

HLIB Research

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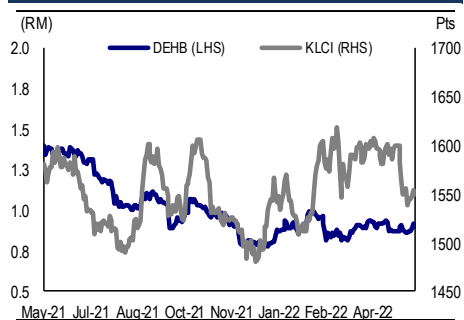
BUY (Maintain)

Target Price: RM1.19
Previously: RM1.04
Current Price: RM0.98

Capital upside	21.4%
Dividend yield	0.0%
Expected total return	21.4%

Sector coverage: O&G

Company description: Dayang offers offshore maintenance services, minor fabrication operations, offshore hook-ups, and commissioning and chartering of marine vessels.

Share price


Historical return (%)	1M	3M	12M
Absolute	12.6	18.8	-30.5
Relative	17.4	25.7	-25.7

Stock information

Bloomberg ticker	DEHB MK
Bursa code	5141
Issued shares (m)	1,158
Market capitalisation (RM m)	1,135
3-mth average volume ('000)	2,948
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	★

Major shareholders

Naim Holdings Bhd	24.2%
Urusharta Jamaah Sdn Bhd	8.0%
Ling Suk Kiong	7.1%

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI – core	43.3	59.9	89.8
EPS – core (sen)	3.7	5.2	7.8
P/E (x)	26.2	19.0	12.6

Dayang Enterprise Holdings

Increasing OSV charter and utilisation rates

We came away feeling positive from a conference call with Dayang as the group has guided on: (i) increasing OSV charter rates (both AHTS and barge) as the number of OSVs in the market has declined over the years; (ii) higher blended utilisation rates for Perdana's OSV fleet in 2Q of more than 70%; and (iii) better job win and execution prospects in FY22-23F – as guided from the Petronas Activity Outlook 2022. With that, we believe that 63.7%-owned Perdana will turn into the black in 2Q-3QFY22 – which would also augur well for Dayang. No changes to our earnings estimates. Maintain BUY with a higher TP of RM1.19/share (from RM1.04 previously).

We recently met up with management with the following key takeaways:

Increasing OSV charter rates and blended fleet utilisation rates. The group has guided that the OSV charter rates has increased by a total of 3-5% YoY as the number of OSVs in the market has declined over the years as many OMS companies have totally exited the industry while some have gone bust following the slump in oil prices from 2015-2020. Also, management has guided that the division's blended fleet utilisation rates have increased substantially to >70% in 2Q22 (from 38% in 1Q22) – which is higher than the guided net profit breakeven level of 60-65%. With that, we believe that 63.7%-owned Perdana Petroleum will turn into the black in 2Q-3QFY22.

Petronas Activity Outlook 2022 and increase in 2022 capex guidance. The outlook for OSVs are expected to be slightly better in 2022 as there are a total of 336 support vessels (Production: 138; Drilling: 198) expected to be chartered throughout the year as compared to 289 support vessels (Production: 151; Drilling: 138) in 2021. Petronas has guided that there will be consistent demand for vessels supporting production operation over the next three years. Meanwhile, higher HUC and MCM man-hours are also expected for 2022 (HUC: 6.3, MCM: 11.5) as compared to 2021 (HUC: 4.7, MCM: 8.5). Also last week, Petronas raised its 2022 total capex guidance to RM60bn (from RM40-45bn previously). As we deem Dayang the market leader for MCM/i-HUC activities, we are confident that the group will be a major beneficiary of this development.

Subsiding Covid-19 related headwinds in FY22. The group guided that Covid-19 has served as a major headwind, which gave rise to its weak performance in FY20-21 due to several issues: (i) manpower/labour issues and (ii) more stringent Covid-19 related SOPs (which resulted in higher accommodation expenses, testing requirements and quarantine time). Dayang has guided that these headwinds are waning off in FY22 and the group should be able to execute its jobs more efficiently. We highlight that the group's current outstanding orderbook stands at RM1.8bn, which will provide earnings visibility until end-FY23 and has a tenderbook of cRM800m.

Forecast. Unchanged.

Maintain BUY, higher TP of RM1.19. We maintain BUY on Dayang with a higher SOP-derived TP of RM1.19/share (from RM1.04 previously), where we value its offshore division at 13x P/E on FY23f earnings and 0.8x P/B for its OSV segment.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

Balance Sheet						Income Statement					
FYE Dec	FY20	FY21	FY22f	FY23f	FY24f	FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Cash	424.2	418.7	442.0	548.7	671.3	Revenue	731.4	667.7	895.5	855.4	835.4
Receivables	96.6	132.2	177.3	169.4	165.4	EBITDA	226.7	(224.9)	269.9	322.4	336.5
Inventories	6.6	8.8	11.7	11.2	11.0	EBIT	119.1	(380.1)	107.0	151.3	156.8
PPE	1,266.3	1,063.1	950.1	829.0	699.3	Finance cost	(30.6)	(26.9)	(28.2)	(29.6)	(31.1)
Others	951.8	710.8	789.7	790.9	790.9	Associates & JV	-	1.0	2.0	3.0	4.0
Assets	2,745.5	2,333.4	2,370.8	2,349.1	2,337.8	Profit before tax	88.5	(406.9)	78.8	121.7	125.7
Payables	164.5	227.3	304.8	291.2	284.4	Tax	(55.9)	(30.0)	(18.9)	(29.2)	(30.2)
Debt	706.3	527.1	427.1	327.1	227.1	Net profit	32.6	(436.9)	59.9	92.5	95.5
Others	95.8	85.5	85.5	85.5	85.5	Minority interest	(23.9)	(117.9)	-	2.7	2.7
Liabilities	966.5	840.0	817.5	703.9	597.0	Core PATMI	79.9	43.3	59.9	89.8	92.8
Shareholder's equity	1,492.0	1,309.6	1,369.5	1,459.2	1,552.0	Exceptionals	(23.4)	(362.3)	-	-	-
Minority interest	287.0	183.9	183.9	186.6	189.3	Reported PATMI	56.4	(319.0)	59.9	89.8	92.8
Equity	1,779.0	1,493.5	1,553.3	1,645.8	1,741.3	Consensus core PATMI			61.4	85.3	115.0
						HLIB/ Consensus			0.97	1.05	0.81

Cash Flow Statement

Cash Flow Statement						Valuation & Ratios					
FYE Dec	FY20	FY21	FY22f	FY23f	FY24f	FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Profit before taxation	88.5	(406.9)	78.8	121.7	125.7	Core EPS (sen)	6.9	3.7	5.2	7.8	8.0
D&A	107.7	155.2	163.0	171.1	179.7	P/E (x)	14.2	26.2	19.0	12.6	12.2
Working capital	184.0	40.6	29.4	(6.9)	(2.6)	EV/EBITDA (x)	6.2	(5.5)	4.1	2.8	2.1
Taxation	(81.4)	(30.1)	(18.9)	(29.2)	(30.2)	DPS (sen)	-	1.5	-	-	-
Others	44.7	399.6	28.2	29.6	31.1	Dividend yield (%)	-	1.5	-	-	-
CFO	343.5	158.4	280.5	286.3	303.7	BVPS (RM)	1.5	1.3	1.3	1.4	1.5
Capex	(52.7)	(41.0)	(50.0)	(50.0)	(50.0)	P/B (x)	0.6	0.8	0.7	0.7	0.7
Others	(28.6)	(8.6)	-	-	-	EBITDA margin (%)	31.0	(33.7)	30.1	37.7	40.3
CFI	(81.3)	(49.5)	(50.0)	(50.0)	(50.0)	EBIT margin (%)	16.3	(56.9)	11.9	17.7	18.8
Changes in debt	(37.3)	(202.7)	(100.0)	(100.0)	(100.0)	PBT margin (%)	12.1	(60.9)	8.8	14.2	15.0
Shares issued	-	129.5	-	-	-	Net margin (%)	10.9	6.5	6.7	10.5	11.1
Dividends	-	(17.4)	-	-	-	ROE (%)	4.5	2.9	3.9	5.5	5.3
Others	(206.9)	32.7	(28.2)	(29.6)	(31.1)	ROA (%)	2.9	1.9	2.5	3.8	4.0
CCF	(244.2)	(57.8)	(128.2)	(129.6)	(131.1)	Net gearing (%)	15.9	7.3	CASH	CASH	CASH
Net cash flow	18.0	51.1	102.3	106.7	122.6	Assumptions					
Forex	(4.3)	6.7	-	-	-	FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Others	-	-	-	-	-	Growth (%)					
Beginning cash	268.2	281.9	339.7	442.0	548.7	Sales Growth	(30.1)	(8.7)	34.1	(4.5)	(2.3)
Ending cash	281.9	339.7	442.0	548.7	671.3	EBITDA Growth	(52.4)	(199.2)	(220.0)	19.4	4.4
						EBIT Growth	(68.1)	(419.2)	(128.1)	41.4	3.6
						PBT Growth	(73.1)	(559.9)	(119.4)	54.5	3.3
						Core PATMI Growth	(65.5)	(45.8)	38.2	50.0	3.4

Figure #1 SOP valuation for Dayang

Division	Value (RMm)	RM/share	Basis
Offshore TMS	1,105.2	0.95	13x FY23 PER
OSV business	269.7	0.23	0.8x PBV
Sum of parts	1,374.9	1.19	
*No. of shares	1,158		

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

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NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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