

22 February 2018 | 4QFY17 Results Review

D&O Green Technologies Berhad

Higher impact from Dominant in FY18

Maintain NEUTRAL

Higher Target Price (TP): RM0.70
(Previously RM0.66)

INVESTMENT HIGHLIGHTS

- **FY17 earnings above expectation**
- **Earnings for FY17 almost doubled to RM22.4m**
- **Completed acquisition of Dominant shares**
- **Maintain NEUTRAL with higher TP of RM0.70**

FY17 earnings above expectation. D&O's FY17 PATAMI of RM22.4m is above our full year estimates of RM19.7m as well as consensus' RM20.3m. It has also announced an interim dividend of 0.5 sen, bringing full year DPS to 1.0 sen, higher than the 0.6 sen we had anticipated earlier on.

Earnings for FY17 almost doubled to RM22.4m. The huge jump in FY17 net profit is attributed to the 7.7% climb in revenue and improved margins. Notably, its PBT margin has improved by 3.0 ppt yoy due to better operational efficiency and product mix.


4QFY17 net profit up 76% yoy and 3% qoq to RM6.94m. This is its strongest quarter since 2009, supported by 3% qoq growth. Revenue from automotive increased by 20.8%qoq to RM126.9m, representing 96% of its overall revenue as D&O phases out its general lighting segment that commands lower margins.

Completed acquisition of Dominant shares. Following the conclusion of the acquisition of the additional 28% stake in main subsidiary, Dominant Opto Technologies Sdn Bhd (Dominant), from the latter's shareholders, we have imputed in its earnings contribution from FY18F onwards.

Better margin expected going forward. We have also factored in better profit margin for FY18F in anticipation of sustainable profit margin that is attributed to better product mix and improving operational efficiency. Our GP margin estimates have been adjusted to 26% from 24.7% previously. All in, we expect EPS to increase by 7.7% to 2.8 sen from our previous assumptions. We have also imputed higher dividend payout ratio for FY18F which led to an increase in DPS to 1.3 sen from 0.8 sen previously.

RETURN STATS	
Price (21 st Feb 2017)	RM0.65
Target Price	RM0.70
Expected Share Price Return	+7.7%
Expected Dividend Yield	+2.0%
Expected Total Return	+9.7%

STOCK INFO		
KLCI	1,858.17	
Bursa / Bloomberg	7204/ DOGT MK	
Board / Sector	Main/ Technology	
Syariah Compliant	Yes	
Issued shares (m)	1007.49	
Market cap. (RM'm)	654.87	
Price over NTA	3.40	
52-wk price Range	0.39-0.80	
Beta (against KLCI)	1.64	
3-mth Avg Daily Vol	3.27	
3-mth Avg Daily Value	2.37	
Major Shareholders (%)		
PRT Capital Pte Ltd	16.03	
Keen Capital Investments	15.23	
Omega Riang Sdn Bhd	11.19	
Price Performance (%)	Absolute	Relative
1 month	-1.5	-2.8
3 months	-12.8	-10.0
12 months	62.5	49.4

Maintain NEUTRAL with higher TP of RM0.70 (from RM0.66 previously). We maintain our NEUTRAL recommendation as there is limited upside to our TP from the current share price. 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. 

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)	63.5	58.4	29.4	23.3	16.9
Net Dividend (sen)	N/A	N/A	1.0	1.3	1.8
Dividend yield (%)	N/A	N/A	1.5%	2.0%	2.8%
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)	4.1	3.9	3.4	4.1	3.3

Source: Company, MIDF Research

D&O: 4QFY17 Results Summary

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	YoY	QoQ	FY17	YoY	
Revenue (RM'm)	132.53	3.0%	19.7%	463.34	7.7%	Better product mix
Gross Profit	34.63	8.4%	20.4%	117.61	17.2%	
EBIT	15.48	18.0%	0.6%	47.83	47.8%	Improved operational efficiency and higher GP margin
Pretax Profit (RM'm)	15.01	19.3%	0.9%	45.72	54.5%	
Net Profit (RM'm)	6.94	76.4%	3.1%	22.37	98.5%	
EPS (sen)	0.69	74.4%	2.8%	2.24	67.3%	
Pretax margin (%/ppt)	11.33	1.54	-2.12	9.87	2.99	

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.