

24 June 2020

# Dayang Enterprise Holdings

## 1QFY20 Turns Around

By Steven Chan / [steven.chan@kenanga.com.my](mailto:steven.chan@kenanga.com.my)

**DAYANG's 1QFY20 results managed to turn around from losses YoY, thanks to higher offshore maintenance lump-sum works coupled with stronger vessel utilisation. However, the group is guiding for a weaker outlook moving forward. We are anticipating a weak 2QFY20 on the back of MCO-led disruptions, while overall trend in capex and opex cuts from clients could also translate to less work orders for the remainder of the year. Upgrade to MP, given share price weakness, with unchanged TP of RM1.30.**

**1QFY20 deemed below expectations, despite strong results.** Despite the strong 1QFY20 core net profit of RM13.6m (adjusted for unrealised forex losses), turning around from losses last year, we deem the set of results to be below expectations, coming in at merely 6% each of our and consensus full-year forecasts, as we see downside risks in earnings assumptions given current challenging landscape. No dividends were announced, as expected.

**Turning around from losses YoY.** 1QFY20 managed to post a turnaround from losses YoY, helped by: (i) higher lump-sum work orders for its offshore topside maintenance services (TMS), coupled with (ii) higher vessel utilisation of 55%, versus 36%, for its marine charter segment.

Sequentially, however, 1QFY20 core earnings slumped by over 80% QoQ, with the quarter being the seasonally weakest in the year due to the monsoon season. As a result, the quarter saw overall lower offshore TMS activities, as well as lower marine charter vessel utilisation (55% vs. 74%).

**A weaker year ahead.** While DAYANG had enjoyed a superb FY19, we believe it will be difficult to replicate last year's supernormal performance moving forward. We are largely anticipating a weak 2QFY20 amidst mild operational disruptions caused by the imposed movement control order. Additionally, Petronas' recent announcement of capex and opex reductions may also translate to lower offshore maintenance, and hook-up and commissioning works for the remainder of the year. While the group's order-book is still at an estimated ~RM4b (call-out basis), the group had also cited that there is no certainty of high-value work orders to be issued in the near term.

**Upgrade to MARKET PERFORM**, with unchanged TP of RM1.30, pegged to valuation of 0.8x FY21E PBV on, which is roughly at -1SD from its mean. Our call is upgraded from UNDERPERFORM on account of the big plunge in its share price, in-line with the oil price weakness.

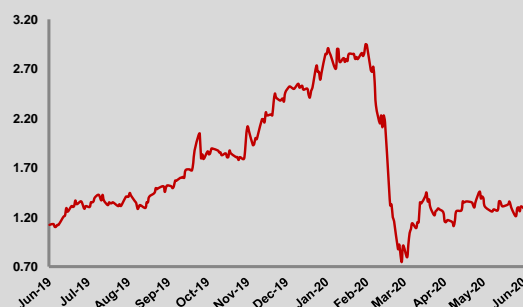
Additionally, given the overall weaker outlook, we have also opted to conservatively slash our FY20-21E earnings by 44% each, after factoring in weaker topside maintenance work orders and vessel utilisations.

**Risks to our call are:** (i) stronger-than-expected work orders, (ii) higher-than-expected margins, and (iii) higher-than-expected vessel utilisation.

# MARKET PERFORM ↑

**Price:** RM1.29  
**Target Price:** RM1.30 ↔

### Share Price Performance



KLCI	1,507.04
YTD KLCI chg	-5.1%
YTD stock price chg	-48.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	1,404.8
Shares Outstanding	1,061.3
52-week range (H)	3.01
52-week range (L)	0.71
3-mth avg daily vol:	24,551,190
Free Float	58%
Beta	1.8

### Major Shareholders

Naim Holdings Bhd	26.4%
Urusharta Jamaah Sdn Bhd	7.9%
Ling Suk Kiong	7.7%

### Summary Earnings Table

FYE Dec (RM m)	2019A	2020E	2021E
Revenue	1,046.2	775.7	835.8
EBIT	399.9	232.7	250.7
PBT	335.2	175.9	192.6
<b>Net Profit (NP)</b>	<b>236.3</b>	<b>131.9</b>	<b>144.4</b>
<b>Core Net Profit</b>	<b>215.1</b>	<b>131.9</b>	<b>144.4</b>
Consensus (NP)		233.5	246.5
Earnings Revision (%)		-43.5	-43.7
Core EPS (sen)	20.3	12.4	13.6
CNP growth (%)	31.0	-38.7	9.5
BV/share (RM)	1.4	1.5	1.6
DPS (sen)	0.0	0.0	0.0
Core PER (x)	6.4	10.4	9.5
PBV (x)	1.0	0.9	0.8
Net-gearing (x)	0.4	0.2	0.1
Dividend yield (%)	0.0	0.0	0.0

24 June 2020

Income Statement								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY20	FY19		FY19		FY20	FY19	
<b>Y/E : Dec (RM' m)</b>								
Revenue	172.1	285.0	-39.6%	156.4	10.0%	172.1	156.4	10.0%
Operating expenses	(112.4)	(110.6)	1.6%	(129.8)	-13.5%	(112.4)	(129.8)	-13.5%
<b>Gross profit</b>	<b>59.7</b>	<b>174.5</b>	<b>-65.8%</b>	<b>26.6</b>	<b>124.8%</b>	<b>59.7</b>	<b>26.6</b>	<b>124.8%</b>
Other income	0.1	11.0	-99.2%	1.4	-93.8%	0.1	1.4	-93.8%
Administration expenses	(26.3)	(42.3)	-37.8%	(21.3)	23.5%	(26.3)	(21.3)	23.5%
Other operating income/(expenses)	(4.4)	(3.6)	20.4%	(0.0)	72883.3%	(4.4)	(0.0)	72883.3%
<b>EBIT</b>	<b>29.1</b>	<b>139.5</b>	<b>-79.2%</b>	<b>6.6</b>	<b>338.8%</b>	<b>29.1</b>	<b>6.6</b>	<b>338.8%</b>
Finance costs	(12.9)	(20.9)	-38.4%	(16.8)	-23.2%	(12.9)	(16.8)	-23.2%
Finance income	2.8	1.1	153.7%	1.7	68.1%	2.8	1.7	68.1%
<b>Net finance costs</b>	<b>(10.0)</b>	<b>(19.8)</b>	<b>-49.3%</b>	<b>(15.1)</b>	<b>-33.4%</b>	<b>(10.0)</b>	<b>(15.1)</b>	<b>-33.4%</b>
<b>Profit/(loss) before tax</b>	<b>19.0</b>	<b>119.7</b>	<b>-84.1%</b>	<b>(8.5)</b>	<b>-324.7%</b>	<b>19.0</b>	<b>(8.5)</b>	<b>-324.7%</b>
Income tax expense	(10.8)	(42.5)	-74.7%	(8.7)	24.0%	(10.8)	(8.7)	24.0%
Non-controlling interest	1.1	1.0	6.5%	13.0	-91.7%	1.1	13.0	-91.7%
<b>Net profit</b>	<b>9.3</b>	<b>78.2</b>	<b>-88.1%</b>	<b>(4.1)</b>	<b>-325.5%</b>	<b>9.3</b>	<b>(4.1)</b>	<b>-325.5%</b>
<b>Core net profit</b>	<b>13.6</b>	<b>70.5</b>	<b>-80.7%</b>	<b>(5.2)</b>	<b>-361.0%</b>	<b>13.6</b>	<b>(5.2)</b>	<b>-361.0%</b>
Gross margin	34.7%	61.2%		17.0%		34.7%	17.0%	
EBIT margin	16.9%	48.9%		4.2%		16.9%	4.2%	
PBT margin	11.1%	42.0%		-5.4%		11.1%	-5.4%	
Net margin	5.4%	27.4%		-2.6%		5.4%	-2.6%	
Core net margin	7.9%	24.7%		-3.3%		7.9%	-3.3%	
Effective tax rate	56.6%	35.5%		-102.7%		56.6%	-102.7%	

Source: Company

Segment Breakdown								
	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY20	FY19		FY19		FY20	FY19	
<b>Y/E : Dec (RM' mil)</b>								
<b>Revenue</b>								
Offshore TMS	133.5	239.5	-44.3%	127.3	4.8%	133.5	127.3	4.8%
Marine Charter	38.6	45.5	-15.3%	29.1	32.7%	38.6	29.1	32.7%
<b>PBT</b>								
Offshore TMS	38.5	125.3	-69.3%	33.9	13.6%	38.5	33.9	13.6%
Marine Charter	(15.5)	24.2	-163.9%	(21.0)	-26.3%	(15.5)	(21.0)	-26.3%
Equipment Rental	2.1	1.8	15.6%	0.2	1247.4%	2.1	0.2	1247.4%
Investment Holding	0.3	(1.5)	-122.3%	(0.0)	-879.1%	0.3	(0.0)	-879.1%
<b>PBT margins</b>								
Offshore TMS	29.6%	52.4%		27.0%		29.6%	27.0%	
Marine Charter	-49.5%	22.9%		-117.2%		-49.5%	-117.2%	

Source: Company

24 June 2020

### 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	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 BHD	0.240	1,412.6	N	12/2020	1.4%	4.8%	10.3%	12.5%	5.0	4.5	4.0	0.4	0.4	9.2%	0.0%	0.300	OP
DAYANG ENTERPRISE HLDGS BHD	1.29	1,404.8	Y	12/2020	-25.9%	7.7%	-38.7%	9.5%	6.4	10.4	9.5	0.9	0.8	8.8%	0.0%	1.30	MP
DIALOG GROUP BHD	3.63	20,467.1	Y	06/2020	17.7%	6.1%	4.5%	9.7%	38.2	36.6	33.3	5.4	5.1	14.4%	1.1%	4.15	OP
MALAYSIA MARINE AND HEAVY EN	0.420	672.0	Y	12/2020	3.2%	28.4%	-72.2%	23.2%	N.A.	70.7	57.4	0.3	0.3	0.4%	0.0%	0.450	MP
MISC BHD	7.79	34,772.6	Y	12/2020	3.4%	5.4%	33.2%	-19.5%	21.6	16.2	20.1	1.0	1.0	6.1%	3.9%	8.85	OP
PANTECH GROUP HOLDINGS BHD	0.380	282.2	Y	02/2021	-41.9%	57.1%	-47.6%	79.8%	8.6	16.5	9.2	0.5	0.5	2.8%	2.6%	0.310	UP
PETRONAS CHEMICALS GROUP BHD	6.43	51,440.0	Y	12/2020	-16.5%	10.4%	-33.1%	36.2%	18.3	27.3	20.0	1.7	1.7	6.2%	1.8%	5.75	MP
PETRONAS DAGANGAN BHD	22.68	22,531.5	Y	12/2020	-16.7%	12.2%	-42.7%	68.5%	27.5	47.9	28.5	3.8	3.7	7.8%	1.7%	17.95	UP
SAPURA ENERGY BHD	0.090	1,438.1	Y	01/2021	-11.4%	10.8%	-173.7%	-223.0%	N.A.	N.A.	N.A.	0.2	0.2	-11.2%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.60	5,394.5	Y	12/2020	15.0%	15.0%	9.6%	12.1%	10.9	9.9	8.8	2.2	1.7	19.5%	3.4%	2.70	OP
UZMA BHD	0.620	198.4	Y	06/2020	14.6%	2.3%	186.6%	10.1%	20.5	7.1	6.5	0.4	0.4	5.6%	0.0%	0.670	MP
VELESTO ENERGY BHD	0.155	1,273.4	Y	12/2020	-9.9%	0.0%	-19.4%	24.4%	39.8	49.4	39.7	0.5	0.4	0.9%	0.0%	0.140	UP
WAH SEONG CORP BHD	0.525	406.5	Y	12/2020	-56.3%	45.5%	-203.6%	-148.5%	5.8	N.A.	N.A.	0.4	0.4	-7.2%	0.0%	0.510	UP
YINSON HOLDINGS BHD	5.86	6,244.8	Y	01/2021	-30.0%	-1.1%	46.8%	6.2%	29.1	19.8	18.7	3.9	3.4	18.3%	1.0%	6.55	OP
<b>Simple Average</b>					<b>-10.9%</b>	<b>14.6%</b>	<b>-24.3%</b>	<b>-7.1%</b>	<b>19.3</b>	<b>26.4</b>	<b>21.3</b>	<b>1.5</b>	<b>1.4</b>	<b>5.8%</b>	<b>1.1%</b>		

Source: Bloomberg, Kenanga Research

24 June 2020

**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.**

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

