

## D&O Green Technologies Berhad

(7204 | DOGT MK) Technologies | Semiconductors

### Anticipating Stronger Rebound Ahead

#### KEY INVESTMENT HIGHLIGHTS

- Upgrade to **BUY** from **NEUTRAL** previously with a revised TP of **RM4.03** post 3QFY23 results announcement
- **3QFY23 earnings of RM18.2m supported our view that the worst is over**
- **We deemed 9MFY23 earnings of RM19.8m to be within our expectation in anticipation of a much stronger performance in 4Q23**
- **Upbeat automotive market will continue to fuel the demand of automotive LED**

**The worst is over.** We are upgrading our recommendation to **BUY** from **NEUTRAL** previously with a higher **target price of RM4.03** in conjunction with the announcement of the 3QFY23 financial results. The quarterly performance showed that the worst is over. To recall, we alluded that the group was operating at breakeven level in 2QFY23.

Moving forward, we expect a strong recovery momentum to be seen in 4QFY23 and beyond. This will be mainly supported by the transition from internal combustion engine to the electric vehicle, especially in the China market.

**Commendable sequential performance.** D&O's 3QFY23 earnings improved by +15.8%yoy to RM18.2m. This was in tandem with the stronger revenue performance of RM272.0m. (+7.8%yoy). We understand that during the quarter-in-review the utilisation rate has been steadily increasing to beyond 80%.

Geographically, the improvement in revenue was mainly driven by the Asia and Europe regions which grew by +34.2% and +11.1%yoy to RM190.2m and RM62.6m respectively. Meanwhile, revenue from the USA declined by -17.9% to RM15.2m. We are not overly concerned by this as the latter only constitutes less than 10% of the total revenue.

**On track to a stronger performance in 4Q23.** On a cumulative basis, 9MFY23 earnings amounted to RM19.8m. This was mainly supported by the 3QFY23 earnings as the 1HFY23 financial performance was close to the breakeven level.

All in, we deemed the cumulative 9MFY23 financial performance to be within our expectation, making up 28.4% of our full year earnings estimates.

**Slight upgrade in valuation.** We are keeping our earnings estimates at this juncture. Nonetheless, we are inputting a higher target PER of 40.8x (previously 39.5x) pegged to FY24 EPS of 9.9sen. Our target PER represents one standard deviation above the five-year historical mean. The higher PER reflects the strong rebound in the group's outlook. All in, we are raising our **target price to RM4.03** from RM3.91 previously.

**Upgrade to BUY**

(Previously **NEUTRAL**)

**Revised Target Price: RM4.03**

(Previously **RM3.91**)

#### RETURN STATISTICS

Price @ 24 <sup>th</sup> November 2023 (RM)	3.55
Expected share price return (%)	+13.5
Expected dividend yield (%)	+0.4
<b>Expected total return (%)</b>	<b>+13.9</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month		
3 months		
12 months		

#### 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	1,453.92
Issue shares (m)	1,237.2
Estimated free float (%)	69.35
Market Capitalisation (RM'm)	4,346.40
52-wk price range	RM3.03-RM4.94
3-mth average daily volume (m)	1.18
3-mth average daily value (RM'm)	4.05
Top Shareholders (%)	
PRT Capital Pte Ltd	13.07
Keen Capital Investments	12.39
Omega Riang Sdn Bhd	9.11

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**D&O GREEN TECHNOLOGIES BHD: 3QFY23 RESULTS SUMMARY**

(All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	3QFY23	YoY (%)	QoQ (%)	2023	2022	YoY (%)
<b>31st December</b>						
Revenue	272.0	7.8	23.6	706.6	735.8	-4.0
EBITDA	44.6	24.1	91.1	87.3	124.8	-30.1
Depreciation and amortisation	-19.5	19.2	0.9	-57.7	-46.2	25.0
EBIT	25.1	28.3	528.3	29.6	78.7	-62.4
Finance costs	-5.9	143.5	11.5	-15.5	-4.4	251.6
Interest income	2.3	93.5	14.9	6.9	3.8	82.4
Associate contribution	0.0	n.m.	n.m.	0.0	0.0	n.m.
Profit before taxation	21.5	17.4	2772.1	21.1	78.1	-73.0
Taxation	-1.7	92.2	469.7	-0.2	-9.5	-98.1
Non-controlling interest	-1.6	-7.3	-683.5	-1.1	-6.9	-84.8
PATANCI	18.2	15.8	2448.2	19.8	61.6	-67.8
EPS (sen)	1.5	15.8	2448.8	1.6	50.0	-96.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	16.4	2.1	5.8	12.4	17.0	-4.6
EBIT margin (%)	9.2	1.5	7.4	4.2	10.7	-6.5
Normalised PATANCI margin (%)	6.7	0.5	6.4	2.8	8.4	-5.6
Effective tax rate (%)	7.9	3.1	-32.1	0.9	12.2	-11.4

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