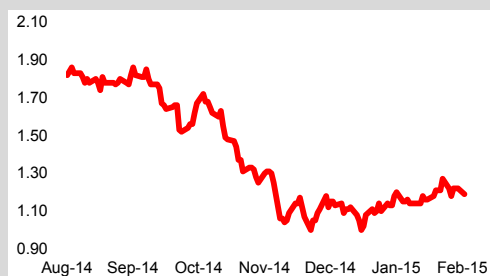


DESCRIPTION

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	RM1.82
Previous Price	RM2.07
Current Price	RM1.19
Expected Return	53.1%

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

SHARE PRICE CHART


52 Week Range (RM)	0.99-1.98
3-Month Average Vol ('000)	2,279.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	10.9	-6.7	-32.9
Relative Returns	-3.9	-4.0	-32.3

KEY STOCK DATA

Market Capitalisation (RM m)	878.9
No. of Shares (m)	738.6

MAJOR SHAREHOLDERS

	%
Dayang Enterprise Holdings Berhad	28.6
Lembaga Tabung Haji	8.4
Henry Kho	5.3

Research Team

T 603 2268 3000

F 603 2268 3014

E research@publicinvestbank.com.my

Bracing For Future Growth

Perdana's full year FY14 results met our expectations, after registering revenue of RM347.2m (+26.4% YoY, -17.3% QoQ) and earnings of RM88.0m (+42.8% YoY, -44.4% QoQ). Revenue YTD improved from higher vessel utilisation at an average of 92% for FY14 from 80% in FY13, translating to its bottom-line and hence better margins of 25.4% from 22.5% respectively. The Group's overall performance was however hindered by 4Q's results whereby lower utilisation was recorded from dry-docking and interim maintenance of 4 vessels. All vessels except Perdana Marathon to be dry-docked in 2015 was done in 4QFY14, to better manage any potentially higher costs that could occur from the challenging O&G scene. We are maintaining our **Outperform** call on Perdana, but with a lower TP of RM1.82 premised on our DCF approach of 10.6% WACC which translates to PE of 12.8x on FY16F EPS of 14.2sen. The Group's major growth would take place 2016 onwards with the delivery of 2 new vessels, coupled with its strong orderbook of RM1.1bn to last up to 2019.

- Updates.** Perdana Enterprise is currently earmarked for sale, as part of the Group's ongoing fleet renewal programme. The new built Perdana Emerald has therefore replaced Perdana Enterprise for the Ocean Pro contract.
- A challenging 2015.** We concede that Perdana's exposure to oil price fluctuations is minimal due to its vessels serving brownfield and maintenance assets whereby these existing fields should continue to operate. The prolonged uncertainty in oil prices however may cause oil companies to continue cutting back on exploration budgets which could lead to a slow-down in awarding of new projects.
- Outperform.** We believe our TP of RM1.82 is justified as our estimates exclude contributions from Perdana Horizon, Perdana Liberty and Perdana Enterprise (earmarked for sale) hence any new contracts which is awarded after monsoon season expected end-February/early March, would only pose as an upside to the Group. Our adjusted TP accounts for lower estimates going forward by -18% for FY15F and -7% for FY16F considering 2015 will be a challenging year, with 1QFY15 to be seasonally weaker from monsoon conditions coupled with 3 vessels awaiting the award of contracts. Albeit no new vessel deliveries until 2016, the 5 vessel deliveries in the past 1.5years should 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.

KEY FORECAST TABLE

FYE Dec (RMm)	2013A	2014	2015F	2016F	2017F	CAGR
Revenue	274.6	347.2	323.0	377.3	391.7	9.3%
Operating Profit	84.0	121.5	117.1	138.4	144.1	14.4%
Pre-tax Profit	65.4	89.5	86.9	110.0	117.4	15.8%
Core Net Profit	61.7	88.0	85.1	104.5	111.5	16.0%
EPS (Sen)	8.4	11.9	11.5	14.2	15.1	16.0%
P/E (x)	14.2	10.0	10.3	8.4	7.9	
DPS (Sen)	0.0	2.0	0.0	0.0	0.0	
Div Yield (%)	0.0	1.7	0.0	0.0	0.0	

Source: Company, PublicInvest Research estimates



Table 1: Results Summary

<u>FYE Dec</u> <u>(RM m)</u>	<u>4Q14</u>	<u>4Q13</u>	<u>3Q14</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	77.5	78.06	93.82	-17.3%	-0.6%	347.2	274.7	26.4%	Higher vessel utilisation YoY with YTD average vessel utilisation at c.92%. QoQ however saw lower vessel utilisation from dry-docking and interim maintenance for four vessels during the monsoon period and a new vessel delivery in the current qtr.
Cost of sales	-46.7	-47.63	-46.24	1.0%	-1.9%	-188.5	-182.5	3.3%	
Gross profit	30.8	30.43	47.58	-35.2%	1.4%	158.7	92.1	72.2%	
Other income	32.1	10.49	0.98	>100%	>100%	36.9	27.1	36.1%	Includes forex gain of RM18.9m and accretion of refundable deposit of RM3.6m from termination of vessels under sales and leaseback arrangement in 4QFY13.
Other expenses	-38.8	-11.70	-13.79	181.5%	232.0%	-74.1	-35.2	110.6%	
Operating profit	24.1	29.22	34.77	-30.7%	-17.5%	121.5	84.1	44.5%	
Finance costs	-8.8	-8.02	-7.05	24.9%	9.8%	-32.0	-18.6	71.8%	
Pre-tax profit	15.3	21.21	27.72	-44.8%	-27.9%	89.5	65.5	36.7%	Lower PBT for 4Q, from impairment losses on goodwill of RM16.8m from the acquisition of subsidiaries - Perdana Marine Offshore Pte Ltd (RM6.7m) and Ampangship Marine SB (RM10.1m) from excess of assets' carrying values over their recoverable amounts.
Tax	-0.3	0.09	-0.71	-59.8%	-426.4%	-1.5	-3.5	-57.9%	Lower tax rate YTD YoY, due to utilisation of unabsorbed capital allowances in subsidiary companies and lower tax rates for offshore subsidiary companies.
Net profit	15.0	21.29	27.01	-44.4%	-29.5%	88.0	62.0	42.1%	
Minorities	0.0	0.59	0.00	-100.0%	-100.0%	0.0	-0.3	-100.0%	
Core net profit	15.0	21.89	27.01	-44.4%	-31.4%	88.0	61.7	42.8%	
EPS (sen)	2.0	2.89	3.66	-44.5%	-29.8%	11.8	10.8	8.8%	
Gross Margin	40%	39%	51%	-22%	2%	46%	34%	36.2%	
Pre-tax Margin	20%	27%	30%	-33%	-27%	26%	24%	8.2%	
Net Margin	19%	27%	29%	-33%	-29%	25%	22%	13.0%	
<u>Segmental Revenue</u>									
Marine offshore support services	77.5	78.06	93.82	-17.3%	-0.6%	347.2	274.7	26.4%	

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	5	2010	12240	Murphy (3yrs exp 2015 extended from 2+1)
2	Perdana Voyager	6	2009	10880	
3	Perdana Expedition	6	2009	10880	Carigali (5+1 exp 31 Dec 2017)
4	Perdana Traveller	7	2008	10800	
5	Perdana Adventurer	7	2008	10800	
6	Perdana Horizon	7	2008	10880	Talisman (1+1 exp 9 Dec 2014) – Earmarked to replace Perdana Expedition while she is dry docked for 1 month, in the interim still enquiring for new tenders
7	Perdana Frontier	7	2008	5220	Carigali (Spot)
8	Perdana Ranger	6	2009	5220	Carigali (Spot)
	<u>Work Barge</u>			<u>Pax</u>	
9	Perdana Enterprise	14	2001	241 men	Earmarked for Sale, contract replaced by Perdana Emerald
10	Perdana Odyssey	4	2011	300 men	
11	Perdana Excelsior	2	2013	300 men	
12	Perdana Endurance	2	2013	300 men	Dayang for Shell (5+1 exp 2018)
13	Perdana Protector	2	2013	300 men	
14	Perdana Resolute	1	2014	300 men	
15	Perdana Emerald	1	2014	300 men	Ocean Pro Offshore (2+1 exp Feb 2016)
	<u>Work Boat</u>				
16	Perdana Sovereign	5	2010	169men	Dayang for Shell (5+1 exp 2018)
17	Perdana Liberty	6	2009	170 men	Dry-docked - Off Contract since Nov 2014

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2013A	2014	2015F	2016F	2017F
Revenue	274.6	347.2	323.0	377.3	391.7
Operating Profit	84.0	121.5	117.1	138.4	144.1
Other Income	32.7	36.9	34.4	40.1	41.7
Other Expenses	-40.8	-59.1	-64.9	-74.2	-76.6
Finance Costs	-18.6	-32.0	-30.2	-28.4	-26.7
Pre-tax Profit	65.4	89.5	86.9	110.0	117.4
Income Tax	-3.4	-1.5	-1.7	-5.5	-5.9
Minorities	-0.3	0.0	0.0	0.0	0.0
Core Net Profit	61.7	88.0	85.1	104.5	111.5
Growth					
Revenue	5.8%	26.4%	-7.0%	16.8%	3.8%
Gross Profit	49.5%	72.3%	-7.0%	16.8%	3.8%
Net Profit	22.5%	25.4%	26.3%	27.7%	28.5%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2013A	2014	2015F	2016F	2017F
Property, plant and equipment	961.6	1,122.6	1,222.6	1,422.6	1,522.6
Inventories	1.3	1.8	1.7	1.9	2.0
Trade receivables	49.8	60.0	55.8	65.2	67.7
Cash and bank balances	61.0	99.2	29.2	36.5	61.0
Total Assets	1,182.3	1,384.4	1,378.2	1,595.0	1,722.2
ST Borrowings	114.1	143.0	143.0	143.0	143.0
LT Borrowings	459.8	544.4	400.0	400.0	400.0
Trade payables	41.2	37.7	35.0	40.9	42.5
Minority Interests	-0.2	-0.3	-0.3	-0.3	-0.3
Total Liabilities	620.4	730.4	582.9	588.7	590.3
Total Equity	561.9	654.1	795.3	1,006.3	1,131.9
Total Equity and Liabilities	1,182.3	1,384.4	1,378.2	1,595.0	1,722.2

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2013A	2014	2015F	2016F	2017F
Book Value Per Share	0.8	0.9	1.1	1.4	1.5
NTA Per Share	0.8	0.9	1.1	1.4	1.5
EPS (Sen)	8.4	11.9	11.5	14.2	15.1
DPS (Sen)	0.0	2.0	0.0	0.0	0.0
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
ROA (%)	5.2	6.4	6.2	6.6	6.5
ROE (%)	11.0	13.5	10.7	10.4	9.9

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 12 months.
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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PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129