

Company Name : Destini Berhad
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Positive Surprise From Destini With TSR Job

KUALA LUMPUR: Destini Bhd secured a contract to provide tubular running services (TRS) for exploration & appraisal and infill drilling campaign, the second major job within a month.

CIMB Equities Research said on Wednesday it was upbeat on the contract for blocks B-17 & C-19 and block B-17-01 located in the lower part of the Gulf of Thailand, near the South China Sea. The contract was awarded by Carigali-PTTEPI Operating Company.

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," it said.

In December 2018, Destini secured a job for the installation and slot recovery equipment & services (ISRES) for PAC operators' drilling programme for Petronas Carigali.

"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 high 30%-35% profit before tax (PBT) margin," it said.

CIMB Research said Destini could benefit from Petronas' decision to discover oil in existing brownfield and greenfield sites to achieve average production of 1.7 million barrels of oil per day (BOPD) over the next five years.

"We understand this could potentially lead to more TRS and ISRES jobs for Destini over the next three years," it said.

CIMB Research maintained its EPS forecasts and target price of 34 sen which is based on 2020F 11 times P/E, a 50% discount to its target basis of 22 times FY20F P/E for Singapore's ST Engineering.

The large discount is to reflect Destini's small market cap. Potential rerating catalysts are more TRS and ISRES job wins.

Risks to the research house's call include delays in the award of more major jobs.

"We see Destini as an oil & gas play. The stock is trading at an attractive 2019F P/E of 8.9 times," it said.