



## Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

### Lacking Rerating Catalyst

#### KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with a lower target price of RM0.46 post the announcement of 2QFY24 financial results**
- **Contraction in 2QFY24 earnings was mainly led by lower demand of the group's products and services**
- **1HFY24 financial performance seems to indicate earnings may have peaked in FY23, in-line with our expectation**
- **Bulk of the group's revenue still depend on the income from Government while diversification effort remains muted**

**Earnings seem to plateau.** We are keeping our **NEUTRAL** recommendation for Datasonic with a lower **target price of RM0.46** subsequent to the 2QFY24 results announcement. The quarter-in-review supported our view that the group's earnings growth could plateau after a record year in FY23. On another note, the group's effort to diversify its earnings base outside the country has yet yielded meaningful results.

**Weaker quarterly performance.** Datasonic's 2QFY24 earnings contracted by -27.2%yoy and -4.8%qoq to RM18.1m. This was mainly attributable to lower revenue from the supply of smart cards, passport and personalization services (-11.1%yoy) which amounted to RM75.7m. This led to a contraction in the profit margin, dropping to 28.7% from 30.7% a year ago.

Sequentially, the decline in earnings was mainly led by the shift in product mix for the supply of personalization service to financial institutions which carry a lower profit margin.

**Kept pace with expectation.** Cumulatively, there was a marginal growth of +0.7%yoy recorded for Datasonic's 1HFY24 earnings. This was despite a decent growth in revenue to RM172.1m (+9.1%yoy). We note that the operating expenses increased at a faster pace of +13.8%yoy to RM120.7m.

All in, 1HFY24 financial performance came in within our expectation, making up 52.3% of our FY24 full year earnings estimates.

**No let up in dividend payment.** The group announced a 2QFY24 dividend of 0.6sen which led to 1HFY24 dividend of 1.2sen. This constitutes 60% of our full year dividend estimates.

**A more acceptable valuation.** While we made no changes to our earnings estimates at this juncture, we are reducing our **target price to RM0.46** (previously RM0.50). This is achieved by pegging CY24 EPS of 2.5sen against a more conservative target PER of 18.3x which the two-year historical mean. This is a slight reduction from 20x. We ascribe a lower valuation multiple to reflect the lack of progress in the group's effort to diversify its earnings base outside the country.



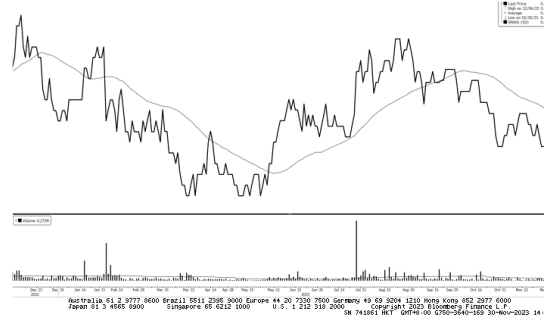
### Maintain NEUTRAL

**Revised Target Price: RM0.46**  
(Previously: RM0.50)

#### RETURN STATISTICS

Price @ 30th November 2023 (RM)	0.44
Expected share price return (%)	+4.5
Expected dividend yield (%)	+4.6
<b>Expected total return (%)</b>	<b>+9.1</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.3
3 months	-7.5	-11.0
12 months	-12.2	-9.7

#### INVESTMENT STATISTICS

FYE Mar	2024E*	2025F	2026F
Revenue	340	345	373
Operating Profit	108.7	110.4	119.4
Profit Before Tax	100.2	100.0	108.2
Core PATAMI	71.1	73.0	79.0
Core EPS	2.5	2.5	2.8
DPS	2.0	2.0	2.1
Dividend Yield	4.5%	4.6%	4.7%

#### KEY STATISTICS

FBM KLCI	1,452.74
Issue shares (m)	2,832.55
Estimated free float (%)	42.55
Market Capitalisation (RM'm)	1,208.41
52-wk price range	RM0.41-RM0.53
3-mth average daily volume (m)	3.48
3-mth average daily value (RM'm)	1.59
Top Shareholders (%)	
Urusharta Jamaah Sdn Bhd	8.83
Abu Hanifah bin Noordin	8.01
Kuantum Juang Sdn Bhd	6.05

**DATASONIC GROUP BERHAD: 2QFY24 RESULTS SUMMARY**

FYE Mar (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	2QFY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	87.2	-6.8	2.9	172.1	157.7	9.1
EBITDA	32.7	-28.8	7.5	68.6	70.6	-2.9
Depreciation and amortisation	-6.6	-32.3	>100	-15.4	-17.8	-13.3
EBIT	26.1	-27.9	-5.6	53.2	52.9	0.6
Interest expense	-0.8	130.5	9.3	-1.5	-0.6	>100
Interest income	0.2	86.4	<-100	0.5	0.2	>100
PBT	25.5	-29.1	-4.4	52.1	52.4	-0.6
Taxation	-7.3	-33.6	-3.7	-14.9	-15.5	-3.7
MI	0.0	125.0	<-100	0.0	0.0	37.5
PATANCI	18.1	-27.2	-4.8	37.2	36.9	0.7
EPS (sen)	0.64	-26.2	-4.6	1.32	1.29	2.0
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	37.5	-11.6	1.6	39.9	44.8	-11.0
EBIT margin (%)	29.9	-8.7	-2.7	30.9	33.5	-7.8
Normalised PATANCI margin (%)	20.8	-5.8	-1.7	21.6	23.4	-7.7
Effective tax rate (%)	28.7	-1.9	0.2	28.6	29.5	-3.1

Source: Company, MIDF

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	136.4	344.7	339.5	345.0	373.2
EBIT	16.7	121.4	108.7	110.4	119.4
PBT	12.7	108.2	100.2	100.0	108.2
PATANCI	10.2	76.4	71.1	73.0	79.0
Normalised PATANCI	10.3	76.9	71.1	73.0	79.0
Normalised EPS (sen)	0.4	2.7	2.5	2.5	2.8
Normalised EPS Growth (%)	1.0	649.3	-8.1	2.7	8.2
PER (x)	122.2	16.3	17.7	17.3	16.0
Dividend Per Share (sen)	0.6	2.0	2.0	2.0	2.1
Dividend yield (%)	1.4	4.5	4.5	4.6	4.7

Source: Company, MIDF

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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