

06 June 2018 | Corporate Update

D&O Green Technologies Berhad

Settlement of civil suit


INVESTMENT HIGHLIGHTS

- **Paying RM10.16m to settle civil suit**
- **Net gain of RM3.15m in 2QFY18 due to lower amount paid against amount in trade payable**
- **FY18 earnings forecast increased**
- **Maintain NEUTRAL with higher TP of RM0.74**

Paying RM10.16m to settle civil suit. D&O Green Technologies Berhad (D&O) has provided an update on the outcome of the civil suit against it. Note that Dominant Opto Technologies Sdn Bhd (Dominant – which is 89.8%-owned subsidiary of D&O) has agreed to pay RM10.16m to Geepar Enterprise Sdn Bhd (Geepar) to settle the matter. The original judgement was for RM18.96m amount but Geepar has offered to settle the matter with Dominant by agreeing to accept RM10.16m. In return, Dominant agreed not to appeal against the said judgement.

Net gain of RM3.15m in 2QFY18 due to lower amount paid against amount in trade payable. D&O is expected to recognise net gain of RM3.15m in 2QFY18. The net gain is due to lower payment of RM10.16m as compared to the amount owed to Geepar of RM13.31m in trade payable as of end-FY17. We expect minimal problem to D&O balance sheet and cash flow as it has cash exceeding RM50m and net cash of RM13.31m as of end-March 2018.

FY18 earnings forecast increased. We increase our FY18 net profit forecast by 5.9% (or RM3.15m) to RM43.3m. However, we maintain our FY19 net profit forecast of RM56.2m as the impact is one off.

Maintain NEUTRAL with higher TP of RM0.74. The higher TP of RM0.74 (from RM0.70) is due to increase in FY18 earnings forecast. Valuation method is unchanged by using PER of 25x pegged on FY18F EPS. 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

**Adjusted Target Price (TP): RM0.74
(Previously RM0.70)**

RETURN STATS	
Price (5 June 2018)	RM0.70
Target Price	RM0.74
Expected Share Price Return	+5.7%
Expected Dividend Yield	+1.9%
Expected Total Return	+7.6%

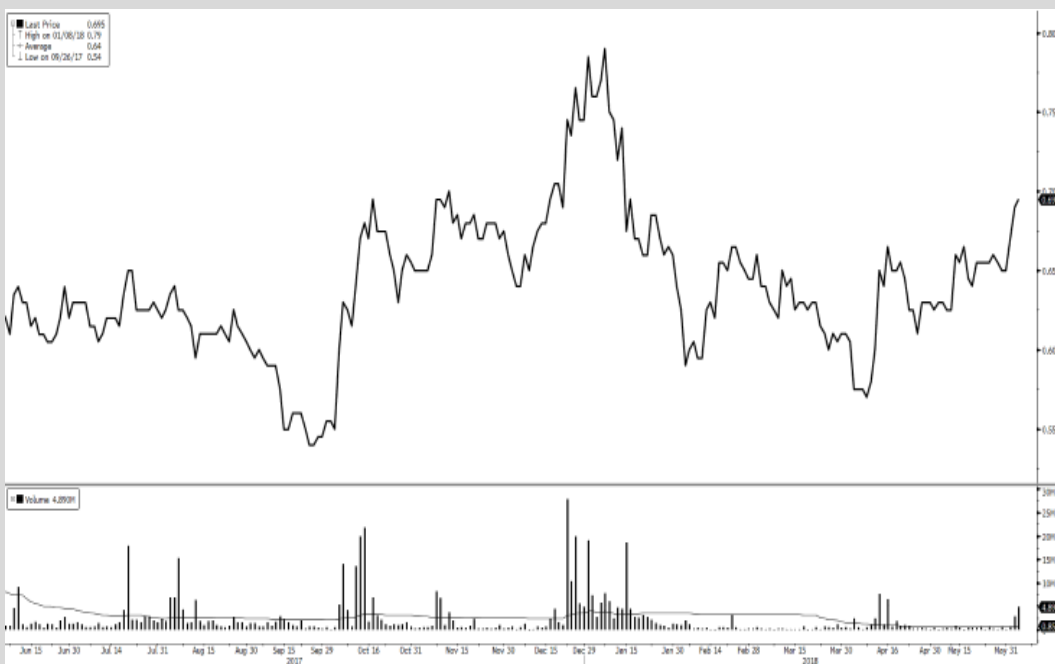
STOCK INFO		
KLCI	1,755.14	
Bursa / Bloomberg	7204/ DOGT MK	
Board / Sector	Main/ Technology	
Syariah Compliant	Yes	
Issued shares (m)	1037.72	
Market cap. (RM'm)	721.22	
Price over NTA	3.40	
52-wk price Range	0.53-0.80	
Beta (against KLCI)	1.76	
3-mth Avg Daily Vol	0.83	
3-mth Avg Daily Value	0.54	
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	10.3	15.8
3 months	13.9	14.4
12 months	11.2	13.5

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	55.5	70.3
Net Profit (RM'm)	10.2	11.3	22.4	43.3	56.2
EPS (sen)	1.0	1.1	2.2	3.0	3.8
EPS growth	1298%	9%	98%	34%	30%
PER (x)	67.9	62.4	31.5	23.5	18.1
Net Dividend (sen)	N/A	N/A	1.0	1.3	1.8
Dividend yield (%)	N/A	N/A	1.4%	1.9%	2.6%
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)	4.4	4.1	3.7	4.3	3.5

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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.