ppts</i>				<i>+ / (-) ppts</i>
Investment Holdings	(5.19)	(7.82)	(15.15)	(7.33)	(9.96)	(6.68)	(4.96)	1.71
Offshore	0.47	0.45	0.52	0.07	0.05	105.05	98.45	(6.60)
Marine Charter	0.16	0.22	0.11	(0.11)	(0.05)	(1,861.88)	(651.31)	1,210.57
Equipment rental	0.42	0.47	0.38	(0.09)	(0.04)	2.28	(1.93)	(4.21)

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 - X)).  
 (Bank Pelaburan)  
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

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