



Datasonic Group Berhad

(5216 | DSON MK) Technology |

Diversification Effort Yet to Materialise

KEY INVESTMENT HIGHLIGHTS

- **Maintain Neutral with an unchanged target price of RM0.46 post the announcement of 3QFY24 financial results**
- **Contraction in 3QFY24 normalised earnings was mainly led by lower revenue from the supply of autogate**
- **Cumulative 9MFY24 normalised earnings of RM51.6m (-1.0%yoy) seems to indicate earnings may have peaked in FY23, in-line with our expectation**
- **Income from the Government remains intact while diversification effort remains muted**

Yet to see rerating catalyst. We are keeping our Neutral recommendation for Datasonic with an unchanged target price of RM0.46 subsequent to the 3QFY24 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.

Slower quarter. Datasonic's 3QFY24 normalised earnings contracted by -5.7%yoy and -10.2%qoq to RM15.2m. This was mainly attributable to lower revenue derived from the supply of autogate as revenue from the supply of smart cards, passport and personalization services.


Kept pace with expectation. Cumulatively, there is a marginal decline of -1.0%yoy seen for Datasonic's 9MFY24 normalised earnings of RM51.6m. This is despite a decent growth in revenue to RM252.6m (+5.3%yoy). We note that the contraction in the normalized earnings was mainly led by the increase in operation costs.

All in, 9MFY24 financial performance came in within our expectation, making up 72.6% of our FY24 full year earnings estimates.

No let up in dividend payment. The group announced 3QFY24 dividend of 0.5sen which led to 9MFY24 dividend of 1.7sen. This constitutes 85% of our full year dividend estimates.

Keeping earnings estimates and target price. We made no changes to our earnings estimates at this juncture. Our target price has also been maintained at RM0.46. This is achieved by pegging CY24 EPS of 2.5sen against unchanged target PER of 18.3x which the two-year historical mean.

No progress in diversification effort. In a separate announcement, the group also mentioned that there has been no material development with regards to its deal with the Republic of Guinea on digitization and land management matters.

Nonetheless, its core business remains intact as the group clinched the RM134.9m contract extension for Malaysian passport solutions and RM28.7m contract award for the supply of Mykad solutions. 

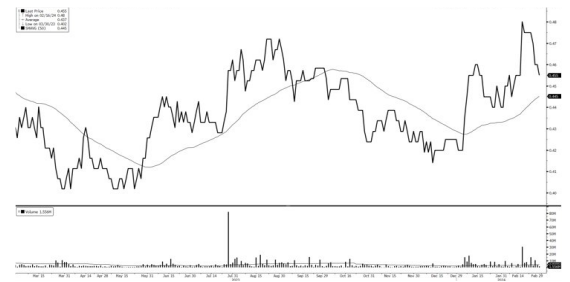
Maintain NEUTRAL

Unchanged Target Price: RM0.46

RETURN STATISTICS

Price @ 29th February 2024 (RM)	0.44
Expected share price return (%)	+4.5
Expected dividend yield (%)	+4.6
Expected total return (%)	+9.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.4	0.4
3 months	7.1	-1.2
12 months	0.0	-6.2

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	1,551.44
Issue shares (m)	2,832.55
Estimated free float (%)	42.47
Market Capitalisation (RM'm)	1,275.2
52-wk price range	RM0.41-RM0.51
3-mth average daily volume (m)	4.26
3-mth average daily value (RM'm)	1.91
Top Shareholders (%)	
Urusharta Jamaah Sdn Bhd	8.80
Abu Hanifah bin Noordin	8.04
Kuantum Juang Sdn Bhd	6.07

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

DATASONIC GROUP BERHAD: 3QFY24 RESULTS SUMMARY

FYE Mar (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	3QFY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	80.5	-1.9	-7.7	252.6	239.8	5.3
EBITDA	23.1	-17.6	-29.5	79.7	86.6	-7.9
Depreciation and amortisation	-0.7	-72.6	-89.2	-4.2	-8.3	-49.4
EBIT	22.4	-11.9	-14.3	75.5	78.2	-3.5
Interest expense	-0.9	82.6	5.2	-2.4	-1.1	122.2
Interest income	0.3	146.5	90.9	0.8	0.3	169.8
PBT	21.8	-12.8	-14.3	73.9	77.4	-4.6
Taxation	-5.4	-35.6	-26.8	-20.3	-23.8	-14.8
NCI	0.0	50.0	-200.0	0.0	0.0	42.9
PATANCI	16.5	-1.5	-9.1	53.7	53.7	0.0
Normalised PATANCI	15.2	-5.7	-10.2	51.6	52.1	-1.0
Normalised EPS (sen)	0.54	-17.9	-10.0	1.83	2.12	-13.8
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	28.7	-5.4	-8.9	31.6	36.1	-12.5
EBIT margin (%)	27.8	-3.1	-2.1	29.9	32.6	-8.3
Normalised PATANCI margin (%)	20.5	0.1	-0.3	21.2	22.4	-5.1
Effective tax rate (%)	24.5	-8.7	-4.2	27.4	30.7	-10.7

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

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