

26 November 2021

Dayang Enterprise Holdings

9MFY21 Missed Expectations

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Despite the sequential recovery, 3QFY21 results still greatly missed expectations, due to higher operating costs amidst the Covid-19 pandemic. Moving into the monsoon season, we believe earnings could see another sequential dip in the coming 1-2 quarters. Nonetheless, as borders gradually reopen, FY22 could post signs of a gradual recovery. Downgrade to MP and TP to RM1.00.

9MFY21 below expectations. 9MFY21 core net loss of RM14m (arrived after adjusting for unrealised forex and impairments) completely missed expectations against our full-year profit forecast of RM48m and consensus of RM28m, due to weaker-than-expected margins from higher operating costs amidst the Covid-19 pandemic. Meanwhile, although no dividends were announced in tandem with this set of results, the group did announce an interim dividend of 1.5 sen per share back on 11 Nov 2021 – which came as a positive surprise.

Sequential recovery, but weaker YoY. 3QFY21 recorded core net profit of RM14.5m – more than doubled QoQ, thanks to recovery in topside maintenance works, coupled with the improved vessel utilisation (66% vs. 50%). However, on a YoY-basis, the quarter saw lower core earnings by 58%, mainly dragged by higher operating costs amidst the Covid-19 pandemic, resulting in deteriorated margins.

Cumulatively, 9MFY21 plunged into the red, from a core profit of RM46.9m in the 9MFY20, due to delayed work orders, coupled with the aforementioned higher costs from Covid-19. Vessel utilisation was also lower at 46% vs. 56%.

Expecting weaker quarters heading into the monsoon season. We are expecting earnings to come in sequentially weaker for the coming 1-2 quarters heading into the monsoon season. Overall, the year was hugely plagued by the group's hindered ability to fulfil work orders given stricter movement restrictions. Nonetheless, as borders gradually reopen, we are hopeful for FY22 to show signs of a gradual recovery – backed by its order-book of RM2.1b.

Downgrade to MARKET PERFORM, with a lowered TP of RM1.00 (from RM1.20 previously) – pegged to a lower PBV valuation of 0.7x at roughly 1SD below the stock's mean valuations (from previously 0.8x at 0.5SD below mean). Post results, we slash our FY21E/FY22E earnings significantly to RM0.9m/RM44.5m (from RM49.7m/RM75m previously), accounting for weaker work orders and poorer job margins.

Although FY22 could see better earnings amidst a gradual recovery, we believe it is unlikely to match profit levels seen in the past three years. Hence, we feel that the stock's discounted valuations from mean could be well justified.

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: **RM0.915** ↓
Target Price: **RM1.000** ↓

Share Price Performance



KLCI 1,517.60
YTD KLCI chg -6.7%
YTD stock price chg -22.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	1,059.4
Shares Outstanding	1,157.8
52-week range (H)	1.65
52-week range (L)	0.88
3-mth avg daily vol:	4,885,773
Free Float	61%
Beta	1.8

Major Shareholders

Naim Holdings Bhd	24.2%
Urusharta Jamaah Sdn Bhd	7.9%
Ling Suk Kiong	7.1%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Revenue	731.4	625.0	700.0
EBIT	118.9	50.0	110.0
PBT	87.7	1.2	59.4
Net Profit (NP)	57.6	0.9	44.5
Core Net Profit	61.3	0.9	44.5
Consensus (NP)		28.8	101.7
Earnings Revision (%)		-98.1	-40.6
Core EPS (sen)	5.8	0.1	4.2
CNP growth (%)	-70.8	-98.5	4,689.0
BV/share (RM)	1.4	1.4	1.4
DPS (sen)	0.0	1.5	0.0
Core PER (x)	15.9	1,049.7	21.9
PBV (x)	0.7	0.7	0.6
Net-gearing (x)	0.2	0.1	0.0
Dividend yield (%)	0.0	1.6	0.0

26 November 2021

Income Statement								
	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
Y/E : Dec (RM m)	FY21	FY21		FY20		FY21	FY20	
Revenue	223.8	159.7	40.2%	230.2	-2.8%	467.6	573.2	-18.4%
Operating expenses	(163.4)	(133.9)	22.1%	(139.9)	16.9%	(381.8)	(382.1)	-0.1%
Gross profit	60.4	25.8	134.2%	90.3	-33.2%	85.8	191.1	-55.1%
Other income	5.2	0.4	1309.9%	6.3	-17.3%	6.3	2.8	126.4%
Admin expenses	(28.5)	(22.9)	24.8%	(24.6)	16.2%	(74.9)	(78.8)	-5.0%
Other expenses	(1.0)	(28.0)	-96.4%	(1.8)	-43.6%	(32.1)	(2.2)	1368.1%
EBIT	36.1	(24.7)	-245.9%	70.3	-48.7%	(14.9)	112.9	-113.2%
Finance costs	(8.3)	(10.2)	-19.4%	(10.5)	-21.6%	(27.5)	(35.2)	-21.8%
Finance income	2.4	2.1	14.0%	3.5	-30.8%	6.4	8.7	-26.7%
Net finance costs	(5.8)	(8.1)	-28.2%	(7.0)	-17.1%	(21.1)	(26.5)	-20.2%
Profit/(loss) before tax	30.2	(32.9)	-192.0%	63.3	-52.2%	(36.1)	86.4	-141.7%
Taxation	(10.1)	(3.2)	213.6%	(29.8)	-66.0%	(17.4)	(46.7)	-62.7%
Non-controlling interest	(1.1)	14.2	-108.0%	2.6	-144.3%	23.0	4.7	392.9%
Net profit	19.0	(21.9)	-186.7%	36.1	-47.4%	(30.4)	44.4	-168.5%
Core net profit	14.5	5.9	145.5%	34.8	-58.4%	(14.0)	46.9	-130.0%
Gross margin	27.0%	16.1%		39.2%		18.3%	33.3%	
EBIT margin	16.1%	-15.5%		30.6%		-3.2%	19.7%	
PBT margin	13.5%	-20.6%		27.5%		-7.7%	15.1%	
Net margin	8.5%	-13.7%		15.7%		-6.5%	7.7%	
Core net margin	6.5%	3.7%		15.1%		-3.0%	8.2%	
Effective tax rate	33.5%	-9.8%		47.0%		-48.3%	54.0%	

Source: Company

Segment Breakdown								
	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
Y/E : Dec (RM m)	FY21	FY21		FY20		FY21	FY20	
Revenue								
Offshore TMS	181.7	121.3	49.8%	176.1	3.2%	371.5	422.0	-12.0%
Marine Charter	29.9	25.4	17.9%	36.8	-18.8%	69.1	121.0	-42.9%
Profit before tax								
Offshore TMS	24.4	6.5	277.5%	54.0	-54.8%	40.1	114.5	-65.0%
Marine Charter	12.7	(32.8)	-138.7%	(4.2)	-400.0%	(52.3)	(22.1)	137.2%
Equipment Rental	3.3	3.1	6.6%	2.6	30.3%	8.3	6.1	35.5%
Investment Holding	0.1	(14.2)	-100.9%	(0.1)	-215.8%	0.4	0.2	65.7%
PBT margins								
Offshore TMS	13.4%	5.3%		30.7%		10.8%	27.1%	
Marine Charter	42.5%	-129.5%		-11.5%		-75.7%	-18.2%	

Source: Company

26 November 2021

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	0.470	2,776.3	N	12/2021	4.7%	-0.4%	35.9%	-13.2%	5.8	4.3	4.9	0.9	0.7	18.6%	0.0%	0.570	OP
DAYANG ENTERPRISE HLDGS BHD	0.915	1,059.4	Y	12/2021	-14.5%	12.0%	-98.5%	4844.4%	15.8	1,079.0	21.8	0.7	0.6	0.1%	1.6%	1.00	MP
DIALOG GROUP BHD	2.64	14,896.4	Y	06/2022	-38.1%	28.1%	-7.9%	15.4%	24.8	26.9	23.3	3.6	3.3	12.8%	1.1%	3.50	OP
MISC BHD	6.77	30,219.6	Y	12/2021	7.8%	14.2%	-10.0%	1.4%	14.0	15.5	15.3	0.9	0.8	5.7%	4.9%	8.05	OP
PETRONAS CHEMICALS GROUP BHD	8.44	67,520.0	Y	12/2021	48.1%	-8.1%	247.1%	-34.4%	35.2	10.1	15.5	2.2	2.0	20.7%	4.9%	8.75	MP
PETRONAS DAGANGAN BHD	19.90	19,769.7	Y	12/2021	10.2%	10.2%	113.3%	18.9%	69.4	32.5	27.3	3.5	3.5	10.8%	3.1%	18.90	MP
SAPURA ENERGY BHD	0.095	1,518.0	Y	01/2022	11.9%	-40.6%	-879.6%	-118.9%	N.A.	N.A.	N.A.	0.2	0.2	-30.4%	0.0%	0.070	UP
SERBA DINAMIK HOLDINGS	0.350	1,298.4	Y	06/2022	-31.6%	10.0%	-38.2%	6.2%	1.7	2.7	2.6	0.3	0.3	11.5%	0.0%	UR	UR
UZMA BHD	0.505	177.8	Y	06/2022	15.2%	10.0%	4.6%	11.9%	7.4	7.1	6.4	0.4	0.3	4.9%	0.0%	0.670	OP
VELESTO ENERGY BHD	0.135	1,109.1	Y	12/2021	-38.2%	33.9%	-304.1%	-118.9%	N.A.	N.A.	N.A.	0.5	0.5	-3.8%	0.0%	0.130	UP
WAH SEONG CORP BHD	0.730	565.2	Y	12/2021	-14.8%	41.7%	-132.8%	-20.6%	N.A.	N.A.	39.6	0.8	0.8	-2.6%	0.0%	0.630	UP
YINSON HOLDINGS BHD	5.84	6,220.1	Y	01/2022	-6.6%	-15.5%	-20.3%	-18.1%	10.0	12.6	15.3	3.5	2.8	24.7%	1.0%	7.35	OP
Simple Average					-3.8%	8.0%	-90.9%	381.2%	20.5	132.3	17.2	1.5	1.3	6.1%	1.4%		

Source: Bloomberg, Kenanga Research

26 November 2021

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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