

25 February 2021

# Dayang Enterprise Holdings

## 4QFY20 Weaker, As Anticipated

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4QFY20 came in weaker, as anticipated, with the monsoon season resulting in lower work orders and vessel utilisation. Moving forward, in tandem with the recent rebound in crude oil prices, we are expecting DAYANG to see a recovery in workflows, especially in 2022. Maintain MP albeit with higher TP of RM1.45.

**Within expectations.** FY20 core net profit of RM61m (arrived after adjusting for non-core items e.g. unrealised forex and impairments) came in within expectations at 99% of our, and 95% of consensus full-year, forecast. No dividends were announced, as expected.

**Weaker results, as anticipated.** 4QFY20 core net profit of RM17m halved sequentially from 3QFY20. Given the seasonal monsoon weather, the quarter saw lower topside maintenance works, as well as lower vessel utilisation (44% vs 62%). Cumulatively, FY20 core net profit was also weaker YoY by 71%. The Covid-19 pandemic and plunge in crude oil prices had led to poorer activity demand throughout the year, resulting in lower topside maintenance workflows and vessel utilisation (53% vs 72%).

**Slow and gradual recovery.** 2020 saw major capex cuts to from oil majors, leading to large number of job deferments to 2021-2022. Moving forward, with the current rebound in crude oil prices, this could reignite industry spending, which would directly benefit DAYANG. As such, we are anticipating healthy recovery moving forward, especially in 2022, premised on: (i) resumption of offshore maintenance, and hook-up and commissioning activities, and (ii) improvements in margins, given lower expenses incurred to comply with Covid-19 protocols.

**Maintain MARKET PERFORM**, with higher TP of RM1.45 (from RM1.20 previously). Post-results, we roll over our valuation base year to FY22E. We also up our ascribed valuations a notch to 0.9x PBV (from 0.8x previously) – pricing in an anticipated strong recovery in activities in 2022. Our valuations are also in line with the group's historical mean valuations. No changes to our FY21E, while we also introduce new FY22E numbers.

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

## MARKET PERFORM ↔

Price: **RM1.51**  
Target Price: **RM1.45** ↑

### Share Price Performance



KLCI	1,557.55
YTD KLCI chg	-4.3%
YTD stock price chg	28.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	1,748.2
Shares Outstanding	1,061.3
52-week range (H)	2.84
52-week range (L)	0.71
3-mth avg daily vol:	16,518,730
Free Float	57%
Beta	1.8

### Major Shareholders

Naim Holdings Bhd	26.4%
Urusharta Jamaah Sdn Bhd	8.5%
Ling Suk Kiong	7.7%

### Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Revenue	731.4	830.8	964.6
EBIT	118.9	167.2	240.8
PBT	87.7	116.8	187.5
<b>Net Profit (NP)</b>	<b>57.6</b>	<b>87.6</b>	<b>140.6</b>
<b>Core Net Profit</b>	<b>61.3</b>	<b>87.6</b>	<b>140.6</b>
Consensus (NP)		105.3	190.5
Earnings Revision (%)		-	-
Core EPS (sen)	5.8	8.3	13.2
CNP growth (%)	-70.8	43.0	60.5
BV/share (RM)	1.4	1.5	1.6
DPS (sen)	0.0	0.0	0.0
Core PER (x)	26.2	18.3	11.4
PBV (x)	1.1	1.0	0.9
Net-gearing (x)	0.2	0.2	0.1
Dividend yield (%)	0.0	0.0	0.0

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<b>Income Statement</b>								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
	FY20	FY20		FY19		FY20	FY19	
<b>Y/E : Dec (RM' m)</b>								
Revenue	158.2	230.2	-31.3%	285.0	-44.5%	731.4	1,046.2	-30.1%
Operating expenses	(117.2)	(139.9)	-16.2%	(110.6)	6.0%	(499.3)	(552.9)	-9.7%
<b>Gross profit</b>	<b>41.0</b>	<b>90.3</b>	<b>-54.6%</b>	<b>174.5</b>	<b>-76.5%</b>	<b>232.2</b>	<b>493.3</b>	<b>-52.9%</b>
Other income	3.6	6.3	-42.6%	11.0	-67.0%	5.8	2.7	111.8%
Administration expenses	(31.5)	(24.6)	28.2%	(42.3)	-25.7%	(110.3)	(121.1)	-8.9%
Other operating income/(expenses)	(7.3)	(1.8)	301.9%	(3.6)	99.6%	(8.8)	(1.2)	650.0%
<b>EBIT</b>	<b>5.9</b>	<b>70.3</b>	<b>-91.5%</b>	<b>139.5</b>	<b>-95.7%</b>	<b>118.9</b>	<b>373.8</b>	<b>-68.2%</b>
Finance costs	(5.8)	(10.5)	-45.0%	(20.9)	-72.3%	(41.0)	(70.3)	-41.7%
Finance income	1.2	3.5	-66.5%	1.1	4.5%	9.9	26.0	-62.0%
<b>Net finance costs</b>	<b>(4.6)</b>	<b>(7.0)</b>	<b>-34.4%</b>	<b>(19.8)</b>	<b>-76.7%</b>	<b>(31.1)</b>	<b>(44.4)</b>	<b>-29.8%</b>
<b>Profit/(loss) before tax</b>	<b>1.3</b>	<b>63.3</b>	<b>-97.9%</b>	<b>119.7</b>	<b>-98.9%</b>	<b>87.7</b>	<b>329.5</b>	<b>-73.4%</b>
Income tax expense	(7.3)	(29.8)	-75.4%	(42.5)	-82.7%	(54.0)	(107.6)	-49.8%
Non-controlling interest	19.2	2.6	651.2%	1.0	1796.8%	23.9	9.1	162.3%
<b>Net profit</b>	<b>13.2</b>	<b>36.1</b>	<b>-63.5%</b>	<b>78.2</b>	<b>-83.2%</b>	<b>57.6</b>	<b>230.9</b>	<b>-75.1%</b>
<b>Core net profit</b>	<b>17.4</b>	<b>34.8</b>	<b>-50.0%</b>	<b>70.5</b>	<b>-75.3%</b>	<b>61.3</b>	<b>209.7</b>	<b>-70.8%</b>
Gross margin	25.9%	39.2%		61.2%		31.7%	47.2%	
EBIT margin	3.8%	30.6%		48.9%		16.3%	35.7%	
PBT margin	0.8%	27.5%		42.0%		12.0%	31.5%	
Net margin	8.3%	15.7%		27.4%		7.9%	22.1%	
Core net margin	11.0%	15.1%		24.7%		8.4%	20.0%	
Effective tax rate	553.7%	47.0%		35.5%		61.6%	32.7%	

Source: Company

<b>Segment Breakdown</b>								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
	FY20	FY20		FY19		FY20	FY19	
<b>Y/E : Dec (RM' mil)</b>								
<b>Revenue</b>								
Offshore TMS	116.7	176.1	-33.7%	239.5	-51.3%	538.7	857.5	-37.2%
Marine Charter	34.5	36.8	-6.4%	45.5	-24.3%	155.4	188.7	-17.6%
<b>Profit before tax</b>								
Offshore TMS	25.6	55.7	-54.0%	125.5	-79.6%	143.8	361.6	-60.2%
Marine Charter	(11.9)	(6.8)	74.6%	10.4	-214.0%	(43.6)	11.3	-486.4%
Equipment Rental	2.2	2.9	-25.3%	1.8	20.3%	8.7	6.3	38.1%
Investment Holding	(9.7)	(13.8)	-30.0%	(15.9)	-39.1%	(52.4)	(47.1)	11.3%
<b>PBT margins</b>								
Offshore TMS	22.0%	31.7%		52.4%		26.7%	42.2%	
Marine Charter	-34.5%	-18.5%		22.9%		-28.1%	6.0%	

Source: Company

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## 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	0.375	2,207.2	N	12/2020	13.0%	4.3%	40.3%	10.3%	7.8	5.6	5.0	0.7	0.6	11.5%	0.0%	0.210	UP
DAYANG ENTERPRISE HLDGS BHD	1.51	1,748.2	Y	12/2021	13.6%	16.1%	42.9%	60.5%	26.1	18.3	11.4	1.1	1.1	6.0%	0.0%	1.45	MP
DIALOG GROUP BHD	3.22	18,167.8	Y	06/2021	-33.7%	26.3%	1.8%	11.5%	30.2	29.6	26.6	4.4	4.0	14.1%	0.9%	4.35	OP
MISC BHD	6.75	30,130.3	Y	12/2021	20.3%	7.3%	0.2%	1.0%	14.0	13.9	13.8	0.9	0.9	6.6%	4.9%	8.10	OP
PETRONAS CHEMICALS GROUP BHD	7.67	61,360.0	Y	12/2021	9.3%	10.3%	30.8%	16.4%	32.0	24.4	21.0	2.0	1.9	8.1%	2.0%	7.50	MP
PETRONAS DAGANGAN BHD	19.18	19,054.4	Y	12/2021	10.2%	10.2%	58.9%	48.3%	66.9	42.1	28.4	3.4	3.4	8.0%	2.4%	17.60	UP
SAPURA ENERGY BHD	0.145	2,317.0	Y	01/2021	-11.4%	8.7%	-112.1%	-242.4%	N.A.	N.A.	N.A.	0.3	0.3	-1.8%	0.0%	0.050	UP
SERBA DINAMIK HOLDINGS	1.69	6,269.3	Y	12/2020	15.0%	16.0%	9.6%	13.4%	12.6	11.5	10.1	2.6	2.0	19.5%	3.3%	2.50	OP
UZMA BHD	0.735	235.2	Y	06/2021	-6.8%	2.3%	851.9%	20.2%	87.1	9.2	7.6	0.5	0.5	5.5%	0.0%	0.830	OP
VELESTO ENERGY BHD	0.170	1,396.7	Y	12/2020	-15.8%	6.9%	-133.1%	-215.1%	43.6	N.A.	N.A.	0.5	0.5	-0.4%	0.0%	0.130	MP
WAH SEONG CORP BHD	0.725	561.4	Y	12/2021	34.8%	15.8%	-59.0%	203.6%	N.A.	25.0	8.2	0.8	0.8	3.1%	0.0%	0.720	MP
YINSON HOLDINGS BHD	5.33	5,678.0	Y	01/2021	92.4%	-0.4%	206.8%	-15.1%	26.5	8.6	10.2	3.6	2.6	34.8%	1.1%	6.95	OP
<b>Simple Average</b>					<b>11.7%</b>	<b>10.3%</b>	<b>78.2%</b>	<b>-7.3%</b>	<b>34.7</b>	<b>18.8</b>	<b>14.2</b>	<b>1.7</b>	<b>1.5</b>	<b>9.6%</b>	<b>1.2%</b>		

Source: Bloomberg, Kenanga Research

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**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.**

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