

## D&O Green Technologies Berhad

(7204 | DOGT MK) Technologies | Semiconductors

### Remained at Breakeven Level

#### KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL recommendation with an unchanged TP of RM3.91 as there was no notable improvement in 2QFY23 financial results**
- **2QFY23 earnings remained near the breakeven point at merely RM0.7m which led to 1HFY23 earnings of RM1.6m**
- **Recovery in demand in 2HFY23 will lead to better profitability, towards our FY23 earnings forecast of RM69.0m**
- **Demand from China remains the focal point, followed by Europe and USA**

**Demand remains lackluster.** We maintain our **NEUTRAL** recommendation on D&O with an unchanged **target price of RM3.91** post the 2QFY23 results announcement. 2QFY23 financial performance remained at breakeven level mainly due to the lackluster demand. Nonetheless, we are keeping our full year FY23 earnings estimates at this juncture as we expect some restocking activities in 2HFY23. This should greatly boost the utilization rate and thus profitability.

**Stagnant performance for the second consecutive quarter.** D&O's 2QFY23 earnings estimates came in at RM0.7m, similar to that of 1QFY23. This was premised on low utilization rate as quarterly revenue was rangebound at around RM220m level.

Meanwhile, on a year-over-year basis, revenue was down by -9.1%yoy mainly due to lower sales in China resulting from persistent inventory overhang and stumbling economic recovery which led to more cautious consumer spending especially on big-ticket items.

**Higher cost base has become a bane.** The group also experienced further cost pressure due to significant capacity expansion in 2022 and the effect of the minimum wage increase that took effect from May 2022.

In view of this, the group is taking proactive measures which include: i) streamlining the production process, ii) automating tasks, iii) optimizing yields and iv) rationalising the workforce.

**Anticipating a rebound in the subsequent quarters.** Cumulatively, 1HFY23 earnings only amounted to RM1.6m, a far cry from our FY23 earnings estimates of RM69.0m. Nonetheless, we are keeping our earnings projections unchanged at this juncture.

There are some positive signs of recovery within the automotive sector, supported by stimulus measures recently announced by the China's government. Evidently, the group had increased orders from June 2023 onwards. This indicates a positive shift in the consumer sentiment.

For context, sales from the Asia region made up 64.2% of the group's 1HFY23 revenue. Meanwhile, the Europe and USA regions contributed 26.6% and 7.6% respectively.



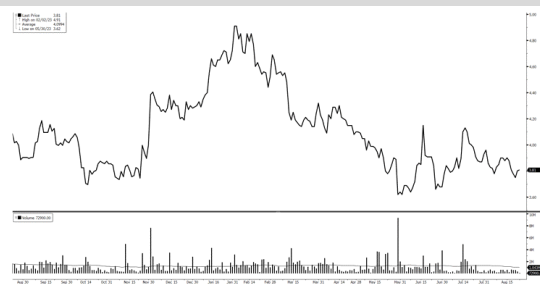
**Maintain NEUTRAL**

**Unchanged Target Price: RM3.91**

#### RETURN STATISTICS

Price @ 23 <sup>rd</sup> August 2023 (RM)	3.80
Expected share price return (%)	+2.9
Expected dividend yield (%)	+0.4
<b>Expected total return (%)</b>	<b>+3.3%</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.8	-6.6
3 months	3.5	-1.3
12 months	-6.8	-4.2

#### INVESTMENT STATISTICS (RM)

FYE December	2023E*	2024F	2025F
Revenue	962	1,043	1,172
Operating Profit	88.6	150.0	181.8
Profit Before Tax	89.4	150.4	182.9
Core PATAMI	69.0	113.4	136.4
Core EPS (sen)	6.0	9.9	11.9
DPS (Sen)	1.3	1.5	1.5
Dividend Yield (%)	0.3	0.4	0.4

#### KEY STATISTICS

FBM KLCI	1,440.11
Issue shares (m)	1237.2
Estimated free float (%)	69.77
Market Capitalisation (RM'm)	4,717.48
52-wk price range	RM3.49-RM4.94
3-mth average daily volume (m)	1.11
3-mth average daily value (RM'm)	4.25
Top Shareholders (%)	
PRT Capital Pte Ltd	13.07
Keen Capital Investments	12.39
Omega Riang Sdn Bhd	9.11

**D&O GREEN TECHNOLOGIES BHD: 2QFY23 RESULTS SUMMARY**

(All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	2QFY23	YoY (%)	QoQ (%)	2023	2022	YoY (%)
31st December						
Revenue	220.0	-9.1	2.4	434.7	483.7	-10.1
EBITDA	23.3	-35.3	20.0	42.7	88.9	-51.9
Depreciation and amortisation	-19.3	25.0	2.5	-38.2	-29.8	28.1
EBIT	4.0	-80.6	594.6	4.6	59.1	-92.3
Finance costs	-5.3	310.1	22.0	-9.6	-2.0	383.0
Interest income	2.0	55.0	-19.9	4.6	2.6	77.2
Associate contribution	0.0	n.m.	n.m.	0.0	0.0	n.m.
Profit before taxation	0.7	-96.4	-162.3	-0.5	59.7	-100.8
Taxation	-0.3	-91.3	-116.4	1.5	-8.7	-117.7
Non-controlling interest	0.3	-114.9	12.7	0.5	-5.3	-109.6
PATANCI	0.7	-95.3	-17.0	1.6	45.8	-96.6
EPS (sen)	0.1	-95.3	-17.0	0.1	37.2	-99.7
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	10.6	-4.3	1.6	9.8	18.4	-8.6
EBIT margin (%)	1.8	-6.7	1.5	1.0	12.2	-11.2
Normalised PATANCI margin (%)	0.3	-6.0	-0.1	0.4	9.5	-9.1
Effective tax rate (%)	40.1	23.2	-112.0	n.m.	14.5	322.3

Source: Company, MIDFR

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	846.5	983.0	961.6	1043.1	1171.8
EBITDA	189.0	157.6	161.7	232.5	267.6
EBIT	139.6	93.7	88.6	150.0	181.8
PBT	138.1	90.5	89.4	150.4	182.9
Normalised PATANCI	110.5	75.1	69.0	113.4	136.4
Normalised EPS (sen)	7.071	4.654	6.0	9.9	11.9
Normalised EPS Growth (%)	117.6	-34.2	29.3	64.3	20.3
PER (x)	53.7	81.7	63.2	38.4	32.0
Dividend Per Share (sen)	1.3	1.3	1.3	1.5	1.5
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4

Source: Company, MIDFR

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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology