

24 May 2018 | 1QFY18 Results Review

D&O Green Technologies Berhad

Seasonal weakness in 1QFY18 earnings


INVESTMENT HIGHLIGHTS

- **1QFY18 earnings is deemed within expectation**
- **Earnings increased marginally by 3%yoy**
- **Earnings forecast maintained**
- **Maintain NEUTRAL and TP of RM0.70**

1QFY18 earnings is deemed within expectation. Although D&O's 1QFY18 net profit of RM5.1m makes up only 13% of our full year assumption, we deem the result as within expectation due to the seasonal effect. Note that 1Q earnings are usually weaker due to shorter operating period in China due to the Chinese New Year holidays. We expect earnings to pick up in the remaining quarters (especially in 4Q) as China consumers buy ahead of the Chinese New Year celebration. As expected, no dividend is announced.

Earnings increased marginally by 3%yoy. Although revenue declined slightly by 4.5% yoy (due to stronger Ringgit), cost of sales declined by more by 7.3% during the reporting period. We also think that better cost management and efficiency gains have caused overall earnings to improve yoy.

Earnings forecast maintained. We maintain our FY18 net profit forecast of RM40.9m. We also maintain our FY19 net profit forecast of RM56.2m.

Maintain NEUTRAL with TP of RM0.70. Our TP of RM0.70 is based on an unchanged PER of 25x pegged on FY18F EPS of 2.8 sen. The 25x PER is a slight discount to the average PER of global lighting players that average at 27x. We maintain our NEUTRAL call as the impact of stronger Ringgit yoy should keep the earnings growth limited. 

Maintain NEUTRAL

Unchanged Target Price (TP): RM0.70

RETURN STATS

Price (23 May 2018)	RM0.655
Target Price	RM0.70
Expected Share Price Return	+6.9%
Expected Dividend Yield	+2.0%
Expected Total Return	+8.9%

STOCK INFO

KLCI	1,804.25	
Bursa / Bloomberg	7204/ DOGT MK	
Board / Sector	Main/ Technology	
Syariah Compliant	Yes	
Issued shares (m)	1037.72	
Market cap. (RM'm)	679.71	
Price over NTA	3.40	
52-wk price Range	0.53-0.80	
Beta (against KLCI)	2.12	
3-mth Avg Daily Vol	0.72	
3-mth Avg Daily Value	0.46	
Major Shareholders (%)		
PRT Capital Pte Ltd	15.57	
Keen Capital Investments	14.79	
Omega Riang Sdn Bhd	10.87	
Price Performance (%)	Absolute	Relative
1 month	4.8	8.3
3 months	7.4	1.6
12 months	2.3	0.5

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	433.1	430.1	463.3	551.4	661.6
Pretax Profit (RM'm)	19.0	29.6	45.7	52.3	70.3
Net Profit (RM'm)	10.2	11.3	22.4	40.9	56.2
EPS (sen)	1.0	1.1	2.2	2.8	3.8
EPS growth	1298%	9%	98%	26%	37%
PER (x)	64.0	58.8	29.6	23.5	17.1
Net Dividend (sen)	N/A	N/A	1.0	1.3	1.8
Dividend yield (%)	N/A	N/A	1.5%	2.0%	2.7%
Gearing (x)	0.23	0.17	Net Cash	Net Cash	Net Cash
ROE (%)	5.5	5.7	9.1	11.0	13.3
ROA (%)	2.3	2.4	3.8	4.5	5.4
NTA per share (RM)	0.16	0.17	0.19	0.16	0.20
Price to NTA (x)	4.2	3.9	3.5	4.1	3.3

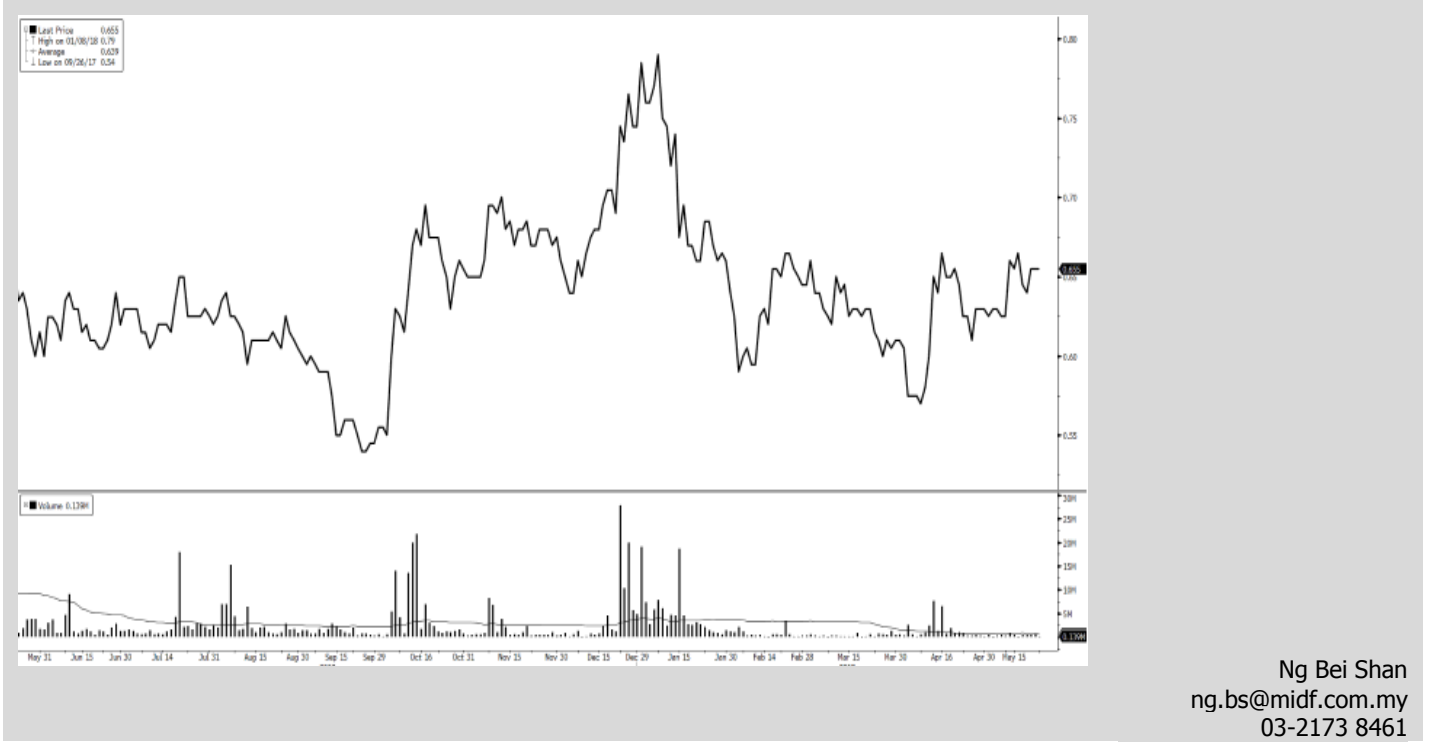
Source: Company, MIDF Research

D&O: 1QFY18 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	YoY	QoQ	3MFY18	YoY	
Revenue (RM'm)	113.08	-4.5%	-14.7%	113.08	-4.5%	Seasonally weaker quarter and forex impact
Gross Profit	30.84	4.0%	-10.9%	30.84	4.0%	
EBIT	9.87	13.0%	-36.2%	9.87	13.0%	Improved operational efficiency and higher GP margin
Pretax Profit (RM'm)	5.12	2.6%	-65.9%	5.12	2.6%	
Net Profit (RM'm)	5.12	2.8%	-26.2%	5.12	2.8%	
EPS (sen)	0.51	2.3%	-26.2%	0.51	2.3%	
Pretax margin (%/ppt)	8.73	4.51	-2.60	8.73	4.51	

Source: Company, MIDF Research

DAILY PRICE CHART



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MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.