

## Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

### Potential Blip in 3QFY24 Financial Performance

#### KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with an unchanged target price of RM0.46 post the briefing session on the 2QFY24 results**
- **Contribution from MyKad for 3QFY24 could be lower as the group has stop delivery since October 2023**
- **Earnings to be supported by steady demand for passport and newly commence i-Kad project**
- **The group's effort to expand business outside Malaysia yet to bear fruit**

**Near-term earnings pressure.** We are maintaining our **NEUTRAL** recommendation on Datasonic with an **unchanged target price of RM0.46** post the 2QFY24 briefings.

We are keeping our NEUTRAL recommendation for Datasonic with an unchanged target price of RM0.46 (which was recently lowered after the 2QFY24 results announcement). We are making an exception with our call (given that total returns are >+10%) as 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.

**Lower quantity delivered in 2QFY24.** To recap, 2QFY24 earnings declined by -27.2%yoy. We gathered that quantity of Mykad consumables, passport polycarbonate data pages, passport chips and passport booklets was lower comparatively (refer to figure 1).

Nonetheless, the supply of MyKad, passport chips and passport booklets came in higher as at 1HFY24. This led to a slight uptick in 1FH24 earnings to RM37.2m (+0.7%yoy).

**Figure 1: Supply of E-ID and e-passports (Quantity)**

	MyKad (Raw card & chips)	MyKad consumables	Passport Polycarbonate data pages	Passport chips	Passport booklets
2QFY23	400,000	1,164,564	838,273	850,000	850,000
2QFY24	487,500	20,139	724,887	810,000	810,000
Movement (%)	21.9	-98.3	-13.5	-4.7	-4.7
1HFY23	400,000	1,850,799	1,519,186	1,350,000	1,350,000
1HFY24	1,414,000	714,064	1,468,548	1,520,000	1,520,000
Movement (%)	253.5	-61.4	-3.3	12.6	12.6

Source: Company, MIDFR

**Temporary absence of Mykad contribution.** The management shared that they had stopped delivery of MyKad since October 2024. It is currently awaiting a new contract in December 2024 to resume the delivery of MyKad. This could potentially have an impact on its 3QFY24 earnings performance. Nonetheless, we understand that the renewal of the delivery of MyKad comes with higher ASP which could potentially lift 4QFY24 earnings.

**Maintain NEUTRAL**

**Unchanged Target Price: RM0.46**

#### RETURN STATISTICS

Price @ 1 <sup>st</sup> December 2023 (RM)	0.435
Expected share price return (%)	+5.7
Expected dividend yield (%)	+4.6
<b>Expected total return (%)</b>	<b>+10.3</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	1,456.38
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

**Foo Chuan Loong, Martin**  
martin.foo@midf.com.my

**Earnings support from passport and i-kad.** As of Sept 2023, management guided that there are estimated 4m unit of passports that are due for renewal. This would keep demand for passport to remain strong. In addition, the i-kad project has commence in August 2023. Demand to remain on upward trajectory at more than 100k i-Kad per month in conjunction with the upcoming announcement of i-Kad as the mandatory document for all foreign workers with approved Visa. To recall, the group won a contract worth RM140m to supply i-Kad for a period of three years until Oct 2025.

**Awaiting further progress from oversea project.** The management updated that it is finalizing the contract terms with the Republic of Guinea for a range of services including secure document printing, digitization, and biometric authentication for land management. Meanwhile, Datasonic is still working on replicating its core business outside Malaysia. 

## 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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### 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