

## D&O Green Technologies Berhad

(7204 | DOGT MK) Technologies | Semiconductors

**Maintain NEUTRAL**

### Commendable Recovery Across All Markets

**Revised Target Price: RM3.85**  
(Previously RM3.21)

#### KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with a revised target price of RM3.85 post the 1QFY24 results announcement**
- **1QFY24 normalised earnings came in higher at RM13.2m, premised on strong revenue recovery and better margins**
- **Higher revenue contribution was observed across China, Europe and the USA**
- **Nonetheless, sharp rebound in share price since April 2024 led to expensive valuation of close to 50x**

**Expensive valuation.** We are keeping our **NEUTRAL** recommendation at this juncture with a revised **target price of RM3.85** post the 1QFY24 results announcement. The group posted a commendable first quarter, which historically is usually a rather weak quarter. This was due to strong car sales momentum, especially from Chinese car manufacturer. The momentum should continue to be seen in the coming quarters. However, we view that D&O's valuation is rather on the high side which currently trading at closer to 50x. This is quite a premium over its OSAT peers. Moreover, we view that there is little emphasis on dividends as the yield is well below one percent.

**Commendable start to the year.** D&O's 1QFY24 normalised earnings improved to RM13.2m from RM1.0m a year ago. This was mainly supported by higher capacity utilisation with revenue increasing by +27.5%yoy to RM273.7m. In addition, there was also better cost management and productivity improvement.

Geographically, revenue from Europe grew at the fastest pace of +45.9%yoy. This was followed by Asia (+21.3%yoy) and USA (+18.0%yoy). Nonetheless, the Asia market remains the group's largest contributor, making up more than 60% of total revenue.

**Came in better than expected.** We view the group's 1QFY24 financial performance to be above our expectation. This is even though it only constitutes 18.6% of our full FY24 earnings estimate. Note that seasonally, the first quarter is usually the weakest quarter.

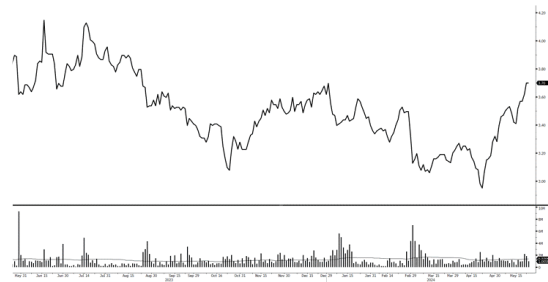
**Higher earnings estimates.** To better reflect the group's 1QFY24 financial performance, we raised our revenue assumption for the Asia and Europe markets. In addition, we also input a more favourable cost structure. This led to about 18% to 22% upward revision in FY24 to FY26 earnings estimates.

**Revision of target price.** Taking into consideration the adjustment in earnings estimates, our target price has also been revised upwards to **RM3.85** (previously RM3.21). This is based on revised FY25 EPS of 9.4sen against unchanged target PER of 40.8x. Note that our PER target represents +1SD above the five-year mean.

#### RETURN STATISTICS

Price @ 27 <sup>th</sup> May 2024 (RM)	3.71
Expected share price return (%)	+3.8
Expected dividend yield (%)	+0.4
<b>Expected total return (%)</b>	<b>+4.2</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	17.5	14.0
3 months	15.6	0.3
12 months	-2.6	-15.2

#### INVESTMENT STATISTICS (RM)

FYE December	2024E*	2025F	2026F
Revenue	1,214	1,344	1,488
Operating Profit	118.4	145.6	173.5
Profit Before Tax	107.3	133.5	160.4
Core PATAMI	86.9	108.1	129.9
Core EPS (sen)	7.6	9.4	11.3
DPS (Sen)	1.3	1.3	1.3
Dividend Yield (%)	0.4	0.4	0.4

#### KEY STATISTICS

FBM KLCI	1,618.27
Issue shares (m)	1,238.29
Estimated free float (%)	64.47
Market Capitalisation (RM'm)	4,581.69
52-wk price range	RM2.92-RM4.17
3-mth average daily volume (m)	1.37
3-mth average daily value (RM'm)	4.47
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: 1QFY24 RESULTS SUMMARY**

Financial year ending 31 <sup>st</sup> December (All in RM'm unless stated otherwise)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)
Revenue	273.7	214.7	27.5	310.0	-11.7
EBITDA	39.1	19.4	101.2	54.4	-28.1
Depreciation and amortisation	-21.7	-18.9	14.9	-22.6	-4.0
EBIT	17.4	0.6	>100	31.8	-45.2
Finance costs	-5.9	-4.3	35.1	-6.0	-2.4
Interest income	1.9	2.6	-26.5	2.7	-29.3
Contribution from JV	0.0	0.0	n.m.	0.0	n.m.
Profit before taxation	13.4	-1.2	<-100	28.4	-52.7
Taxation	-1.0	1.8	<-100	-1.6	-37.6
Non-controlling interest	-1.2	0.2	-585.2	-2.5	-53.9
PATANCI	11.3	0.9	>100	24.3	-53.6
Normalised PATANCI	13.2	1.0	>100	23.4	-43.6
EPS (sen)	0.8	0.1	1428.3	1.5	-45.7
			+/- ppts		+/- ppts
EBITDA margin (%)	14.3	9.0	5.2	17.5	-3.3
EBIT margin (%)	6.4	0.3	6.1	10.3	-3.9
Normalised PATANCI margin (%)	4.1	0.4	3.7	7.8	-3.7
Effective tax rate (%)	7.6	152.0	-144.5	5.7	1.8

Source: Company, MIDFR

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	983.0	1016.6	1213.9	1343.6	1487.9
EBITDA	157.6	141.7	208.1	244.5	271.3
EBIT	93.7	61.4	118.4	145.6	173.5
PBT	90.5	49.5	107.3	133.5	160.4
Normalised PATANCI	117.3	46.0	86.9	108.1	129.9
Normalised EPS (sen)	7.3	2.8	7.6	9.4	11.3
Normalised EPS Growth (%)	2.8	-60.8	166.0	24.5	20.1
PER (x)	51.1	130.3	49.0	39.4	32.8
Dividend Per Share (sen)	1.3	1.3	1.3	1.3	1.3
Dividend yield (%)	0.4	0.4	0.4	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