STANDARD
&POOR'S

Dyna-Mac Holdings

Bloomberg: DMHL SP | Reuters: DMHL.SI | Price: SGD0.46 | Date: August 23, 2012

GICS: Energy/Oil & Gas Equipment & Services

Business Summary: Dyna-Mac provides specialised engineering, procurement and construction (EPC) services to the oil & gas, marine construction and other industries. Its main business is in the fabrication of topside modules for FPSOs and FSOs. It also provides ad-hoc EPC services for specialized structures for semi-submersibles and sub-sea products.

Country of Incorporation: Singapore

Head Office Location: 45 Gul Road, Singapore 629350,

Place of Operations: Singapore

Website: www.dyna-mac.com

IR Contact: Mr Boo Puay Yang | puayyang@august.com.sg | +65-6733 8873

Analyst: Lorraine Tan, CFA / Ahmad Halim, CFA

Results Review

- Dyna-Mac's 1H12 net profit of SGD9.4 mln (-34.1% YoY) was above expectations, making up 58% of our previous 2012 forecast. The positive deviation was due to better-than-expected pre-tax margins at 13.8% (vs. our previous assumption of 12.5%), while 1H12 revenue at SGD81.3 mln was in-line with expectations. No DPS was declared.
- For 2Q12, revenue jumped 146% QoQ (+29% YoY) due to higher billings from ongoing projects. Gross margin, though, declined by 6.3%-pt QoQ and 8.0%-pt YoY, which we suspect is due to lower variation orders in the quarter, which carry higher margins. Utilisation rates were again not disclosed, but we believe this is on the uptrend, judging from Dyna-Mac's recent moves to acquire yard space via outright purchase or long-term tenancy (see below).
- Dyna-Mac's total yard space at Gul Road and Pandan Crescent now stands at 140,300 sq m. It recently announced the proposed purchase of Paliy Marine Fabricator, which owns a 100,000 sq m fabrication yard in Guangzhou, China for SGD3.8 mln. We are positive on the purchase as it will allow Dyna-Mac to tap into the growing Chinese market, while the purchase price can be easily funded by its SGD36.9 mln cashpile as of 2Q12. Dyna-Mac also recently signed a six-year tenancy for a 211,000 sq m yard in Johor, which is currently undergoing upgrading.

Earnings Outlook / Estimates Revision

- Orderbook currently stands at SGD203 mln, including the SGD43 mln contract from SBM Offshore and Siemens (a new client) announced in June. Management expects much of its orderbook to be recognized in 2H12, which will also see maiden contribution from Dyna-Mac's Chinese fabrication yard. Hence, we increase our 2012 and 2013 net profit estimates by 24% and 10%, respectively to account for the above factors. Our gross margin assumption remains at 24%.
- We believe the aggressive expansion into new yard capacity signifies healthy tenders currently, which may translate into stronger contract replenishments in 2H12. We remain positive on FPSO orderflow over the medium term as upstream focus shifts more towards deepwater production. We note, however, that the timing of contract awards can be uncertain, especially given current global economic uncertainties.

Investment Risks

- Dyna-Mac is highly dependant on continued order replenishments to drive future earnings. Replenishment prospects, in turn, depend on capital budgets in the upstream industry, which can be influenced by oil prices, economic prospects and availability of financing.
- Earnings can be lumpy, as revenue depends on work progress at its various projects.

Key Stock Statistics

52-week Share Price Range (SGD)		0.37 - 0.55
Avg Vol - 12 months ('000 shares)		5,208.3
Price Performance (%)	- 1 month	12.2
	- 3 month	19.5
	- 12 month	8.2
No. of Outstanding Shares (mln)		930.2
Free Float (%)		22.6
Market Cap (SGD mln)		427.9
Enterprise Value (SGD mln)		362.5
Major Shareholders (%)		
Mr Lim Tze Jong		49.9
KS Investments Pte Ltd		26.9

EPS base (mln): before FY11(May)=714.3,FY11(May)=765.9,FY11(Dec) onward=930.2.

Per Share Data

FY Dec.	2010	2011	2012E	2013E
Book Value (SG cents)	13.75	12.36	15.42	15.64
Cash Flow (SG cents)	0.5	-0.4	5.2	1.4
Reported Earnings (SG cents)	3.2	0.6	2.2	2.2
Dividend (SG cents)	2.0	0.5	2.0	2.0
Payout Ratio (%)	0.0	541.1	23.1	90.0
PER (x)	14.2	76.2	21.2	20.7
P/Cash Flow (x)	94.6	NM	8.9	33.0
P/Book Value (x)	3.3	3.7	3.0	2.9
Dividend Yield (%)	4.3	1.1	4.3	4.3
ROE (%)	30.7	2.8	15.6	14.3
Net Gearing (%)	0.0	0.0	0.0	0.0

2010 = FYE May 2011. 2011: 7M FY2011 (Dec). 2012E-onwards: FYE Dec.

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2012 The McGraw-Hill Companies, Inc.

The McGraw-Hill Companies

Earnings Performance

FY Dec. / SGD mln	2Q12	2Q11	% Change
Reported Revenue	57.8	44.9	28.7
Reported Operating Profit	7.1	9.4	-24.7
Depreciation & Amortization	-0.3	-0.6	-45.5
Net Interest Income / (Expense)	0.0	-0.1	-86.2
Reported Pre-tax Profit	7.3	9.0	-18.5
Reported Net Profit	6.1	7.5	-18.6
Reported Operating Margin (%)	12.3	21.0	-
Reported Pre-tax Margin (%)	12.7	20.0	-
Reported Net Margin (%)	10.5	16.6	-

Source: Company data

Profit & Loss

FY Dec. / SGD mln	2010	2011	2012E	2013E
Reported Revenue	167.9	49.7	203.4	207.9
Reported Operating Profit	29.8	4.0	25.6	26.1
Depreciation & Amortization	-6.7	-3.9	-7.5	-9.0
Net Interest Income / (Expense)	-0.7	-0.1	-0.4	-0.3
Reported Pre-tax Profit	29.9	6.1	25.2	25.8
Effective Tax Rate (%)	16.9	7.3	20.0	20.0
Reported Net Profit	24.8	5.6	20.2	20.7
Reported Operating Margin (%)	17.8	8.0	12.6	12.6
Reported Pre-tax Margin (%)	17.8	12.2	12.4	12.4
Reported Net Margin (%)	14.8	11.3	9.9	9.9

2010 = FYE May 2011. 2011: 7M FY2011 (Dec). 2012E-onwards: FYE Dec.

Source: Company data, S&P Equity Research

Redistribution or reproduction is prohibited without written permission. Copyright © 2012 The McGraw-Hill Companies, Inc.

S&P Capital IQ Equity Research– S&P Capital IQ Equity Research U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

This company is not a customer of S&P Capital IQ or its affiliates.

Other Disclosures

This report has been prepared and issued by S&P Capital IQ and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by McGraw-Hill Financial Research Europe Limited, which is authorized and regulated by the Financial Services Authority and trades as Standard & Poor's; in Hong Kong by Standard & Poor's Investment Advisory Services (HK) Limited, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by McGraw-Hill Financial Singapore Pte. Limited (MHFSPL), which is regulated by the Monetary Authority of Singapore; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, McGraw-Hill Financial Research Europe Limited, MHFSPL, S&PM and SPIS are each conducted separately from any other analytical activity of S&P Capital IQ.

S&P Capital IQ or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary Standard & Poor's index, such as the S&P 500. In cases where S&P Capital IQ or an affiliate is paid fees that are tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in S&P Capital IQ or an affiliate earning compensation in addition to the subscription fees or other compensation for services rendered by S&P Capital IQ. A reference to a particular investment or security by S&P Capital IQ and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index.

S&P Capital IQ and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

SGX Equity Research Insights ("SERI")

This report has been prepared by S&P LLC for purposes of SERI administered by Singapore Exchange ("SGX"). S&P will receive total compensation of SGD12,000 each year for providing research coverage on each participating listed company under SERI.

Redistribution or reproduction is prohibited without written permission. Copyright © 2012 The McGraw-Hill Companies, Inc.

Required Disclosures

Disclaimers

With respect to reports issued to clients in a language other than English and in the case of inconsistencies between the English and translated versions of a report, the English version prevails. Neither S&P Capital IQ nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not necessarily indicative of future results.

S&P Capital IQ, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness or adequacy of this material, and S&P Parties shall have no liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of the information provided by the S&P Parties. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document even if advised of the possibility of such damages. Capital IQ is a business of S&P Capital IQ.

Ratings from Standard & Poor's Ratings Services are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. Standard & Poor's assumes no obligation to update its opinions following publication in any form or format. Standard & Poor's ratings should not be relied on and are not substitutes for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. Standard & Poor's rating opinions do not address the suitability of any security. Standard & Poor's does not act as a fiduciary. While Standard & Poor's has obtained information from sources it believes to be reliable, Standard & Poor's does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P Capital IQ keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Capital IQ may have information that is not available to other S&P Capital IQ business units. S&P Capital IQ has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

Standard & Poor's Ratings Services did not participate in the development of this report. Standard & Poor's may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. Standard & Poor's reserves the right to disseminate its opinions and analyses. Standard & Poor's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via Standard & Poor's publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only current as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

This document does not constitute an offer of services in jurisdictions where S&P Capital IQ or its affiliates do not have the necessary licenses.

For residents of the U.K. - This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

For residents of Malaysia - All queries in relation to this report should be referred to Ching Wah Tam and Ahmad Halim.

For residents of Indonesia - This research report does not constitute an offering document and it should not be construed as an offer of securities in Indonesia, and that any such securities will only be offered or sold through a financial institution.

For residents of the Philippines - The securities being offered or sold have not been registered with the Securities and Exchange Commission under the Securities Regulation Code of the Philippines. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

Canadian investors should be aware that any specific securities discussed in this research report can only be purchased in Canada through a Canadian registered dealer and, if such securities are not available in the secondary market, they can only be purchased by eligible private placement purchasers on a basis that is exempt from the prospectus requirements of Canadian securities law and will be subject to resale restrictions.

For residents of Australia – This report is distributed by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") in Australia.

Any express or implied opinion contained in this report is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s) alone. The information in this report has not been prepared for use by retail investors and has been prepared without taking account of any particular person's financial or investment objectives, financial situation or needs. Before acting on any advice, any person using the advice should consider its appropriateness having regard to their own or their clients' objectives, financial situation and needs. You should obtain a Product Disclosure Statement relating to the product and consider the statement before making any decision or recommendation about whether to acquire the product. Each opinion must be weighed solely as one factor in any investment decision made by or on behalf of any adviser and any such adviser must accordingly make their own assessment taking into account an individual's particular circumstances.

SPIS holds an Australian Financial Services Licence Number 258896. Please refer to the SPIS Financial Services Guide for more information at www.fundsinsights.com.au.

STANDARD & POOR'S, S&P, S&P 500, S&P Europe 350 and STARS are registered trademarks of Standard & Poor's Financial Services LLC.

Redistribution or reproduction is prohibited without written permission. Copyright © 2012 The McGraw-Hill Companies, Inc.

The McGraw·Hill Companies