Dayang Enterprise

Holding the Line

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OUTPERFORM ↑

Price : **RM1.75**
Target Price : **RM1.90** ↑

Dayang's FY25 earnings came above our expectation but within consensus due to lower-than-expected opex and cost of sales as the group improved its cost structure through process improvements. DPS declared for full year was RM0.14/share, also exceeding our expectation. Overall, its TMS division's work orders and marine division's utilization dropped YoY but was offset by a lower cost base. From FY26 onwards, its TMS division will gradually recovers as work orders ramp up, and its marine division is expected to remain largely stable. We raise our TP by 19% to RM1.90 (from RM1.60) after rolling forward valuation into FY27F and also tweaked our dividend payout assumption higher. Upgrade to OUTPERFORM from MARKET PERFORM.

Dayang's FY25 core profit of RM173.0m (after excluding EI of RM22.9m net forex gain and RM10.2m reversal of impairment loss on receivables), was above our expectation (at 110%) and consensus (at 111%). We believe the major positive deviation is due to lower-than-expected cost of sales and admin expenses due to cost rationalisation implemented. The group also declared a DPS of RM0.07/share, bringing FY25 DPS to RM0.14/share, above our expectation.

YoY, FY25 revenue declined 36%, dragged by decline in both TMS and marine divisions due to lower work orders for topside maintenance, and lower vessel utilisation achieved by the marine division (56% vs 65%) coupled with lower third-party charters. Correspondingly, core profit weakened 37% as lower cost of sales (due to process improvement) and lower YoY admin costs partially offset the negative impact from its top line.

QoQ, revenue weakened by 31% due to both lower sequential vessel utilisation (52% vs 80%) and lower work orders issued for TMS, largely due to the monsoon season. Core profit declined by 47% due to higher admin expenses as the company usually back loads its expenses towards the year-end.

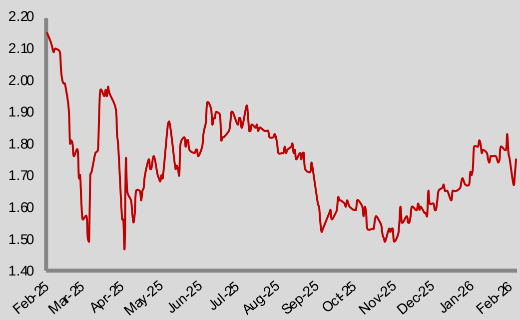
Outlook. Despite the tepid outlook in upstream services, the group still possesses a healthy order book of RM4.8b. Earnings are expected to gradually recover from FY25 over the next two years as clients typically ramp up their work orders two years after their umbrella contract awards (the majority of the packages were awarded back in 4QCY24), Hence, FY26 outlook remains slightly stronger with a stronger recovery potentially expected in FY27. That aside, its marine division has also seen a close-to-trough utilisation but DCR decline were not as sharp as seen in previous cycles.

Forecasts. Our FY26F earnings were largely unchanged while we introduced FY27F earnings implying 10% YoY increase, hinging on 10% expected increase in work orders for TMS division with marine division expected to be flattish.

Valuations. We raise our TP by 19% to RM1.90 (from RM1.60) pegged to unchanged FY27F PER of 10x (rolled forward). That aside, we have also adjusted our dividend payout assumption to 70% (from 50% previously) which bring its yield to 7-8% for FY26-27F.

Investment case. We like the company due to: (i) its significant net cash balance sheet position allowing for higher dividend payouts, (ii) significant opex and cost of sales improvements improving its resilience, and (iii) its track record in top side maintenance space. Upgrade to **OUTPERFORM** from MARKET PERFORM.

Share Price Performance



KLCI	1,756.39
YTD KLCI chg	4.5%
YTD stock price chg	3.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	2,026.1
Shares outstanding	1,157.8
52-week range (H)	2.17
52-week range (L)	1.43
3-mth avg. daily vol.	1,589,366
Free Float	59%
Beta	0.9

Major Shareholders

Naim Holdings Bhd	24.2%
Ling Suk Kiong	11.3%
Ling Siew Loung	7.2%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	938.1	959.4	1057.4
EBIT	309.8	253.2	299.8
PBT	326.6	273.4	320.0
Net Profit (NP)	**206.2**	**186.5**	**218.2**
Core Net Profit	**173.0**	**186.5**	**218.2**
Consensus (NP)	-	162.0	167.5
Earnings Revision (%)		-	NEW
Core EPS (sen)	14.9	16.1	18.8
CNP Growth (%)	-36.8	7.8	17.0
DPS (sen)	14.0	11.2	13.2
BV/Share (RM)	1.62	1.67	1.72
Core PER (x)	10.5	9.8	8.4
P/BV (x)	1.0	0.9	0.9
Gearing (x)	-0.2	-0.3	-0.3
Dividend Yield (%)	8.9	7.2	8.4

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.

Results Highlights

FYE Dec (RM m)	4Q FY25	3Q FY25	Q-o-Q	4Q FY25	Y-o-Y	FY25	FY24	Y-o-Y
Revenue	211.1	305.8	-31.0%	316.7	-33.3%	938.1	1,468.1	-36.1%
Gross profit	**102.5**	**146.4**	**-30.0%**	**153.5**	**-33.2%**	**404.3**	**671.0**	**-39.7%**
Other income	21.2	0.8	2429.0%	3.0	601.2%	45.5	56.6	-19.6%
Admin expenses	-52.2	-24.9	110.0%	-86.5	-39.6%	-128.6	-185.9	-30.8%
Other expenses	-19.5	-2.1	837.4%	-31.5	-37.9%	-21.7	-43.8	-50.5%
Finance costs	-0.2	-0.6	-63.6%	-1.9	-88.4%	-3.3	-10.0	-66.6%
Finance income	5.0	5.2	-4.9%	4.5	11.2%	20.1	15.2	32.8%
Profit/(loss) before tax	**56.7**	**135.1**	**-58.0%**	**41.1**	**-27.5%**	**326.5**	**503.1**	**-35.1%**
Taxation	-20.4	-39.6	-48.3%	-13.5	51.3%	-99.9	-138.6	-27.9%
Non-controlling interest	-0.7	15.3	-104.4%	10.8	-106.2%	20.5	53.4	-61.6%
Net profit	**36.9**	**80.3**	**-54.0%**	**16.8**	**-54.5%**	**206.1**	**311.1**	**-33.7%**
EI	**0.0**	**-10.2**		**3.3**		**-33.1**	**-37.5**	
Core net profit	**36.9**	**70.0**	**-47.3%**	**20.1**	**-45.5%**	**173.0**	**273.6**	**-36.8%**
Gross margin	49%	48%		48%		43%	46%	
PBT margin	27%	44%		13%		35%	34%	
Net margin	17%	26%		5%		22%	21%	
Core net margin	17%	23%		6%		18%	19%	
Effective tax rate	-36%	-29%		-33%		-31%	-28%	

Source: Company

Segmental								
	4Q	**3Q**	**Q-o-Q**	**4Q**	**Y-o-Y**			**Y-o-Y**
	FY25	**FY25**		**FY25**		**FY25**	**FY24**	
FYE Dec (RM m)								
Revenue								
TMS	126.2	142.6	-11.5%	197.8	-36.2%	504.5	872.0	-42.1%
Marine	84.9	163.2	-48.0%	109.1	-22.2%	433.6	526.3	-17.6%
Equipment rental	0.0	0.0	-	0.0	-	0.0	0.0	-
elimination	0.0	0.0	-	9.8	-100.0%	0.0	69.8	-100.0%
Total	211.1	305.8		316.7		938.1	1,468.1	
EBIT								
TMS	42.6	45.2	-5.9%	42.4	-0.5%	166.2	282.0	-41.1%
Marine	5.5	81.1	-93.2%	21.5	-74.4%	130.9	234.1	-44.1%
Equipment rental	1.0	2.3	-56.1%	-0.7	-248.1%	4.0	2.5	57.7%
elimination	2.9	1.9	49.8%	-24.6	-953.3%	8.7	-40.3	-121.6%
Total	52.0	130.5		38.6		309.8	478.3	
EBIT margin (%)								
TMS	34%	32%		21%		33%	32%	
Marine	6%	50%		20%		30%	44%	
Equipment rental	-	-		-		-	-	
elimination	-	-		-251%		-	-58%	

Source: Company

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	0.300	0.450	50.0%	1,778.4	Y	12/2025	6.1	5.4	-45.7%	-10.9%	4.9	5.5	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	OP	1.75	1.90	8.6%	2,026.1	Y	12/2026	16.1	18.8	7.8%	17.4%	9.8	8.4	1.1	8.3%	10.0	5.7%
DIALOG GROUP BHD	OP	1.67	2.28	36.5%	9,423.3	Y	06/2026	10.4	11.4	31.4%	9.7%	16.0	14.6	1.5	9.9%	5.0	3.0%
KEYFIELD INTERNATIONAL	OP	1.93	2.40	24.4%	2,249.8	Y	12/2025	8.7	10.3	0.0%	18.7%	22.3	18.8	2.1	11.9%	0.0	0.0%
LIANSON FLEET GROUP BHG	MP	1.48	1.57	6.1%	1,194.6	Y	12/2025	14.0	17.5	-49.6%	24.3%	10.5	8.5	1.6	15.6%	6.0	4.1%
MISC BHD	OP	8.03	8.65	7.7%	35,843.9	Y	12/2025	50.1	52.1	2.9%	4.0%	16.0	15.4	0.9	5.9%	36.0	4.5%
PETRONAS CHEMICALS GROUP	OP	3.35	4.70	40.3%	26,800.0	Y	12/2025	(6.1)	10.3	-	70.4%	N.A.	32.5	0.7	-1.3%	5.0	1.5%
PETRONAS DAGANGAN BHD	MP	20.40	21.20	3.9%	20,266.5	Y	12/2025	110.4	113.0	-0.8%	2.3%	18.5	18.1	3.3	18.0%	88.0	4.3%
VELESTO ENERGY BHD	MP	0.310	0.320	3.2%	2,546.8	Y	12/2025	2.0	2.1	-21.5%	7.3%	15.6	14.6	0.9	6.1%	3.0	9.7%
WASCO BHD	OP	0.895	1.17	30.7%	693.0	Y	12/2025	1.5	1.7	-41.5%	9.4%	58.7	53.6	5.6	10.1%	5.0	5.6%
YINSON HOLDINGS BHD	OP	2.40	2.84	18.3%	7,013.7	N	01/2026	16.6	20.4	20.3%	22.3%	14.4	11.8	1.4	10.1%	6.0	2.5%
SECTOR AGGREGATE					**110,077.1**					**-29.4%**	**32.2%**	**21.7**	**16.4**	**1.7**	**9.3%**		**3.4%**

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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