

22 May 2013 | Corporate update

Dayang Enterprise Holdings Berhad

Alas, the wait is finally over!

Maintain BUY

Revised Target Price (TP): RM6.08
(previously RM4.41)

INVESTMENT HIGHLIGHTS

- Dayang Enterprise Holdings Bhd (DEHB) clinched an RM2b job from Shell for the provision of hook-up, commissioning (HUC) and topside maintenance services.
- The contract is part of the RM8-10b Pan Malaysia HUC job lasting five years with a one year extension option.
- We maintain our BUY recommendation on DEHB, premised strong fundamentals, mega contract win and strong orderbook of RM3.5b.

Contract details. DEHB finally announced that it has secured the coveted HUC job under the Pan Malaysia HUC umbrella package from Sarawak Shell Bhd and Sabah Shell Petroleum Company Limited. The total contract value is RM2b spanning five years with a one year extension option.

Impact on earnings. In our previous report, we have taken a conservative approach by assuming new order replenishment of RM1.5b in FY13. However, we are now increasing our assumption to RM2.5b based on the quantum of this new job. Subsequently, earnings for FY13 and FY14 increased by +13.7% and +20.8% respectively. Do note that given our current fiscal position midway through the financial year, earnings are most likely to be accrued towards the tail-end of FY13.

Revise target price. We are revising our TP to RM6.08 from RM4.41 previously, based on the increase in earnings estimates. Our TP is derived from EPS14 of 38sen pegged to a PER14 of 16x. In addition, we have raised our PER by two multiples taking into consideration that Dayang is now considered a mid-large cap oil and gas service provider. At its high, Dayang was close to becoming a USD1b market cap company.

Maintain BUY. We maintain our BUY recommendation on DEHB. We believe that DEHB is one of the top performing oil and gas service providers of FY13. We also believe that this company is poised to trade at a market cap exceeding USD1b in due course. Orderbook of RM3.5b remains very strong with high quality firm contracts extending to 2018.



RETURN STATS	
Price (21 May 2013)	RM4.89
Target Price	RM6.08
Expected Share Price Return	+24.3%
Expected Dividend Yield	+2.5%
Expected Total Return	+26.8%

STOCK INFO	
KLCI	1,787.38
Bursa / Bloomberg	5141 / DEHB MK
Board / Sector	Main/ Trading Services
Syariah Compliant	Yes
Issued shares (mil)	549.7
Par Value (RM)	0.50
Market cap. (RM'm)	2,688
Price over NA	2.83x
52-wk price Range	RM1.87 – RM5.00
Beta (against KLCI)	1.51
3-mth Avg Daily Vol	1.03m
3-mth Avg Daily Value	RM2.53m
Major Shareholders	
Naim Holdings Bhd	33.65%
Ahmad Shahrudin Yusof	10.07%
Ling Suk Kiong	10.04%
Vogue Empire Sdn Bhd	7.42%
Ling Siew Luong	5.03%
Lembaga Tabung Haji	5.01%

FINANCIAL STATEMENTS

Statement of Income (RMm)	2011	2012	2013F	2014F	2015F
Operating Revenue	382.3	401.2	627.9	882.7	942.3
Direct Operating Costs	(225.0)	(215.3)	(331.7)	(464.5)	(494.8)
Gross Profit	157.4	185.9	296.2	418.2	447.5
EBITDA	127.4	151.6	242.4	336.8	364.4
EBIT	111.7	132.2	222.9	313.0	336.7
Associates	0	0	15.6	23.2	27.0
Profit before tax	106.5	128.2	188.4	264.4	284.9
Tax	(26.1)	(39.2)	(55.2)	(60.2)	(36.8)
PAT	83.1	102.1	149.2	209.3	224.7
Standardized EPS (sen)	15.1	18.6	27.1	38.0	40.9
Net Margin (%)	21.7	25.4	23.8	23.7	23.8
PER (x)	32.4	26.3	18.0	12.9	12.0
Dividend yield (%)	2.0	2.0	2.0	2.5	2.5

Source: MIDFR estimates

DAILY PRICE CHART



Syed Muhammed Kifni
 Aaron Tan Wei Min
 aaron.tan@midf.com.my
 03-2772 1650

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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	<i>Negative</i> total return is expected, by -15% or more, 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.