

16 August 2024

Dayang Enterprise

Inclusion in the OSV Panel

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DAYANG has been appointed by Petronas Carigali as one of the panel contractors for offshore support vessels (OSVs) for a three-year period. This is a positive development, as it allows DAYANG to potentially benefit from higher charter rates for its vessels in the coming years. We maintain our earnings forecasts as we have already imputed 80% vessel utilisation and 13% rate increase for its vessels for FY24F and FY25F, TP of RM3.31, and **OUTPERFORM** call.

DAYANG has been appointed by Petronas Carigali as one of the panel contractors for offshore support vessel (OSV) services for petroleum arrangement contractors, with three-year duration. This is a positive development for the group, which currently owns seven OSV vessels, consisting of five maintenance work vessels and two supply boats. Based on our understanding, the vessels are primarily utilised for offshore maintenance works albeit these are smaller capacity vessels compared to the accommodation work boats.

Our channel checks suggest that these vessels could command a daily charter rate (DCR) ranging from RM10,000 to RM15,000, representing a significant increase compared to FY23 rates, which were estimated at RM8,000 to RM11,000. As a pre-approved panel contractor, DAYANG's vessels will be eligible to bid for potential charters (ranging from weeks to a year) from Petronas Carigali with shorter lead times over the next three years. While the inclusion does not mean firm work for its vessels, we believe that the anticipated ramp-up in offshore maintenance activities will result in its vessels achieving our 80% vessel utilisation assumption for FY24F and FY25F.

Forecasts. Maintained.

Valuations. We maintain our TP at RM3.31 pegged to an unchanged 13x FY25F PER, which is at a 1x multiple premium to the average forward P/E of 12x of its peers, i.e. **PENERGY (Not Rated)**, **DELEUM (Not Rated)** and **UZMA (Not Rated)** during the up-cycle in 2014 to reflect DAYANG's market leader position in the topside maintenance space and its significantly larger market capitalisation. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like DAYANG due to: (i) the expected ramp-up in upstream maintenance activities as well as the anticipated expansion in project margins due to better contract terms secured, (ii) its net cash balance sheet allowing for more potential expansions, and (iii) its marine division (PERDANA, NOT RATED) set to benefit from the boom in OSV upcycle on the back of supply crunch in the local OSV market. Maintain **OUTPERFORM**.

Risks to our call include: (i) significant decline in Brent crude prices, (ii) unexpected vessel downtime due to unplanned maintenance, and (iii) decline in oil producers' capex planned.

OUTPERFORM ↔

Price: **RM2.75**
Target Price: **RM3.31** ↔

Share Price Performance



KLCI	1,629.82
YTD KLCI chg	12.0%
YTD stock price chg	72.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	3,195.4
Shares outstanding	1,157.8
52-week range (H)	3.09
52-week range (L)	1.37
3-mth avg. daily vol.	4,725,564
Free Float	56%
Beta	1.2

Major Shareholders

Naim Holdings Bhd	24.2%
Ling Suk Kiong	7.1%
Ling Siew Loung	3.9%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	1113.0	1225.4	1328.7
EBIT	355.9	409.0	470.0
PBT	337.4	344.9	422.2
Net Profit (NP)	218.9	240.9	294.8
Core NP (CNP)	218.9	240.9	294.8
Consensus (CNP)	-	236.0	282.0
Earnings Revision (%)	-	-	-
Core EPS (sen)	18.9	20.8	25.4
EPS Growth (%)	85.8	10.0	22.3
DPS (sen)	1.5	1.5	1.5
BV/Share (RM)	1.63	1.84	2.09
PER (x)	14.7	13.3	10.9
PBV (x)	1.7	1.5	1.3
Net-Gearing (x)	0.0	-0.2	-0.3
Div. Yield (%)	0.5	0.5	0.5

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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	MP	0.495	0.580	17.2%	2,934.3	N	12/2024	13.8	12.6	144.4%	-8.8%	3.6	3.9	0.4	13.4%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	2.71	3.31	22.1%	3,137.6	Y	12/2024	20.8	25.4	10.1%	22.4%	13.0	10.7	1.7	13.7%	2.0	0.7%
DIALOG GROUP BHD	OP	2.36	3.37	42.8%	13,316.6	Y	06/2024	11.1	11.8	13.9%	4.1%	22.4	21.2	2.2	10.0%	4.7	1.8%
KEYFIELD INTERNATIONAL	OP	2.50	3.18	27.2%	2,003.5	Y	12/2024	23.1	28.9	81.3%	25.0%	11.7	9.4	3.1	31.4%	4.6	1.6%
MISC BHD	MP	8.43	8.09	-4.0%	37,629.4	Y	12/2024	52.9	52.3	9.7%	-1.2%	15.9	16.1	0.9	5.9%	30.0	3.6%
PETRONAS CHEMICALS GROUP	MP	5.47	6.28	14.8%	43,760.0	Y	12/2024	34.8	41.9	71.3%	20.3%	15.7	13.1	1.0	6.8%	17.4	3.2%
PETRONAS DAGANGAN BHD	OP	17.80	23.70	33.1%	17,683.5	Y	12/2024	99.7	109.8	1.1%	10.1%	17.9	16.2	3.0	16.9%	79.8	4.5%
PETRON MALAYSIA REFINING	MP	4.44	4.74	6.8%	1,198.8	Y	12/2024	99.6	89.6	-1.1%	-10.0%	4.5	5.0	0.5	10.6%	20.0	4.5%
VELESTO ENERGY BHD	OP	0.215	0.340	58.1%	1,766.4	Y	12/2024	1.8	2.3	46.6%	28.8%	12.1	9.4	0.7	5.7%	0.0	0.0%
WASCO BHD	OP	1.17	1.70	45.3%	905.9	Y	12/2024	13.0	16.4	251.0%	26.6%	9.0	7.1	1.1	13.3%	2.0	1.7%
YINSON HOLDINGS BHD	OP	2.39	3.04	27.2%	7,112.2	N	01/2025	14.7	14.8	22.1%	1.1%	16.3	16.1	1.4	8.6%	4.0	1.7%
SECTOR AGGREGATE					132,506.1					33.1%	8.9%	14.8	13.6	1.4	11.5%		1.8%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★			
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★	★	★	
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★			
	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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