

Dialog Group Berhad

(7277 | DLG MK) Energy | Energy Infrastructure, Equipment & Services

Collaborating in EV and Clean Energy with RM250m

KEY INVESTMENT HIGHLIGHTS

- **Dialog and Morimatsu expanded collaboration to Pengerang, with planned investment of RM250m**
- **Project to complete by 1QCY25 with expected 500 new job opportunities**
- **Joint venture targeting annual revenue of RM300m**
- **Maintain BUY with unchanged TP of RM3.28 per share**

RM250m collaboration in Pengerang. Morimatsu International Holdings Co. Ltd. (Morimatsu) and Dialog Group Bhd (Dialog) expanded its collaborative venture, Morimatsu Dialog (Malaysia) Sdn. Bhd. (MDSB) in Pengerang, Johor. This development involves an investment worth approximately RM250m which aims to enhance the engineering and fabrication services offered to both local and international clients. The expansion is projected for gradual completion by 1QCY25, which result in an 18,245sqm facility. This advancement will enable MDSB to meet regional and international demands while contributing to an additional 500 job opportunities in Johor.

Facilities to cater to tech and green energy. Morimatsu will be focusing on manufacturing equipment and modules used in the production of raw materials for EV batteries, semiconductors, and green energy. It was anticipated that the rapid growth in overseas demand in these sectors will primarily contribute to MDSB's growth, with an initial target of achieving an annual revenue of RM300m. Under MDSB, Dialog had also secured projects from other countries including USA, UK, Korea and Vietnam.

Positive collaboration for energy transition. We believe with Malaysia's call for an orderly energy transition and a boost in the oil and gas sector's role in advocating cleaner energy, Dialog is on a positive track. With the solid reputation of both Dialog and Morimatsu, we opine that this expansion will further enhance the value proposition of the collaboration, and further expand Dialog's portfolio in the near future.

No changes to earnings estimates. In consideration that the collaboration project in Pengerang is yet to commence until CY25, we make no changes to our earnings forecast. However, we are positive on Dialog's role in this venture, as it contributes partly to the nation's NETR and NIMP initiatives. We maintain our **BUY** call on Dialog with a **target price of RM3.28**, ahead of its 1QFY24 earnings announcement.

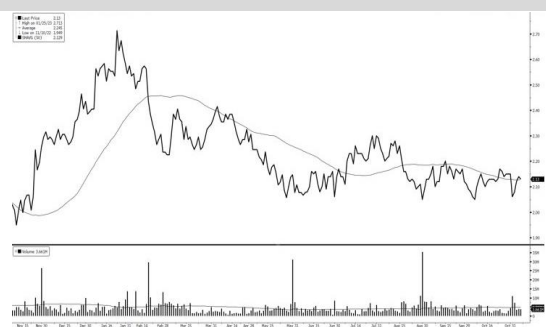
Maintain BUY

Unchanged Target Price: RM3.28

RETURN STATISTICS

| | |
|---------------------------------------|--------------|
| Price @ 7 th Nov 2023 (RM) | 2.13 |
| Expected share price return (%) | +54.0 |
| Expected dividend yield (%) | +1.4 |
| Expected total return (%) | +53.4 |

SHARE PRICE CHART



| Price performance (%) | Absolute | Relative |
|-----------------------|----------|----------|
| 1 month | 3.9 | 0.6 |
| 3 months | 0.5 | -4.9 |
| 12 months | 3.4 | 1.8 |

INVESTMENT STATISTICS

| FYE Mar | 2024E | 2025F | 2026F |
|-------------------|---------|---------|---------|
| Revenue | 3,339.0 | 3,536.8 | 3,622.8 |
| Operating Profit | 869.3 | 957.4 | 996.5 |
| Profit Before Tax | 834.3 | 922.4 | 960.5 |
| Core PATAMI | 756.5 | 834.8 | 869.6 |
| Core EPS | 13.4 | 14.8 | 15.4 |
| DPS | 0.3 | 0.4 | 0.5 |
| Dividend Yield | 1.4% | 1.6% | 1.6% |

KEY STATISTICS

| | |
|------------------------------------|---------------|
| FBM KLCI | 1,463.37 |
| Issue shares (m) | 5642.6 |
| Estimated free float (%) | 321.8 |
| Market Capitalisation (RM'm) | 12,018.7 |
| 52-wk price range | RM1.69-RM2.73 |
| 3-mth average daily volume (m) | 4.8 |
| 3-mth average daily value (RM'm) | 10.2 |
| Top Shareholders (%) | |
| Ngau Boon Keat | 19.12 |
| Employees Provident Fund Board | 15.02 |
| Kumpulan Wang Persaraan Diperbadan | 9.99 |

FINANCIAL SUMMARY

| Income Statement (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 2,319.03 | 3,001.53 | 3,339.0 | 3,536.8 | 3,622.8 |
| D&A | 239.25 | 254.91 | 266.53 | 275.77 | 283.02 |
| Net interest | -2.127 | 10.101 | -5.0 | -3.0 | -2.0 |
| Profit before tax | 550.30 | 553.89 | 834.3 | 922.4 | 960.5 |
| Tax | -44.42 | -33.27 | -72.8 | -84.6 | -88.9 |
| PATAMI | 505.88 | 520.62 | 761.5 | 837.8 | 871.6 |
| Core PATAMI | 508.01 | 510.52 | 756.5 | 834.8 | 869.6 |
| Balance Sheet (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
| Fixed assets | 2,710.58 | 2,750.11 | 2799.94 | 2861.42 | 2989.73 |
| Intangible assets | 807.09 | 922.45 | 942.46 | 1033.92 | 1144.85 |
| Non-current assets | 6,051.13 | 6,570.41 | 6,928.70 | 7,245.60 | 7,634.75 |
| Cash | 1,840.31 | 1,720.62 | 1,786.71 | 1,849.13 | 1,903.33 |
| Trade debtors | 859.88 | 904.614 | 968.46 | 984.95 | 995.11 |
| Current assets | 2,795.93 | 2,741.23 | 2,739.54 | 2,752.01 | 2,800.09 |
| Trade creditors | 740.70 | 906.99 | 890.31 | 855.45 | 819.62 |
| Short-term debt | 337.18 | 298.79 | 340.13 | 342.33 | 348.20 |
| Current liabilities | 1,148.40 | 1,266.07 | 1,300.63 | 1,410.10 | 1,635.42 |
| Long-term debt | 1,526.93 | 1,363.71 | 1,456.25 | 1,495.82 | 1,526.41 |
| Non-current liabilities | 2,046.21 | 1,885.25 | 1,774.34 | 1,862.52 | 1,970.10 |
| Share capital | 1,698.30 | 1,698.32 | 1,711.71 | 1,715.21 | 1,725.12 |
| Retained earnings | 3,359.72 | 3,881.43 | 3,375.59 | 3,553.87 | 3,822.92 |
| Equity | 5,652.45 | 6,160.32 | 6,471.39 | 6,707.60 | 7,033.56 |
| Cash Flow (RM'm) | 2022A | 2023A | 2024E | 2025F | 2026F |
| PBT | 550.30 | 553.89 | 834.3 | 922.4 | 960.5 |
| Depreciation & amortisation | 239.25 | 254.91 | 266.53 | 275.77 | 283.02 |
| Changes in working capital | -264.87 | 123.73 | -122.23 | -120.78 | -95.47 |
| Operating cash flow | 519.07 | 750.18 | 776.73 | 839.88 | 941.51 |
| Capital expenditure | -61.56 | -62.76 | -62.23 | -64.78 | -65.47 |
| Investing cash flow | -293.35 | -295.54 | -236.76 | -204.09 | -146.53 |
| Debt raised/(repaid) | -103.19 | -305.52 | -236.76 | -304.09 | -246.53 |
| Financing cash flow | 155.16 | -597.99 | 107.87 | -341.15 | 326.53 |
| Net cash flow | 380.87 | -143.36 | -90.78 | -78.80 | 16.89 |
| Beginning cash flow | 1,459.31 | 1,863.85 | 1905.1 | 1727.94 | 1782.15 |
| Ending cash flow | 1,840.18 | 1,720.50 | 1702.33 | 1682.12 | 1650.02 |
| Profitability Margins | | | | | |
| EBITDA margin | 2022A | 2023A | 2024E | 2025F | 2026F |
| PBT margin | +23.7% | +18.4% | 25.0% | 26.1% | 26.5% |
| Core PATAMI margin | +21.9% | +17.0% | 22.7% | 23.6% | 24.0% |

Source: Bloomberg, 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