

Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

Dependency on Government Income Remains High

KEY INVESTMENT HIGHLIGHTS

- **Maintain Neutral with a revised target price of RM0.53 post the announcement of 4QFY24 financial results**
- **With quarterly revenue of above RM100m, 4QFY24 normalised earnings improved by +78.4%yoy to RM38.0m**
- **This led to FY24 normalised earnings of RM89.2m which was better than our expectation**
- **Nonetheless, we are disappointed by the lack of progress on the group's effort to diversify its income away from the Government**

Awaiting progress on revenue diversification. We are keeping our Neutral recommendation for Datasonic with a revised target price of RM0.53 subsequent to the 4QFY24 results announcement. Datasonic posted a commendable FY24 earnings performance, supported by higher demand for its products and services. On the flip side, it also raises our concern about the group's effort to diversify its income away from the Government. For instance, it was also announced that there has been no material development on digitalisation and land management matters with the Republic of Guinea since December 2022.

Quarterly revenue increases to above RM100m. Datasonic's 4QFY24 normalised earnings expanded by +78.4%yoy to RM38.0m. This was mainly led by higher revenue of RM115.7m (+10.3%yoy). Note that there is higher delivery of smart cards, passport and personalisation services.

Exceed expectation. The above led to full year FY24 normalised earnings of RM89.2m, an increase of +22.6%yoy. Note that apart from the higher revenue, the profit margin also expanded to 24.2% from 21.1% previously.

All in, Datasonic's FY24 financial performance surpasses our expectation, making up 125.4% of our FY24 full year earnings estimates.

Attractive dividend yield. The group announced 4QFY24 dividend of 1.3sen which led to FY24 dividend of 3.0sen. This is significantly higher as compared to FY23 dividend of 2sen which was premised on better earnings performance.

Upward revision of earnings estimate. Taking a cue from the 4QFY24 earnings performance, we revise upwards FY25 and FY26 earnings to RM97.7m and RM107.4m respectively. This is achieved by inputting a higher income base as well as healthier profit margin.

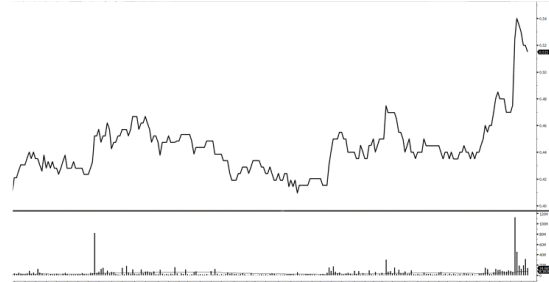
Conservative valuation. We are inputting a more conservative target PER of 15.6x (previously 18.3x) which is -0.5SD below the two-year historical mean. Our conservative valuation reflects our concern about the group's lack of traction on the effort to diversity its income base away from the Government. Premised on this, we arrive at a new target price of **RM 0.53** (previously RM0.46), by pegging CY24 Eps of 3.4sen against PER of 15.6x.

Maintain NEUTRAL**Revised Target Price: RM0.53**
(Previously: RM0.46)

RETURN STATISTICS

Price @ 30th November 2023 (RM)	0.515
Expected share price return (%)	+2.9
Expected dividend yield (%)	+5.8
Expected total return (%)	+8.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	13.2	10.9
3 months	17.0	11.1
12 months	18.4	2.9

INVESTMENT STATISTICS

FYE Mar	2024E*	2025F	2026F
Revenue	394	421	458
Operating Profit	138.9	149.0	163.0
Profit Before Tax	133.8	147.2	165.0
Core PATAMI	97.7	107.4	120.4
Core EPS	3.5	3.8	4.3
DPS	3.0	3.0	3.0
Dividend Yield	5.8	5.8	5.8

KEY STATISTICS

FBM KLCI	1,604.26
Issue shares (m)	2,832.55
Estimated free float (%)	42.62
Market Capitalisation (RM'm)	1,437.94
52-wk price range	RM0.41-RM0.55
3-mth average daily volume (m)	8.16
3-mth average daily value (RM'm)	4.02
Top Shareholders (%)	
Urusharta Jamaah Sdn Bhd	8.84
Abu Hanifah bin Noordin	8.07
Kuantum Juang Sdn Bhd	6.09

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DATASONIC GROUP BERHAD: 4QFY24 RESULTS SUMMARY

FYE Mar (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	115.7	10.3	43.9	368.3	344.7	6.8
EBITDA	49.9	43.2	68.7	129.6	121.4	6.8
Depreciation and amortisation	-0.7	-79.9	-90.0	-4.9	-11.9	-58.6
EBIT	49.2	57.3	120.0	124.7	109.5	13.9
Interest expense	-0.8	41.3	-3.9	-3.2	-1.7	94.0
Interest income	0.2	188.2	-30.0	1.0	0.4	173.7
PBT	48.6	58.0	122.7	122.5	108.2	13.2
Taxation	-10.0	23.9	86.6	-30.2	-31.8	-5.0
MI	0.0	-50.0	-55.6	0.0	0.0	37.5
PATANCI	38.6	70.0	134.3	92.2	76.3	20.8
Normalised PATANCI	38.0	78.4	140.5	89.2	72.8	22.6
Normalised EPS (sen)	1.35	80.6	140.9	3.17	2.55	24.1
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	43.1	9.9	6.4	35.2	35.2	-0.1
EBIT margin (%)	42.5	12.7	14.7	33.9	31.8	6.6
Normalised PATANCI margin (%)	32.9	12.5	13.2	24.2	21.1	14.7
Effective tax rate (%)	20.6	-5.6	-4.0	24.7	29.4	-16.1

Source: Company, MIDF

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	344.7	368.3	394.5	421.2	458.4
EBIT	109.5	124.7	138.9	149.0	163.0
PBT	108.2	122.5	133.8	147.2	165.0
PATANCI	76.3	92.2	97.7	107.4	120.4
Normalised PATANCI	72.8	89.2	97.7	107.4	120.4
Normalised EPS (sen)	2.6	3.3	3.5	3.8	4.3
Normalised EPS Growth (%)	608.9	28.3	5.9	10.0	12.1
PER (x)	20.2	15.7	14.8	13.5	12.0
Dividend Per Share (sen)	2.0	3.0	3.0	3.0	3.0
Dividend yield (%)	3.9	5.8	5.8	5.8	5.8

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