

Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

Secured First Overseas E-Passport Project

KEY INVESTMENT HIGHLIGHTS

- **Upgrade to BUY with an unchanged target price of RM0.53 post the analyst briefing on 4QFY24 financial results**
- **Future earnings growth will be supported by anticipation of higher revenue recognition and healthier profit margin**
- **Won its first overseas e-passport project for a west African country**
- **Seeking to win more local project such as the Mbike solution for the Johor-Singapore causeway**
- **Recent share price weakness led to attractive dividend yield of more than 6%**

On a better footing. We are upgrading our recommendation for Datasonic to **BUY** from NEUTRAL previously with an unchanged target price of **RM0.53** post the analyst briefing on 4QFY24 results. The combination of higher ASP, minimal depreciation and amortisation cost, continuous improvement in operational efficiency as well as anticipation of lower effective tax rate would serve as the group's growth engine in the foreseeable future. Notwithstanding this, we are also delighted that the group has won an overseas e-passport project which would serve as a good reference project for neighbouring and other countries around the globe. On another note, given the recent share price weakness, we view that dividend yield has become attractive at more than 6%.

Upward revision in ASP. To recap, 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). Apart from higher demand, management also guided that there is an upward revision in average

	MyKad (Raw Card & Chips)	MyKad Consumables	Passport Polycarbonate Data Pages	Passport Chips	Passport Booklets
FY2024 Q1	926,500	693,925	743,661	710,000	710,000
FY2024 Q2	487,500	20,139	724,887	810,000	810,000
FY2024 Q3	-	-	719,270	800,000	800,000
FY2024 Q4	738,000	845,130	744,662	940,000	940,000
FY24 Total	2,152,000	1,559,194	2,932,480	3,260,000	3,260,000
FY23	1,011,000	2,856,261	3,217,586	2,800,000	2,800,000

Source: Company

Secured first overseas e-passport project. Management shared that the group has secured a 5-year e-passport contract in May for the supply of 500k units of passport chip, booklet and polycarbonate datapages worth RM20m for a west African country. This works out to about RM40 per passport. While the name of the country is not disclosed, we understand that the country has a population of more than 20m. Premised on the guided population size, we guess that it could be either Mali or Burkina Faso. Management guided that delivery of the passport should start towards the end of 2024. We are positive on this news as

Upgrade to BUY

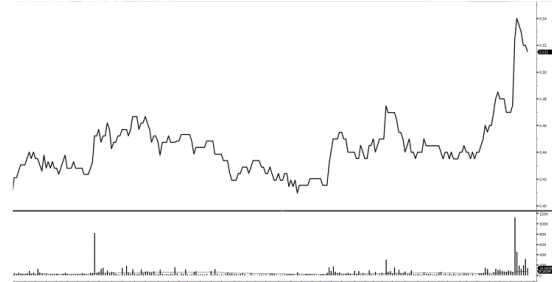
(Previously NEUTRAL)

Unchanged Target Price: RM0.53

RETURN STATISTICS

Price @ 31 st May 2024 (RM)	0.485
Expected share price return (%)	+9.3
Expected dividend yield (%)	+6.2
Expected total return (%)	+15.5

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	6.2	6.2	6.2

KEY STATISTICS


FBM KLCI	1,596.68
Issue shares (m)	2,832.55
Estimated free float (%)	42.62
Market Capitalisation (RM'm)	1,373.79
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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this will serve as a reference for the neighboring countries as well as other countries around the globe. A quick on OECD indicated that West Africa currently has a population of around 446m.

Existing project update. On the issuance of foreign worker card, I-Kad, the monthly issuance has surpassed 100k per month. This is expected to increase further to 150k per month. Delivery of the I-Kad is expected to start June 2024. Meanwhile, regarding the autogate business, Datasonic is expected to deploy another 40 autogates at KLIA, bringing the total number of autogates to a combined 98 at both KLIA and KLIA2. The group has also submitted a tender for additional 40 autogates at Bangunan Sultan Iskandar (BSI), Johor as well as autogate maintenance for MACS for 3 years. On another note, Datasonic also proposed a new AI-based Mbike solution for the Johor-Singapore causeway which will reduce the clearance time to 10 seconds from 20 seconds at present.

A Malaysia Digital Status Company. Management shared that one of the group's subsidiaries has applied for a Malaysia Digital Status company. Previously known MSC Malaysia Status, the status will enable a company to obtain tax exemption for 5 + 5 years. Based on Datasonic's business units, the group would have the overall effective tax rate halved to around 14 or 15%. At this juncture, it is still pending for approval from MoF. Should this take place, it would further reduce the tax payment and thus, lift the profit higher.

ESG achievement. Management shared that the group has been included in FSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index since December 2023. It has received a 3-star ESG rating based on the December 2023 review results. 

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