

Company Name : Destini Berhad
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Destini likely to benefit from Petronas DOOW jobs

Destini Bhd
 (Jan 23, 25.5 sen)

Maintain add with an unchanged target price (TP) of 34 sen: On Tuesday, Destini Bhd announced its wholly-owned subsidiary Destini Oil Services Sdn Bhd has won a contract for the provision of tubular running services (TRS) for the exploration and appraisal and infill drilling campaign for Blocks B-17 and C-19 and Block B-17-01 located in the lower part of the Gulf of Thailand, near the South China Sea for Carigali-PTTEPI Operating Co Sdn Bhd. The contract is for two years starting from Jan 14, 2019 with a one-year extension option. However, the value of the contract was not disclosed.

This news is a positive surprise for us, as this is the second major TRS job win in the past month for Destini. In December 2018, Destini secured a job for the installation and slot recovery equipment and services (Isres) for PAC operators'

Destini Bhd

COMPANY	RECOM	PRICE (LOCAL CURR)	TARGET PRICE (LOCAL CURR)	MKT CAP (US\$ MIL)	CORE PER (X)		3-YEAR EPS CAGR (%)	P/BV (X)		RECURRING ROE (%)		EV/EBITDA (X)		DIVIDEND YIELD (%)	
					CY18F	CY19F		CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
Destini Bhd	Add	RM0.26	RM0.34	72	62.1	19.5	-1.8	0.57	0.53	1.6	6.2	16.5	5.8	0.0	0.0
ST Engineering	Add	RM3.66	RM3.94	8,394	21.4	19.5	8.3	4.93	4.69	23.8	24.6	13.0	13.2	4.0	4.1
YTL Corp	Hold	RM1.14	RM1.21	2,930	24.2	18.1	na	0.92	1.05	3.7	5.4	14.7	12.1	3.1	2.4
Sector average				3,798.4	35.9	19.0	3.2	2.1	2.1	9.7	12.1	14.7	10.4	2.4	2.2

Sources: CIMB Research, company reports

drilling programme for Petronas Carigali; Destini is the primary contractor for package (A): TRS and Isres jobs for Sabah and Sarawak; and package (B): TRS for deepwater. The contract is for three years, with a two-year extension option. However, the contract value has not been disclosed.

Since end-2017, the company has been looking to diversify away from government jobs; two major TRS jobs show that the company's strategy is showing some positive results. We understand Destini's

TRS jobs generate a high 30%-35% profit before tax margin.

In addition, Petroleum Nasional Bhd's (Petronas) "Activity Outlook Report 2019-2021" released in December 2018 indicated that Petronas intends to discover oil in existing brownfield and greenfield sites to achieve average production of 1.7 million barrels of oil per day over the next five years. We understand this could potentially lead to more TRS and Isres jobs for Destini over the next three years.

In the same report, Petronas

indicated it expects to undertake more decommissioning of old oil wells (DOOW) jobs. Petronas said it is targeting the decommissioning of 50 wells in 2019, 40 in 2020 and 60 in 2021.

As one of the leading players of DOOW in the country and the region, Destini could benefit from the DOOW jobs given by Petronas over the next three years. The company is already doing a DOOW job for Petronas.

We maintain our earnings per share (EPS) forecasts and TP, which

is based on financial year 2020 forecast (FY20F) 11 times price-earnings ratio (PER), a 50% discount to our target basis of 22 times FY20F PER for Singapore's ST Engineering (STE SP, Add); the large discount is to reflect Destini's small market capitalisation. Potential rerating catalysts are more TRS and Isres job wins. Risks to our call include delays in the award of more major jobs. We see Destini as an oil and gas play. The stock is trading at an attractive FY19F PER of 8.9 times. — CGSCIMB Research, Jan 22