

## Company Update

# Dyna-Mac Holdings

Singapore | Energy

Ada Lim  
Equity Research

Rating BUY (as at 8 July 2024)  
Last Close SGD 0.455  
Fair Value SGD 0.520

## Positive profit guidance for 1H24

- **Expected improvement in 1H24 net profit due to higher revenue and better productivity**
- **Growth momentum in current upcycle well supported by expanded fabrication capacity**
- **Increase fair value (FV) estimate to SGD0.52**

## 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 revise our FV estimate upwards from SGD0.445 to SGD0.52, 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 sees significant improvement in 1H24 net profit** – Dyna-Mac's share price jumped 9.6% on 5 Jul 2024, ahead of the company's announcement that it expects to report a significantly higher net profit year-on-year (YoY) for 1H24, on the back of higher revenue (due to completion of major projects) and productivity improvements. Earlier this year, Dyna-Mac had secured several contracts that more than doubled its order book from SGD438m as at 31 Dec 2023 to a record SGD896m, with deliveries stretching until 2026.

## Security information

Ticker	DMHLSI
Market Cap (SGD b)	0.5
Daily turnover (SGD m)	9.9
Free Float	39%
Shares Outstanding (m)	1,037
Top Shareholder	Estate of Lim Tze Jong 32.0%

## Price performance chart



## Financial summary

SGD m	FY23	FY24E	FY25E
Revenue	385.2	480.7	553.4
EBITDA	27.4	38.0	48.7
PATMI	28.5	37.1	45.0
EPS (\$ cents) - Basic	2.8	2.7	3.3
DPS (\$ cents)	0.83	0.97	1.17

## Key ratios

%	FY23	FY24E	FY25E
Revenue growth	32.1	24.8	15.1
EBITDA growth	64.6	38.6	28.2
Gross margin	13.0	14.4	15.8
Net income margin	7.4	7.8	8.2

Source: Refinitiv, Internal estimates

- **Could a new substantial shareholder bring more opportunities?** – Hanwha Aerospace & Ocean (Hanwha) has acquired a 23.9% stake in Dyna-Mac from Keppel Ltd for an aggregate cash consideration of SGD100m in May 2024. Hanwha is a South Korean offshore and marine contractor with a focus on green technology, such as hydrogen, wind power, liquefied natural gas (LNG), and ammonia. While the rationale of the deal has not been explicitly stated, the acquisition could potentially be part of Hanwha's global expansion drive, given that the company has also recently acquired Philly Shipyard, a leading American shipbuilder, for USD100m, and launched a bid for Australian shipbuilder Austal for AUD1.0b.
- **Revise FV estimate to SGD0.52** – We adjust our forecasts and increase our terminal growth rate assumption from 1% to 1.5%, to reflect both the robust FPSO upcycle as well as the company's sustainability angle. As a result, our FV estimate is lifted from SGD0.445 to SGD0.52. Dyna-Mac will be announcing its 1H24 results after trading hours on 6 Aug 2024.

## 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 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

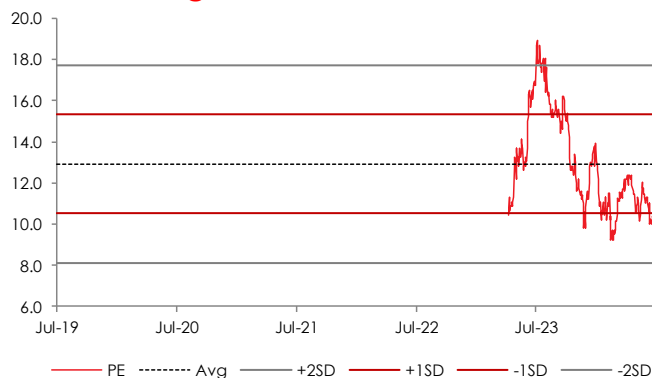
- Difficulties securing new orders with reasonable margins amidst a slowing macroeconomic backdrop, or order cancellations
- Inability to pass on higher costs to customers weighs on project margins
- Execution risks and cost overruns

## 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)	16.3	11.4	N.A	N.A	6.2	5.2	2.6	3.3	37.0	30.5
BOMESC OFFSHORE ENGINEERING CO LTD (603727.SS)	29.7	13.4	1.1	1.0	8.4	4.4	1.3	2.8	3.8	7.7
MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BHD (MHEB.KL)	24.5	21.5	0.5	0.5	7.0	6.6	1.7	1.6	3.2	3.5
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

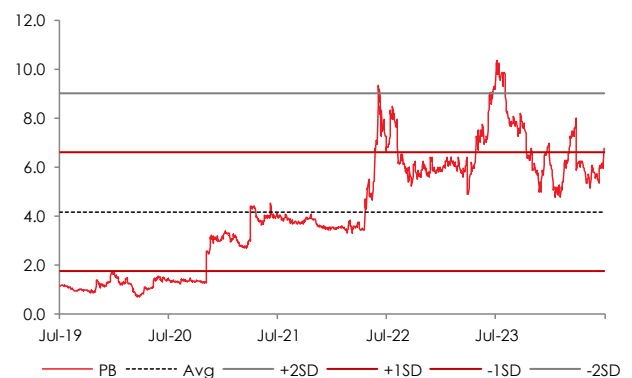
## Price/Earnings chart



Source: Refinitiv

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

## Price/Book chart

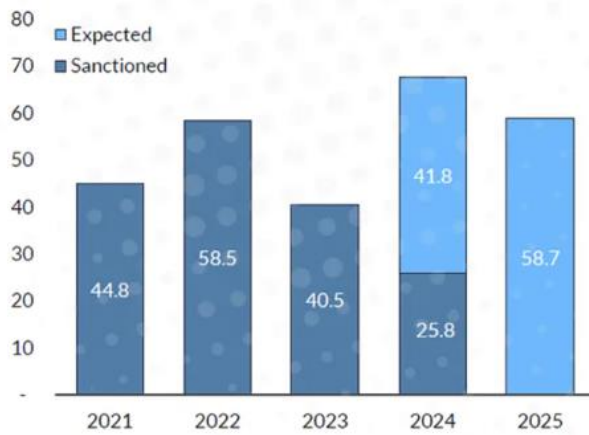


Source: Refinitiv

## Exhibit 1: Offshore Field Development

Offshore O&G EPC Awards

\$billions



Offshore O&G EPC Awards 2024-28 by E&P

\$billions to be awarded



Source: Westwood Global Energy Group; Data extracted on 7 July 2024

## Company overview (as of 22 February 2024)

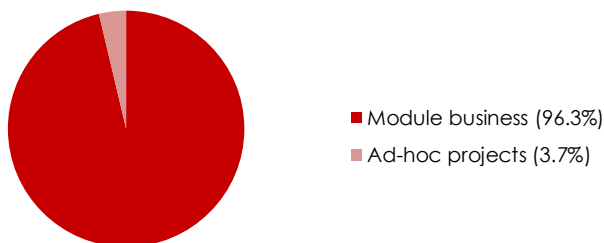
### Company description

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

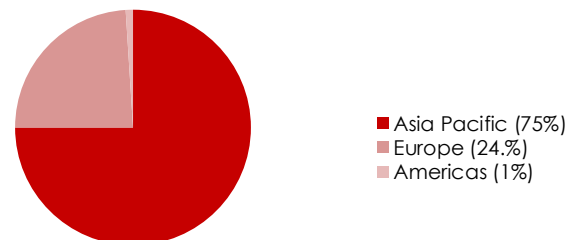
By segment



Source: Company, Internal estimates

### FY23 Revenue breakdown

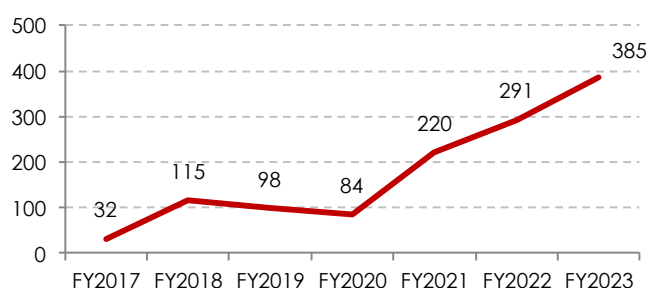
By geography



Source: Company, Internal estimates

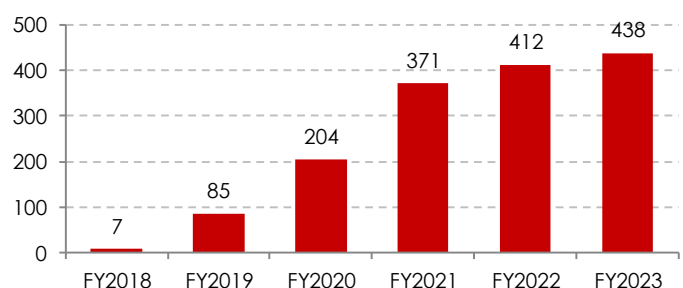
### Revenue comparison over 5 years

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