

23 February 2022

Dayang Enterprise Holdings

FY21 Results Beat Expectations

By Steven Chan / steven.chan@kenanga.com.my

Despite the reported deep losses, DAYANG's FY21 core earnings actually managed to beat expectations – thanks to the strong 4QFY21 from better job margin mix. Going forward, we are expecting its outlook to gradually improve, premised on increasing demands for HUC and MCM works from Petronas in the next 3 years. With the prospects of recovery and high oil prices, the stock's risk-to-reward ratio seems favourable at this juncture. Upgrade to OP with TP of RM1.00.

FY21 results above expectations. Despite the reported deep losses, FY21 actually came in with a core net profit of RM43.8m (arrived after adjusting for impairments totalling RM359.2m, and unrealised forex loss of RM3.5m) – drastically beating expectations against our earnings forecasts of RM0.9m and consensus of RM9.1m. The huge disparity was largely due to: (i) unexpectedly strong 4QFY21, helped by better-than-expected jobs margin mix, and (ii) it bucking the trend of typically weaker monsoon season. No dividends were announced, as expected.

All around stronger quarter. Cumulatively, FY21 saw core earnings declined 27% YoY – dragged by slower work orders for its offshore maintenance earlier the year. Vessel utilisation was also lower at 44% vs. 53% last year. However, 4QFY21 posted strong core profit of RM42.7m – more than doubled, both on a YoY and QoQ basis. Despite the monsoon season, the group enjoyed better job mix during the quarter. This was partially offset by weaker vessel utilisation of 38% (vs. 66% in 3QFY21 and 44% in 4QFY20).

Expecting outlook to gradually improve. After the massive impairments and kitchen sinking in 4QFY21, we are expecting DAYANG to see a gradual improvement in its work order outlook, backed by its order-book of RM1.9b. We have highlighted DAYANG to be one of the key beneficiaries of Petronas' latest activity outlook for 2022-2024, which guided increased demand for offshore maintenance, construction and modification (MCM), and hook-up and commissioning (HUC) works. Nonetheless, as the monsoon season continues into 1QFY22, we would also highlight the possibility of weaker sequential numbers in the upcoming quarter.

Upgrade to OUTPERFORM (from MARKET PERFORM previously), with an unchanged TP of RM1.00 – pegged at 0.8x PBV, broadly in-line with 0.5SD discount from the stock's mean valuation. Post results, we raised our FY22E earnings by 35%, while introducing new FY23E numbers.

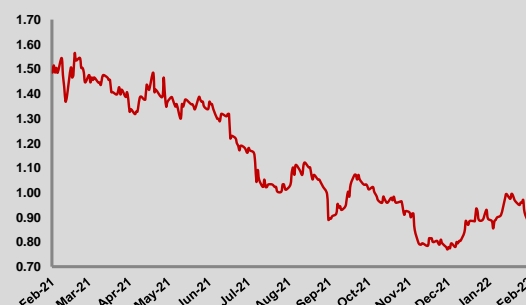
With the prospect of the stock's improving outlook and high oil prices, we believe the stock's current risk-to-reward ratio seems attractive at this juncture.

Risks to our call are: (i) job execution, (ii) weaker-than-expected work orders, (iii) slower-than-expected vessel utilisation.

OUTPERFORM

Price: **RM0.820**
Target Price: **RM1.000** 

Share Price Performance



KLCI	1,576.96
YTD KLCI chg	0.6%
YTD stock price chg	1.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	949.4
Shares Outstanding	1,157.8
52-week range (H)	1.65
52-week range (L)	0.77
3-mth avg daily vol:	4,744,891
Free Float	61%
Beta	1.7

Major Shareholders

Naim Holdings Bhd	24.2%
Urusharta Jamaah Sdn Bhd	8.1%
Ling Suk Kiong	7.1%

Summary Earnings Table

FYE Dec (RM m)	2021A	2022E	2023E
Revenue	667.7	714.4	770.9
EBIT	-380.1	118.5	136.6
PBT	-406.9	80.3	95.5
Net Profit (NP)	-318.9	60.2	71.6
Core Net Profit	43.8	60.2	71.6
Consensus (NP)		70.4	107.9
Earnings Revision (%)		35.3	NEW
Core EPS (sen)	3.8	5.2	6.2
CNP growth (%)	-26.7	37.3	19.0
BV/share (RM)	1.1	1.2	1.2
DPS (sen)	1.5	0.0	0.0
Core PER (x)	21.7	15.8	13.3
PBV (x)	0.7	0.7	0.7
Net-gearing (x)	0.1	-0.1	-0.2
Dividend yield (%)	1.8	0.0	0.0

23 February 2022

Income Statement								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
Y/E : Dec (RM m)	FY21	FY21		FY20		FY21	FY20	
Revenue	200.2	223.8	-10.6%	158.2	26.5%	667.7	731.4	-8.7%
Operating expenses	(204.4)	(163.4)	25.1%	(117.2)	74.4%	(586.2)	(499.3)	17.4%
Gross profit	(4.3)	60.4	N.M.	41.0	-110.4%	81.5	232.2	-64.9%
Other income	2.0	5.2	-62.2%	3.6	-45.6%	7.6	6.1	24.7%
Admin expenses	(31.5)	(28.5)	10.4%	(31.5)	0.1%	(106.4)	(108.3)	-1.8%
Other expenses	(331.4)	(1.0)	32417.4%	(7.3)	4464.7%	(362.8)	(10.9)	3231.5%
EBIT	(365.1)	36.1	N.M.	5.9	-6239.9%	(380.1)	119.1	N.M.
Finance costs	(7.5)	(8.3)	-9.6%	(5.8)	28.9%	(35.0)	(41.6)	-16.0%
Finance income	1.7	2.4	-27.6%	1.2	49.7%	8.1	11.0	-26.3%
Net finance costs	(5.7)	(5.8)	-2.2%	(4.6)	23.6%	(26.9)	(30.6)	-12.2%
Profit/(loss) before tax	(370.9)	30.2	N.M.	1.3	N.M.	(406.9)	88.5	N.M.
Taxation	(12.6)	(10.1)	24.3%	(7.3)	71.6%	(30.0)	(55.9)	-46.3%
Non-controlling interest	95.0	(1.1)	-8487.9%	19.2	395.1%	118.0	23.9	394.7%
Net profit	(288.5)	19.0	N.M.	13.2	N.M.	(318.9)	56.4	N.M.
Core net profit	42.7	19.7	116.1%	17.4	145.2%	43.8	59.8	-26.7%
Gross margin	-2.1%	27.0%		25.9%		12.2%	31.7%	
EBIT margin	-182.4%	16.1%		3.8%		-56.9%	16.3%	
PBT margin	-185.3%	13.5%		0.8%		-60.9%	12.1%	
Net margin	-144.1%	8.5%		8.3%		-47.8%	7.7%	
Core net margin	21.3%	8.8%		11.0%		6.6%	8.2%	
Effective tax rate	-3.4%	33.5%		553.7%		-7.4%	63.2%	

Source: Company

Segment Breakdown								
	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
Y/E : Dec (RM m)	FY21	FY21		FY20		FY21	FY20	
Revenue								
Offshore TMS	141.6	181.7	-22.1%	116.7	21.4%	513.1	538.7	-4.7%
Marine Charter	36.4	29.9	21.6%	34.5	5.5%	105.5	155.4	-32.1%
Profit before tax								
Offshore TMS	30.1	24.4	23.4%	25.6	17.6%	73.3	144.1	-49.1%
Marine Charter	(263.0)	12.7	-2169.0%	(11.9)	2113.2%	(320.9)	(48.2)	566.0%
Equipment Rental	0.5	3.3	-86.4%	2.2	-79.2%	8.9	8.7	2.6%
Investment Holding	(333.9)	0.1	N.M.	(9.7)	3348.8%	(373.1)	(239.2)	56.0%
PBT margins								
Offshore TMS	21.3%	13.4%		22.0%		14.3%	26.8%	
Marine Charter	-723.0%	42.5%		-34.5%		-304.3%	-31.0%	

Source: Company

23 February 2022

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 (RM'm)	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	0.515	3,042.1	N	12/2021	4.7%	-0.4%	35.9%	-13.2%	6.4	4.7	5.4	1.0	0.8	18.6%	0.0%	0.570	OP
DAYANG ENTERPRISE HLDGS BHD	0.820	949.4	Y	12/2022	7.0%	7.9%	37.4%	18.9%	21.7	15.8	13.3	0.7	0.7	4.5%	0.0%	1.00	OP
DIALOG GROUP BHD	2.72	15,347.8	Y	06/2022	13.5%	49.2%	1.7%	13.2%	28.9	28.4	25.1	3.3	3.1	11.3%	1.1%	3.30	OP
MISC BHD	7.19	32,094.3	Y	12/2022	8.5%	4.8%	4.3%	2.6%	17.0	16.3	15.9	0.9	0.9	5.7%	4.6%	7.90	OP
PETRONAS CHEMICALS GROUP BHD	9.14	73,120.0	Y	12/2021	48.1%	-8.1%	247.1%	-34.4%	38.1	11.0	16.7	2.4	2.2	20.7%	4.6%	8.75	MP
PETRONAS DAGANGAN BHD	19.98	19,849.2	Y	12/2022	1.0%	6.0%	31.9%	6.2%	36.2	27.5	25.8	3.6	3.6	13.0%	3.6%	20.10	MP
SAPURA ENERGY BHD	0.040	639.2	Y	01/2022	-15.1%	-21.7%	-920.9%	-120.5%	N.A.	N.A.	N.A.	0.1	0.1	-32.3%	0.0%	0.040	UP
UZMA BHD	0.540	190.1	Y	06/2022	15.2%	10.0%	4.6%	11.9%	8.0	7.6	6.8	0.4	0.4	4.9%	0.0%	0.670	OP
VELESTO ENERGY BHD	0.130	1,068.0	Y	12/2021	-44.1%	15.0%	-548.7%	-139.0%	N.A.	N.A.	N.A.	0.5	0.5	-8.6%	0.0%	0.100	UP
WAH SEONG CORP BHD	0.715	553.6	Y	12/2021	-14.8%	41.7%	-132.8%	-20.6%	N.A.	N.A.	38.7	0.8	0.8	-2.6%	0.0%	0.630	UP
YINSON HOLDINGS BHD	5.15	5,489.9	N	01/2022	-6.6%	-15.5%	-20.3%	-18.1%	8.8	11.1	13.5	3.1	2.5	24.7%	1.2%	7.35	OP
Simple Average					1.6%	8.1%	-114.5%	-26.6%	20.6	15.3	17.9	1.5	1.4	5.5%	1.4%		

Source: Bloomberg, Kenanga Research

23 February 2022

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 E-mail: research@kenanga.com.my

