Dayang Enterprise

The Calm Before the Upcycle

By Lim Sin Kiat, CFA / limsk@kenanga.com.my

OUTPERFORM ↔

Price : **RM1.80**

Target Price : **RM2.45** ↔

Dayang's 1QFY26 earnings were deemed within our, and consensus, expectation as the 1QFY typically is the weakest quarter of the financial year. Overall, activities in both TMS and Marine divisions were lower in the quarter due to weak upstream spending locally. Thus far, FY26 still appears to be a modest year for DAYANG as local oil producers would not respond immediately to high oil prices due to budgeting friction. Hence, we believe that the activities will only ramp up starting FY27 as the services upcycle kick starts. Maintain forecast and TP of RM2.45 pegged to unchanged 13x pre-upcycle FY27F PER. Maintain OUTPERFORM. We believe that the group's increased willingness to pay higher dividends (8%-9% in FY26-27) will help to lift near-term sentiment amid still slow FY26 activities outlook.

Dayang's 1QFY26 core profit of RM21.5m was deemed within our (12%) and consensus (11%) expectations as 1Q is typically the weakest quarter of the year due to seasonality. DPS of 0.7 sen was declared (compared to our forecast of 11 sen) and it was above our expectation as this is the first time DAYANG declared dividend in the 1Q of a financial year.

YoY, 1QFY26 topline declined by 14% dragged by lower topside maintenance work orders issued in the quarter, and partially offset by stronger revenue in its marine division due to higher AHTS vessel utilisation rate. However, core profit surged 140% as cost of sales decreased YoY overall (due to lower HUC job opex and lower third-party vessel chartered) and admin expenses also declined.

QoQ, revenue weakened by 34% on both weaker TMS and marine divisions due to weaker sequential activities. Core profit declined 42% due to lower gross margins as cost of sales decline sequentially at a slower rate.

Outlook. Despite the tepid outlook in upstream services in the near term, the group still possess a healthy order book of RM4.8b and is expected to see potential ramp-up in work orders starting FY27 as Petronas and other oil producers will seek to ramp up topside maintenance to boost production of its brownfields. Its marine division (including PERDANA) is also expected to weather the slow FY26 and see better vessel utilisation outlook starting FY27 as demand starts to pick up. In the meantime, the group remains committed to maintain a healthy dividend payout (close to c. 90%) due to its strong cash flow and net cash balance sheet.

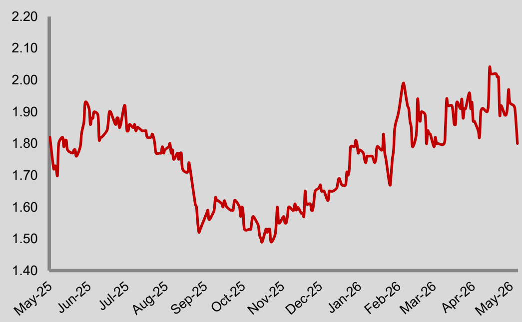
Forecasts. Maintained.

Valuations. We held our TP at RM2.45 pegged to unchanged FY27F PER of 13x, consistent with the historical pre upcycle PER achieved back in 2023. That aside, we have also adjusted our dividend payout assumption to 90% (from 80% previously) which bring its yield to 8%-9% for FY26-27.

Investment case. We like the company due to: (i) 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. 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.

Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	6.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DEHB MK Equity
Market Cap (RM m)	2,084.0
Shares outstanding	1,157.8
52-week range (H)	2.08
52-week range (L)	1.48
3-mth avg. daily vol.	4,423,815
Free Float	58%
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)	-	195.0	202.0
Earnings Revision (%)	-	-	
Core EPS (sen)	14.9	16.1	18.8
CNP Growth (%)	-36.8	7.8	17.0
DPS (sen)	14.0	14.5	16.9
BV/Share (RM)	1.62	1.64	1.65
Core PER (x)	12.1	11.2	9.6
P/BV (x)	1.1	1.1	1.1
Gearing (x)	-0.2	-0.2	-0.3
Dividend Yield (%)	7.8	8.0	9.4

Results Highlights

FYE Dec (RM m)	1Q FY26	4Q FY25	Q-o-Q	1Q FY25	Y-o-Y
Revenue	132.4	211.1	-37.3%	153.8	-14.0%
Gross profit	**50.6**	**102.5**	**-50.6%**	**39.6**	**27.8%**
Other income	0.3	21.2	-98.6%	3.4	-91.1%
Admin expenses	-24.7	-52.2	-52.7%	-28.1	-12.1%
Other expenses	-1.6	-19.5	-92.1%	-0.0	3780.0%
Finance costs	-0.1	-0.2	-40.8%	-1.4	-90.7%
Finance income	4.8	5.0	-3.8%	4.9	-2.9%
Profit/(loss) before tax	**29.3**	**56.7**	**-48.3%**	**18.4**	**59.5%**
Taxation	-12.2	-20.4	-40.1%	-12.8	-4.5%
Non-controlling interest	-4.4	-0.7	568.4%	-6.7	-33.8%
Net profit	**21.5**	**36.9**	**-41.7%**	**12.3**	**75.3%**
EI	**0.0**	**0.0**		**-3.3**	
Core net profit	**21.5**	**36.9**	**-41.7%**	**9.0**	**139.8%**
Gross margin	38%	49%		26%	
PBT margin	22%	27%		12%	
Net margin	16%	17%		8%	
Core net margin	16%	17%		6%	
Effective tax rate	-42%	-36%		-70%	

Source: Company

Segmental

FYE Dec (RM m)	1Q FY26	4Q FY25	Q-o-Q	1Q FY25	Y-o-Y
Revenue					
TMS	72.9	126.2	-42.2%	105.6	-30.9%
Marine	59.4	84.9	-30.0%	48.3	23.1%
Equipment rental	0.0	0.0		0.0	-
elimination	0.0	0.0		0.0	-
Total	132.4	211.1		153.8	
EBIT					
TMS	35.5	42.6	-16.7%	36.1	1.8%
Marine	-15.3	5.5	-378.0%	-23.3	-34.2%
Equipment rental	2.6	1.0	158.7%	0.4	628.5%
elimination	2.0	2.9	-32.2%	1.8	-9.7%
Total	24.7	52.0		14.9	
EBIT margin (%)					
TMS	49%	34%		34%	
Marine	-26%	6%		-48%	
Equipment rental	-	-		-	
elimination	-	-		-	

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	MP	0.335	0.38	13.4%	1,985.9	Y	12/2026	4.7	4.5	-14.8%	-3.7%	7.2	7.5	0.4	6.1%	95.0	283.6%
DAYANG ENTERPRISE HLDGS BHD	OP	1.80	2.45	36.1%	2,084.0	Y	12/2026	16.1	18.8	7.8%	17.0%	11.2	9.6	1.1	9.8%	11.0	6.1%
DIALOG GROUP BHD	OP	2.05	2.63	28.3%	11,567.5	Y	06/2026	10.4	11.8	31.4%	12.8%	19.7	17.4	1.9	9.9%	5.0	2.4%
LIANSON FLEET GROUP BHG	OP	1.71	2.40	40.4%	1,992.9	Y	12/2026	20.6	27.3	142.4%	32.3%	8.3	6.3	1.1	13.2%	400.0	233.9%
KEYFIELD INTERNATIONAL	OP	1.59	2.00	25.8%	1,284.1	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.6	8.8	1.6	10.5%	6.0	3.8%
MISC BHD	OP	8.20	8.60	4.9%	36,602.7	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.3	16.6	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.45	5.40	-0.9%	43,600.0	Y	12/2026	29.5	13.2	-48.7%	0.6%	18.5	41.4	1.2	0.9%	2.0	0.4%
PETRONAS DAGANGAN BHD	MP	18.80	21.20	12.8%	18,676.9	Y	12/2026	116.9	116.5	5.7%	-0.4%	16.1	16.1	3.0	19.1%	94.0	5.0%
UZMA BHD	OP	0.430	0.700	62.8%	259.6	Y	06/2026	14.8	15.9	6.9%	7.5%	2.9	2.7	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.315	0.320	1.6%	2,603.7	Y	12/2026	1.7	2.1	-18.7%	19.3%	18.3	15.3	1.1	6.0%	3.0	9.5%
WASCO BHD	OP	0.840	1.45	72.6%	650.4	Y	12/2026	1.4	1.7	-37.5%	23.1%	61.5	50.0	5.0	8.5%	6.0	7.1%
YINSON HOLDINGS BHD	OP	1.95	2.84	45.6%	5,698.6	N	01/2027	16.6	20.4	20.3%	22.3%	11.7	9.6	1.2	10.1%	6.0	3.1%
SECTOR AGGREGATE					**130,346.5**					**26.4%**	**7.8%**	**22.4**	**20.8**	**1.7**	**9.4%**		**43.3%**

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.***

Published 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