

Dayang Enterprise Holdings

Out of the Woods, Finally

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1H FY22 results surpassed expectations driven by stronger profit recognition from offshore topside maintenance services (TMS) on the back of higher number of work orders completed. Looking ahead, we expect call-ups on work orders to escalate in tandem with the overall recovery in activity levels. We raise our FY22F/FY23F earnings by 35%/6% and lift our TP by 4% to RM1.30 (from RM1.25). Maintain OUTPERFORM.

Upside surprise. DAYANG's 1H FY22 results beat expectations, with core net profit of RM54m coming in at 85% and 83% of our and consensus full-year forecasts, respectively. The variance against our forecast came largely from stronger profit recognition from offshore topside maintenance services (TMS) on the back of higher number of work orders completed.

Strongest earnings since the pandemic. 1H FY22 saw its bottom-line turned around into profit (from core loss of RM29m last year), largely driven by stronger offshore TMS, given the greater number of work orders in tandem with a recovery in local activity levels. Meanwhile, its marine charter segment also saw losses shrinking 75% YoY, on the back of stronger vessel utilisation of 46% (versus 36% last year).

Outlook to continue improving. Backed by its current order-book of ~RM1.7b, DAYANG's earnings outlook is expected to continue improving throughout FY22-23. The group is currently experiencing higher call-ups on work orders amidst a greater demand to improve production capabilities, with activities likely to continue at an elevated level. We have highlighted DAYANG to be one of the key beneficiaries of Petronas' latest activity outlook for 2022-2024, which guided for increased demand for offshore maintenance, construction and modification (MCM), and hook-up and commissioning (HUC) works.

Forecasts. We raised our FY22F/FY23F earnings by 35%/6% to account for the stronger work orders prospects for its offshore TMS.

Maintain OUTPERFORM, with a higher TP of RM1.30 (from RM1.25 previously), pegged to 15x PER on FY23F EPS, which is at a 25% discount versus the average valuation of offshore maintenance peers back in 2014 (being the last year in which Brent crude was trading above USD100/barrel, prior to the recent rally). A discount is applied versus valuations from the previous oil upcycle due to current business climate being much more demanding as clients currently are much more prudent in spending unlike the yesteryears. There is no change to our TP based on its 3-star ESG rating as appraised by us (see Page 4).

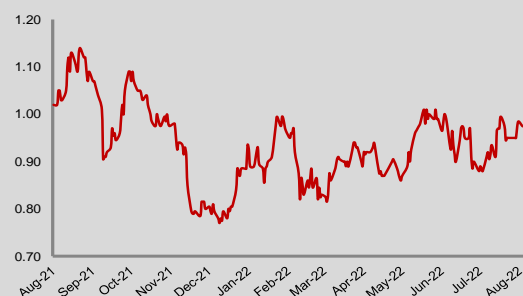
Overall, we like DAYANG for its promising earnings recovery visible in the coming quarters – with it being a good play on the overall recovery of local oil and gas activity levels.

Risks to our call include: (i) a sharp decline in oil demand and prices if the global economy slips into a recession, (ii) non-renewal of licenses issued by oil majors, and (iii) the entrance of irrational new players.

OUTPERFORM ↔

Price: RM0.99
Target Price: RM1.30 ↑

Share Price Performance



KLCI 1,516.62
YTD KLCI chg -3.2%
YTD stock price chg 23.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	1,146.2
Shares Outstanding	1,157.8
52-week range (H)	1.16
52-week range (L)	0.77
3-mth avg daily vol:	2,585,565
Free Float	41%
Beta	1.2

Major Shareholders

Naim Holdings Bhd	24.2%
Urusharta Jamaah Sdn Bhd	7.7%
Ling Suk Kiong	7.1%

Summary Earnings Table

FYE Dec (RM m)	2021A	2022F	2023F
Revenue	667.7	715.8	858.1
EBIT	(380.1)	153.9	177.0
PBT	(406.9)	115.7	136.0
Net Profit (NP)	(318.9)	86.8	102.0
Core Net Profit	43.8	86.8	102.0
Consensus (NP)		65.9	96.2
Earnings Revision (%)		+35.0	+5.7
Core EPS (sen)	3.8	7.5	8.8
CNP growth (%)	-26.7	97.9	17.5
BV/share (RM)	1.1	1.2	1.3
DPS (sen)	1.5	0.0	0.0
Core PER (x)	26.1	13.2	11.2
PBV (x)	0.9	0.8	0.8
Net Gearing (x)	0.1	-0.1	-0.2
Dividend yield (%)	1.5	0.0	0.0

19 August 2022

Income Statement								
	2Q FY22	1Q FY22	Q-o-Q	2Q FY21	Y-o-Y	1H FY22	1H FY21	Y-o-Y
Y/E : Dec (RM m)								
Revenue	263.4	160.1	64.5%	159.7	65.0%	423.5	243.7	73.8%
Operating expenses	(168.4)	(117.9)	42.9%	(133.9)	25.7%	(286.2)	(218.3)	31.1%
Gross profit	95.0	42.3	124.8%	25.8	268.6%	137.3	25.4	440.4%
Other income	1.8	5.1	-64.1%	0.4	389.0%	6.0	1.0	478.5%
Admin expenses	(25.9)	(25.7)	1.1%	(22.9)	13.5%	(51.6)	(46.3)	11.3%
Other expenses	(6.1)	(0.0)	12385.7%	(28.0)	-78.2%	(5.3)	(31.1)	-83.1%
EBIT	64.8	21.6	199.5%	(24.7)	-362.1%	86.4	(51.0)	-269.5%
Finance costs	(7.5)	(4.9)	54.7%	(10.2)	-26.7%	(12.4)	(19.3)	-35.8%
Finance income	1.9	1.8	1.8%	2.1	-12.5%	3.7	4.0	-7.4%
Net finance costs	(5.7)	(3.0)	86.5%	(8.1)	-30.4%	(8.7)	(15.3)	-43.2%
Profit/(loss) before tax	59.1	18.6	218.0%	(32.9)	-280.0%	77.7	(66.3)	N.M.
Taxation	(19.5)	(9.9)	96.5%	(3.2)	503.7%	(29.4)	(7.3)	303.5%
Non-controlling interest	2.4	5.1	-53.3%	14.2	-83.3%	7.5	24.2	-69.2%
Net profit	42.0	13.8	205.3%	(21.9)	N.M.	55.8	(49.4)	N.M.
Core net profit	45.1	9.3	387.5%	5.9	663.7%	54.4	(28.5)	N.M.
Gross margin	36.1%	26.4%		16.1%		32.4%	10.4%	
EBIT margin	24.6%	13.5%		-15.5%		20.4%	-20.9%	
PBT margin	22.5%	11.6%		-20.6%		18.4%	-27.2%	
Net margin	16.0%	8.6%		-13.7%		13.2%	-20.3%	
Core net margin	17.1%	5.8%		3.7%		12.8%	-11.7%	
Effective tax rate	33.0%	53.3%		-9.8%		37.8%	-11.0%	

Source: Company

Segment Breakdown								
	2Q FY22	1Q FY22	Q-o-Q	2Q FY21	Y-o-Y	1H FY22	1H FY21	Y-o-Y
Y/E : Dec (RM m)								
Revenue								
Offshore TMS	224.3	133.6	67.9%	121.3	84.9%	358.0	189.8	88.6%
Marine Charter	25.0	19.9	25.4%	25.4	-1.5%	44.9	39.2	14.5%
Profit before tax								
Offshore TMS	62.7	44.6	40.8%	6.5	869.6%	109.4	17.7	518.5%
Marine Charter	3.0	(18.8)	N.M.	(32.8)	N.M.	(17.6)	(69.0)	-74.5%
Equipment Rental	1.9	(0.0)	N.M.	3.1	-37.9%	2.0	5.1	-60.0%
Investment Holding	(11.5)	0.0	N.M.	(14.2)	-19.2%	(22.0)	(27.1)	-18.9%
PBT margins								
Offshore TMS	28.0%	33.3%		5.3%		30.6%	9.3%	
Marine Charter	12.0%	-94.3%		-129.5%		-39.2%	-175.9%	

Source: Company

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.355	0.630	77.46%	2,100.9	N	12/2022	10.2	10.6	-10.7%	3.4%	3.5	3.4	0.5	14.1%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	0.990	1.30	31.31%	1,146.2	Y	12/2022	7.5	8.8	98.2%	17.5%	13.2	11.2	0.8	6.4%	0.0	0.0%
DIALOG GROUP BHD	OP	2.42	3.10	28.10%	13,655.0	Y	06/2023	9.5	9.9	5.1%	4.8%	25.6	24.4	2.5	10.2%	2.8	1.2%
MISC BHD	MP	6.87	7.05	2.62%	30,665.9	Y	12/2022	27.6	28.0	-34.7%	1.4%	24.9	24.5	0.9	3.6%	33.0	4.8%
PETRONAS CHEMICALS GROUP BHD	OP	8.75	11.00	25.71%	70,000.0	Y	12/2022	87.2	68.8	-3.9%	-21.1%	10.0	12.7	1.8	19.0%	43.6	5.0%
PETRONAS DAGANGAN BHD	UP	23.02	17.85	-22.46%	22,869.3	Y	12/2022	54.2	68.5	-1.8%	26.6%	42.5	33.6	4.1	9.6%	54.2	2.4%
SAPURA ENERGY BHD	UP	0.045	0.005	-88.89%	719.1	Y	01/2023	(3.0)	(2.2)	-115.1%	-174.3%	N.A.	N.A.	(3.2)	-4904.0%	0.0	0.0%
UZMA BHD	OP	0.350	0.540	54.29%	123.2	Y	06/2022	2.7	4.6	-60.4%	72.1%	13.0	7.6	0.2	1.9%	0.0	0.0%
VELESTO ENERGY BHD	UP	0.085	0.100	17.65%	698.3	Y	12/2022	(0.8)	(0.5)	-136.7%	-168.7%	N.A.	N.A.	0.3	-2.8%	0.0	0.0%
WAH SEONG CORP BHD	MP	0.615	0.790	28.46%	476.2	Y	12/2022	4.6	7.3	51.9%	56.4%	13.2	8.5	0.8	5.9%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.07	2.50	20.77%	6,021.4	N	01/2023	19.0	23.0	1.2%	20.7%	10.9	9.0	1.6	16.1%	6.0	2.9%
Simple Average								19.9	20.6	-18.8%	-14.7%	17.4	15.0	0.9	-438.2%		1.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★			
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Diversification from pure O&G	★	★			
	Emission Targets and Climate Goals	★	★	★		
	Occupational Health and Safety	★	★	★		
	Pollution control	★	★			
	Supply chain auditing	★	★	★		
	Energy efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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