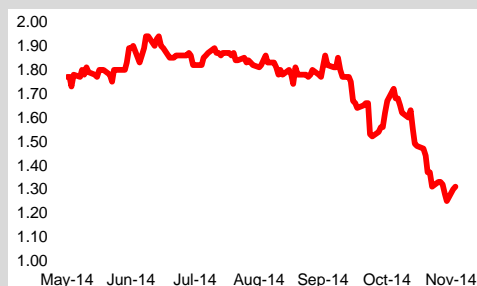


DESCRIPTION

An offshore support service provider. Owns a fleet of vessels including AHTS vessels, work barges and work boats. Perdana is in a leading market position within the mid-sized 10,000 brake horsepower (bhp) class AHTS vessels.

12-Month Target Price RM2.07
Current Price RM1.31
Expected Return 58.1%

Market Main
Sector Oil & Gas
Bursa Code 7108
Bloomberg Ticker PETR MK
Shariah-compliant Yes

SHARE PRICE CHART


52 Week Range (RM) 1.22-2.01
 3-Month Average Vol ('000) 2,463.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-21.6	-27.6	-27.6
Relative Returns	-22.4	-27.1	-25.0

KEY STOCK DATA

Market Capitalisation (RM m) 967.3
 No. of Shares (m) 738.4

MAJOR SHAREHOLDERS

	%
Dayang Enterprise Holdings Berhad	26.0
Lembaga Tabung Haji	8.6
Koh Eng Poh	5.3

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Another Steady Quarter

Perdana's 9MFY14 results were positive, recording revenue of RM269.7m (+37.2% YoY, 5.9% QoQ) and earnings at RM27.0m (+83.6% YoY, +12.5% QoQ). The rise in revenue is attributed to higher vessel utilisation coupled with increase in number of vessels in the quarter. The average utilisation has improved to 93% (92% - 2QFY14, 78% - 3QFY13). We continue to reiterate our **Outperform** call on Perdana, with its results having met 79% of our FY14F earnings estimates buoyed by its growth plans materializing on track. Our TP of RM2.07 derived from our DCF approach which translates to fwd-PE of 9.3x PE on FY15F EPS of 14.1sen. Perdana has moreover declared a dividend of 2.0 sen per share to be paid on 22 December 2014, translating to a 1.5% dividend yield. We believe the Group will continue to reward its shareholders on its progress going forward reaffirming our positive view on the Group.

- **Perdana Emerald (SK312) updates.** Perdana's new vessel has been delivered early November and is currently undergoing some minor updates whilst waiting for the outcome of several bids. SK312 is DP2 equipped with a 300-tonne crane installed. Bids which the vessel has been earmarked for is expected to commence by February or March 2015.
- **2015 prospects.** We continue to expect positive growth next year from existing long-term contracts coupled with a new contract anticipated for Perdana Emerald. Albeit there being no new vessel deliveries until 2016, the 5 vessel deliveries in the past 1.5years would continue to contribute positively to the Group. 2015 will be a year for the Group to consolidate its position to prepare for 2016's plans. We concede that Perdana's exposure to oil price fluctuations is minimal due to its vessels serving brownfield and maintenance assets. Thus regardless of oil price levels, these existing fields should continue to operate.
- **Shariah-compliant status** will not be met by the Group in the next review at the end of this month, which could see some overhang issues come to the fore. We do see this as a liquidity window for investors to accumulate however, for those who have non-shariah mandates.

KEY FORECAST TABLE

FYE Dec (RMm)	2012A	2013A	2014F	2015F	2016F	CAGR
Revenue	259.5	274.6	398.2	402.4	475.7	16.4%
Operating Profit	11.2	84.0	104.7	116.8	127.7	83.6%
Pre-tax Profit	-2.3	65.4	93.7	105.5	117.0	n/m
Core Net Profit	-3.7	61.7	92.4	104.2	115.5	n/m
EPS (Sen)	-0.5	8.4	12.5	14.1	15.7	n/m
P/E (x)	n/m	15.7	10.5	9.3	8.4	
DPS (Sen)	0.0	0.0	2.0	0.0	0.0	
Div Yield (%)	0.0	0.0	1.5	0.0	0.0	

Source: Company, PublicInvest Research estimates
 *n/m (not meaningful) due to negative starting figures



Table 1: Results Summary

<u>FYE Dec</u> <u>(RM m)</u>	<u>3Q14</u>	<u>3Q13</u>	<u>2Q14</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>YTD 14</u>	<u>YTD 13</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	93.8	68.2	88.6	5.9%	37.6%	269.7	196.6	37.2%	Higher vessel utilisation coupled with increase in no. of vessels in the quarter. Average vessel utilisation has improved from 78% to 93% YoY.
Cost of sales	-46.2	-45.9	-48.8	-5.3%	0.8%	-141.8	-134.9	5.1%	
Gross profit	47.6	22.3	39.7	19.7%	>100.0%	127.9	61.7	>100.0%	
Other income	1.0	6.5	1.6	-38.5%	-84.8%	4.8	16.7	-70.9%	
Other expenses	-13.8	-8.7	-10.0	38.1%	57.8%	-35.3	-23.5	50.2%	
Operating profit	34.8	20.0	31.3	10.9%	73.7%	97.4	54.9	77.5%	
Finance costs	-7.1	-4.2	-7.2	-2.1%	66.5%	-23.2	-10.6	>100.0%	
Pre-tax profit	27.7	15.8	24.1	14.8%	75.6%	74.2	44.3	67.7%	Result of higher revenue generated in spite of the decrease in other income of RM5.5m and increase in administrative cost and finance cost totalling RM7.9m for the quarter.
Tax	-0.7	0.1	-0.1	>100.0%	->100.0%	-1.2	-3.6	-66.9%	
Net profit	27.0	15.9	24.0	12.5%	70.2%	73.0	40.7	79.5%	
Minorities	0.0	-0.4	0.0	n/m	->100.0%	0.0	-0.9	-100.0%	
Core net profit	27.0	15.5	24.0	12.5%	74.1%	73.0	39.8	83.6%	
EPS (sen)	3.7	3.0	3.2	15.5%	20.8%	9.8	7.9	22.8%	
Gross Margin	0.5	0.3	0.4	13.0%	55.0%	1.4	0.9	50.8%	
Pre-tax Margin	0.3	0.2	0.3	8.4%	27.6%	0.8	0.7	21.7%	
Net Margin	0.3	0.2	0.3	6.2%	23.7%	0.8	0.6	30.8%	
<u>Segmental Revenue</u>									
Revenue	93.8	68.2	88.6	5.9%	37.6%	269.7	196.6	37.2%	
Marine offshore support services	93.8	68.2	88.6	5.9%	37.6%	269.7	196.6	37.2%	

Source: Company



Figure 1: Perdana Marine Fleet Profile

	<u>Anchor Handling Tug and Supply (AHTS)</u>	<u>Age</u>	<u>Year Delivered</u>	<u>BHP</u>	<u>Contract</u> <i>* Expiry based on Primary Term</i>
1	Perdana Marathon	4	2010	12240	Murphy (3yrs exp 2015 extended from 2+1)
2	Perdana Voyager	5	2009	10880	Carigali (5+1 exp 31 Dec 2017)
3	Perdana Expedition	5	2009	10880	
4	Perdana Traveller	6	2008	10800	
5	Perdana Adventurer	6	2008	10800	
6	Perdana Horizon	6	2008	10880	
7	Perdana Frontier	6	2008	5220	Carigali (Spot, but with extensions up to 31 Dec 2014)
8	Perdana Ranger	5	2009	5220	Carigali (Spot, but with extensions up to 31 Dec 2014)
	<u>Work Barge</u>			<u>Pax</u>	
9	Perdana Enterprise	13	2001	241 men	Ocean Pro (2+1 exp Feb 2016)
10	Perdana Odyssey	3	2011	300 men	Dayang for Shell (5+1 exp 2018)
11	Perdana Excelsior	1	2013	300 men	
12	Perdana Endurance	1	2013	300 men	
13	Perdana Protector	1	2013	300 men	
14	Perdana Resolute	1	2014	300 men	
15	Perdana Emerald (SK312)	<i>Delivery November 2014</i>			
	<u>Workboat</u>				
16	Perdana Sovereign	4	2010	169men	Dayang for Shell (5+1 exp 2018)
17	Perdana Liberty	5	2009	170 men	Dry docking

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2012A	2013A	2014F	2015F	2016F
Revenue	259.5	274.6	398.2	402.4	475.7
Operating Profit	11.2	84.0	104.7	116.8	127.7
Other Income	15.2	32.7	25.7	25.9	30.7
Other Expenses	-65.6	-40.8	-42.6	-43.2	-52.9
Finance Costs	-17.9	-18.6	-12.0	-11.3	-10.6
Pre-tax Profit	-2.3	65.4	93.7	105.5	117.0
Income Tax	-1.2	-3.4	-0.9	-1.1	-1.2
Effective Tax Rate (%)	0.5	-0.1	0.0	0.0	0.0
Minorities	-0.2	-0.3	-0.3	-0.3	-0.3
Core Net Profit	-3.7	61.7	92.4	104.2	115.5

Growth

Revenue	1%	6%	45%	1%	18%
Gross Profit	n/m	49%	32%	10%	12%
Net Profit	0%	0%	0%	0%	0%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2012A	2013A	2014F	2015F	2016F
Property, plant and equipment	474.3	961.6	968.1	1,068.1	1,268.1
Inventories	3.8	1.3	2.0	1.9	2.3
Trade receivables	89.3	49.8	72.2	73.0	86.3
Cash and bank balances	40.8	61.0	91.2	92.8	93.2
Total Assets	757.9	1,182.3	1,242.1	1,344.3	1,558.5
ST Borrowings	84.8	114.1	120.0	120.0	120.0
LT Borrowings	165.9	459.8	400.0	400.0	400.0
Trade payables	42.4	41.2	62.5	60.6	73.6
Minority Interests	-0.2	-0.2	-0.2	-0.2	-0.2
Total Liabilities	298.9	620.4	587.7	585.8	598.8
Total Equity	459.0	561.9	654.4	758.5	959.7
Total Equity and Liabilities	757.9	1,182.3	1,242.1	1,344.3	1,558.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2012A	2013A	2014F	2015F	2016F
Book Value Per Share	0.6	0.8	0.9	1.0	1.3
NTA Per Share	0.6	0.8	0.9	1.0	1.3
EPS (Sen)	-0.5	8.4	12.5	14.1	15.7
DPS (Sen)	0.0	0.0	2.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
ROA (%)	-0.5	5.2	7.4	7.7	7.4



ROE (%)	-0.8	11.0	14.1	13.7	12.0
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Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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