

Company Update

Dyna-Mac Holdings

Singapore | Energy

Ada Lim
Equity Research

Rating BUY (as at 7 August 2024)
Last Close SGD 0.520
Fair Value SGD 0.665

Out of this world

- **Total returns of 68.7% year-to-date (YTD) versus the Straits Times Index's (STI) 2.4% gains**
- **1H24 net profit came in almost four times higher year-on-year (YoY) on completion of major projects, greater volume of projects undertaken, and better-than-expected margins**
- **A resounding beat all around; increase fair value (FV) estimate to SGD0.665**

Investment thesis

Dyna-Mac Holdings Ltd. (Dyna-Mac) is a leading fabricator of offshore topside modules and facilities, such as floating production storage and offloading (FPSO) vessels. Its strategy to remain focused on niche topside module construction and to differentiate itself through its commitment to quality, as well as reliable and timely deliveries positions it well to capture burgeoning demand for FPSO modules amidst a shortage in capacity. Dyna-Mac has expanded its yard capacity significantly in 2023, which will be a positive for top line growth. We think there remains great potential for the company to grow inorganically in a manner that is accretive to earnings in the near future, backed by its healthy net cash position. We further revise our FV estimate upwards from SGD0.605 to SGD0.665, reflecting further upside potential for the company amidst a stronger-than-expected upcycle. Our forecasts take into consideration the issuance of bonus warrants; in our view, existing investors can consider exercising their warrants to avoid dilution and to participate in the company's future growth.

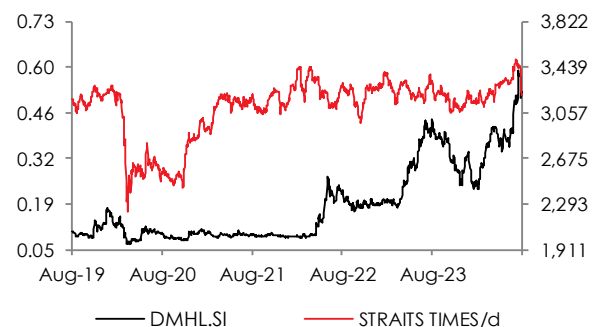
Investment summary

- **Dyna-Mac's 1H24 results surpassed our expectations on better-than-anticipated margins** – 1H24 revenue grew 42.5% YoY to SGD259.7m due to the completion of major projects and an increase in the volume of projects undertaken. During the period, Dyna-Mac delivered 16 modules with a total weight of 41,349 metric tonnes. This was well supported by the company's proactive expansion of yard space in 2023, with the securing of a JTC lease and acquisition

Security information

Ticker	DMHL.SI
Market Cap (SGD b)	0.5
Daily turnover (SGD m)	11.2
Free Float	39%
Shares Outstanding (m)	1,037
Top Shareholder	Estate of Lim Tze Jong 31.7%

Price performance chart



Financial summary

SGD m	FY23	FY24E	FY25E
Revenue	385.2	520.2	584.2
EBITDA	27.4	93.6	99.3
PATMI	28.5	81.0	87.7
EPS (\$ cents) - Basic	2.8	6.0	6.4
DPS (\$ cents)	0.8	2.1	2.2

Key ratios

%	FY23	FY24E	FY25E
Revenue growth	32.1	35.0	12.3
EBITDA growth	64.6	241.6	6.1
Gross margin	13	27	27
Dividend yield	1.6	4.0	4.3

Source: Refinitiv, Internal estimates

of Exterran Offshore Pte Ltd (now rebranded as Dyna-Mac Solutions Pte Ltd). Meanwhile, gross profit was up nearly three-fold to SGD71.7m on improved productivity and disciplined cost control; notwithstanding inflationary pressures, this represents an impressive expansion of gross profit margin from 13.5% in 1H23 to 27.6% in 1H24. Together with a doubling of other income to SGD7.6m in 1H24 on the back of higher interest income, FX gains, and scrap income, Dyna-Mac posted a record net profit of SGD38.8m, up 280.3% YoY.

- Positive outlook; revise FV estimate to SGD0.665** – Dyna-Mac's net cash position further increased to SGD307.7m as at 30 Jun 2024 – a significant arsenal to support any further pursuits of inorganic growth. Management remains optimistic of the company's growth outlook amidst a buoyant FPSO market, citing forecasts from Rystad Energy that more than 90 FPSO projects are expected to be awarded globally from 2021 to 2030. The company's order book as at 30 Jun 2024 stood at a healthy SGD681.3m, with deliveries scheduled through FY26. Triangulating this with its order book of SGD438.2m as at 31 Dec 2023, we estimate that Dyna-Mac had clinched ~SGD503m worth of new orders in 1H24. We adjust our forecasts, factoring in the company's strong set of 1H24 results and better-than-expected margins. Consequently, our FV estimate increases from SGD0.605 to SGD0.665.

Results highlights

SGD m	1H23	1H24	% chg
Revenue	182.3	259.7	42.5%
Gross profit	24.6	71.7	191.3%
EBITDA	12.4	51.4	314.7%
Other income	3.5	7.6	116.3%
Net income	10.2	38.8	280.3%
Return on equity (%)	42.5	66.4	N.M.
EPS (\$ cents) - Basic	0.98	3.72	279.6%
EPS (\$ cents) - Diluted	0.91	3.35	268.1%

Source: Company, Internal estimates

ESG Updates

- Getting on board with environmental sustainability** – As a participant of the Carbon Pricing Leadership Coalition (CPLC) and LowCarbonSG, Dyna-Mac is working towards reducing carbon emissions from its business operations. This includes increased green energy consumption by 30% in 2022, compared to 25% in 2021, as well as reducing material waste and scrap.
- Managing relationships with its workforce and society** – Internally, Dyna-Mac believes in building a diverse and inclusive work environment to attract, retain, and grow talent, as well as to boost the morale and productivity of its employees. The company has adopted the TAFEP Tripartite Standards since 2018 and organised 11 in-house training sessions for 380 employees in FY23. Externally, Dyna-Mac pays attention to effective stakeholder engagement with customers, investors, vendors, and regulators. This includes discussions on environmental impact with the communities that Dyna-Mac operates within.
- Commitment to full compliance with legal and industry requirements** – Dyna-Mac has established corporate policies covering areas such as whistle-blowing, anti-corruption and anti-bribery, dealing

with securities, as well as gifts, hospitality and entertainment, to ensure full compliance with laws and regulations. It is mandatory for all employees to undergo code of conduct training. The company has also put in place an Enterprise Risk Management Framework to manage its risk exposure in the face of emerging scenarios and environments.

Potential catalysts

- Higher value contract wins with healthy margins due to stronger-than-expected FPSO market upcycle
- Synergistic acquisitions or other expansion plans accretive to earnings
- Strategic partnerships enabling Dyna-Mac to expand its operations and production capacity

Investment risks

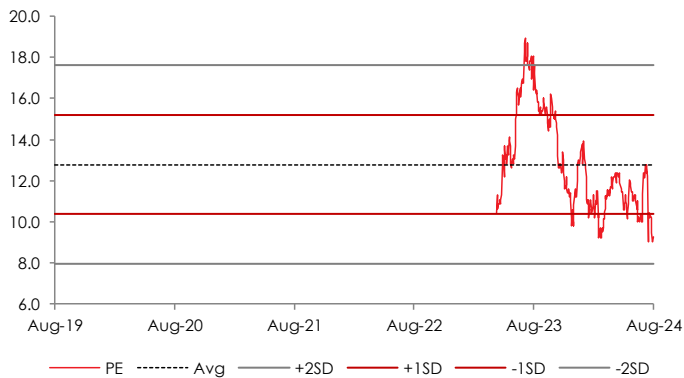
- Difficulties securing new orders with reasonable margins amidst a slowing macroeconomic backdrop, or order cancellations
- Inability to pass on higher costs to customers weighs on project margins
- Execution risks and cost overruns

Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DYNA-MAC HOLDINGS LTD (DMHL.SI)	11.1	9.3	N.A	N.A	5.5	4.6	3.3	2.9	N.A	N.A
BOMESC OFFSHORE ENGINEERING CO LTD (603727.SS)	24.9	11.2	0.9	0.9	5.1	2.7	1.6	3.4	3.8	7.7
MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BHD (MHEB.KL)	18.3	16.6	0.5	0.5	6.4	6.1	2.5	2.4	4.1	4.3
YINSON HOLDINGS BERHAD (YINS.KL)	9.7	8.5	1.0	0.9	8.9	7.9	1.6	1.7	12.1	12.0

Source: Refinitiv

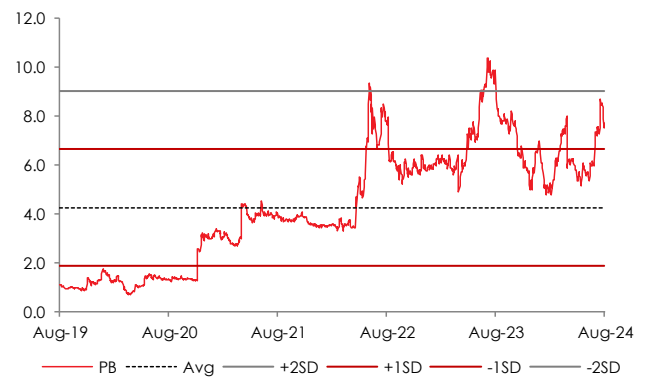
Price/Earnings chart



Source: Refinitiv

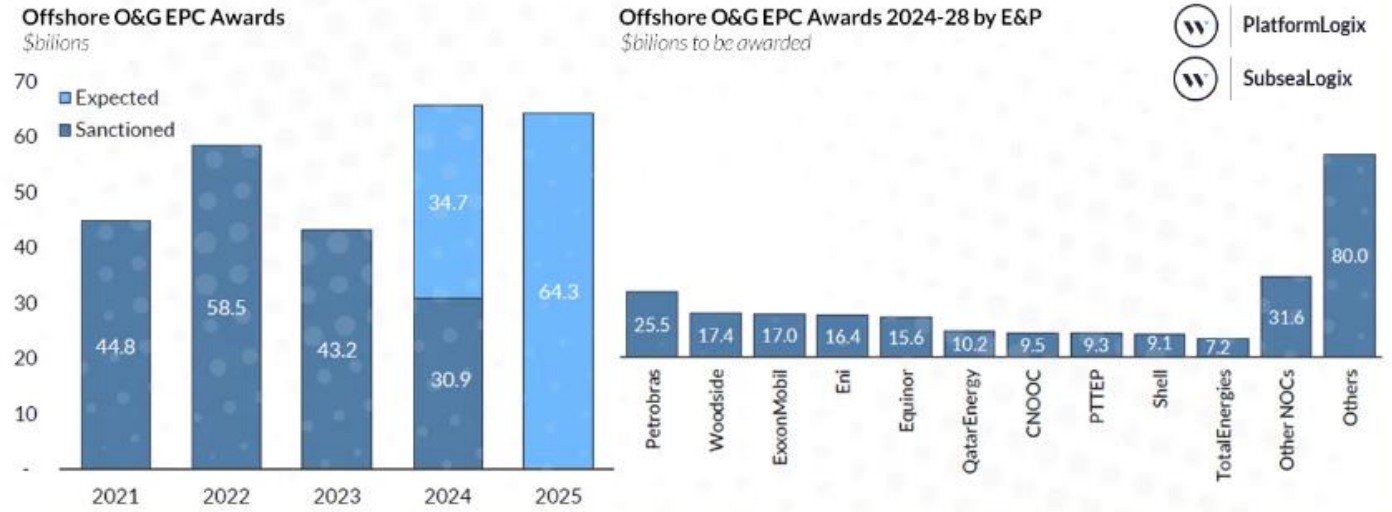
Note: P/E estimates not available from Aug 2019 till Apr 2023 as there were no active analysts covering the company.

Price/Book chart



Source: Refinitiv

Exhibit 1: Offshore Field Development



Source: Westwood Global Energy Group; Data extracted on 5 Aug 2024

Company overview (as of 22 February 2024)

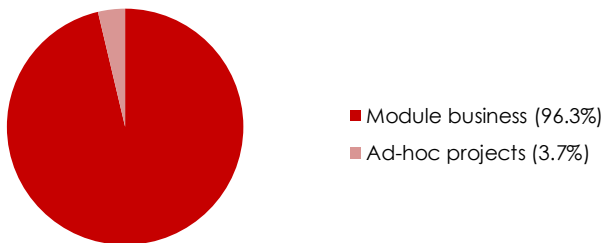
Company description

Dyna-Mac is a global multi-disciplinary contractor that undertakes the detailed engineering, procurement, fabrication, and construction of compressor skids and modules for Carbon Capture, Utilisation and Storage (CCUS); onshore pre-commissioning and commissioning of offshore topside modules and facilities for floating production storage and offloading (FPSO) vessels, floating storage and offloading (FSO) vessels, floating liquefied natural gas (FLNG) vessels, and floating storage and regasification units (FSRUs) and Fixed Platforms; onshore modules for land-based plants for the energy industry; as well as offshore and onshore renewables and green energy sectors, with a focus on liquefied natural gas (LNG), green hydrogen, and ammonia.

Dyna-Mac was headquartered in Singapore in 1990, but has a presence in China, Malaysia, Philippines, and Indonesia through its subsidiaries and strategy partnerships. With more than 30 years of experience in the oil and gas industry, the company is ISO accredited and has successfully delivered more than 300 modules to date. Dyna-Mac was listed on the Mainboard of the Singapore Stock Exchange in March 2011.

FY23 Revenue breakdown

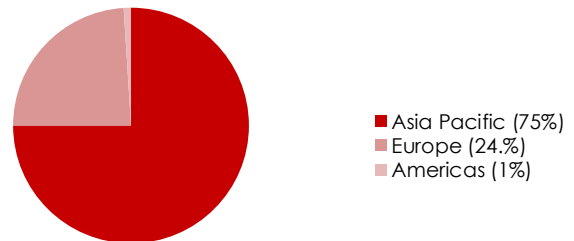
By segment



Source: Company, Internal estimates

FY23 Revenue breakdown

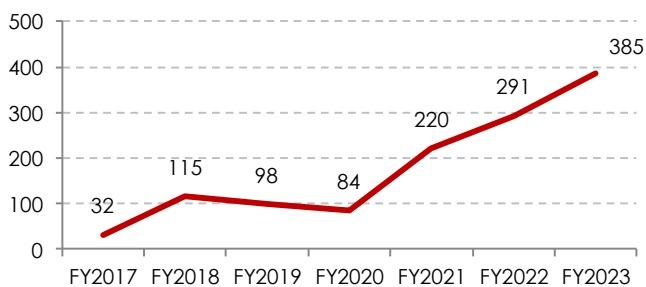
By geography



Source: Company, Internal estimates

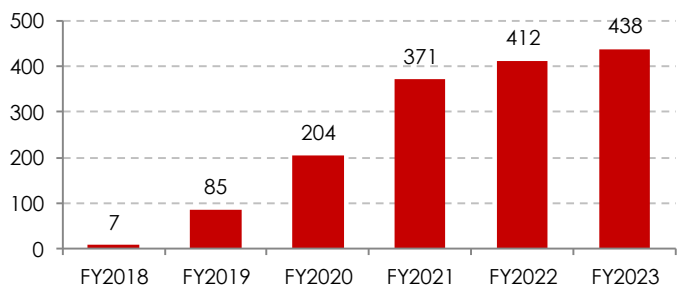
Revenue comparison over 5 years

SGD m



Source: Company, Internal estimates

Net order book (SGD m)



Source: Company, Internal estimates

Company financials

Income Statement

In Millions of SGD except Per Share	FY2019	FY2020	FY2021	FY2022	FY2023
12 Months Ending	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Revenue	97.8	84.0	220.2	291.5	385.2
- Cost of Revenue	96.1	114.5	197.1	259.1	335.1
Gross Profit	1.7	-30.5	23.1	32.4	50.1
+ Other Operating Income	--	--	--	--	--
- Operating Expenses	25.1	27.2	18.0	19.8	24.9
Operating Income or Losses	-23.4	-57.7	5.2	12.6	25.2
- Interest Expense	0.5	0.8	1.0	0.8	--
- Foreign Exchange Losses (Gains)	--	--	--	--	--
- Net Non-Operating Losses (Gains)	--	--	--	--	0.1
Pretax Income	-24.0	-58.4	4.2	11.8	25.1
- Income Tax Expense (Benefit)	0.0	0.0	-1.4	-1.6	-3.6
Income Before XO Items	-24.0	-58.4	5.6	13.4	28.7
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	-0.3	0.0	0.1	0.3	0.2
Net Income/Net Profit (Losses)	-23.7	-58.4	5.5	13.1	28.5
Net Inc Avail to Common Shareholders	-23.7	-58.4	5.5	13.1	28.5
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
Normalized Income	-23.9	-56.5	4.9	13.5	28.7
Basic Earnings per Share	0.0	-0.1	0.0	0.0	0.0
Basic Weighted Avg Shares	1,023.2	1,023.2	1,024.5	1,028.2	1,035.5
Diluted EPS Before Abnormal Items	0.0	-0.1	0.0	0.0	0.0
Diluted EPS Before XO Items	0.0	-0.1	0.0	0.0	0.0
Diluted EPS	0.0	-0.1	0.0	0.0	0.0
Diluted Weighted Avg Shares	1,023.2	1,023.2	1,024.5	1,028.2	1,139.5

Profitability Ratios

12 Months Ending	FY2019	FY2020	FY2021	FY2022	FY2023
	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Returns					
Return on Common Equity	-25.50	-111.84	20.72	35.89	50.37
Return on Assets	-15.01	-36.55	2.89	5.32	9.24
Return on Capital	10.69	31.49	48.87	44.36	30.76
Return on Invested Capital	-	-	-150.62	-34.25	-26.51
Margins					
Operating Margin	-23.95	-68.63	1.96	4.06	6.53
Incremental Operating Margin	-15.02	2.87	-0.03	2.07	1.61
Pretax Margin	-24.50	-69.55	1.90	4.05	6.51
Income before XO Margin	-24.24	-69.50	2.49	4.48	7.40
Net Income Margin	-24.24	-69.50	2.49	4.48	7.40
Net Income to Common Margin	-24.24	-69.50	2.49	4.48	7.40
Additional					
Effective Tax Rate	-	-	-34.41	-13.50	-14.48
Dvd Payout Ratio	-	-	-	22.82	33.20
Sustainable Growth Rate	-	-	-	35.80	50.20

Credit Ratios

12 Months Ending	FY2019	FY2020	FY2021	FY2022	FY2023
	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Total Debt/EBIT	-2.29	-0.61	8.02	2.16	1.87
Net Debt/EBIT	-0.87	0.24	-20.02	-14.02	-6.65
EBIT to Interest Expense	-35.36	-70.12	3.87	14.49	-
Long-Term Debt/Total Assets	17.81	16.13	11.86	8.11	13.27
Net Debt/Equity	0.21	-0.54	-2.55	-3.70	-2.41

Source: Refinitiv

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