Initiation Report| Wednesday, 20 July 2022

Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

***Initiate with* BUY**

Prominent Player in Identity and Security Space

Target Price: RM0.57

KEY INVESTMENT HIGHLIGHTS

- **We initiate coverage on Dsonic with a BUY recommendation and a target price of RM0.57**
- **Our valuation was derived by pegging its FY23F core EPS of 2.94sen to the five years average mean PER of 19.5x**
- **We like Dsonic due to its world class ID security technologies that keep digital innovation accelerating forward without compromising identity and nation security**

COMPANY BACKGROUND

Datasonic Group Berhad (Dsonic or the Group) was incorporated on 22 October 1980 and listed on the Main Market in 2012. It provides ICT solutions which include smart card personalisation such as secure ID or chip-based credit / debit / bank cards, customisation of software and hardware solutions, project management, consultancy, research and development (R&D) and technical consultancy services. It has three business segments namely Customised Smart Card Solutions (CSCS), Manufacturing (MA) and Investment holding (IH). The CSCS segment is engaged in the provision of largescale customized software and hardware systems for secure identification (ID), total smart card solutions and information and communications technology (ICT) project management. The MA segment is engaged in manufacturing of cards. The IH segment is engaged in investment holding and provision of management services to the group of companies.

EXECUTIVE SUMMARY

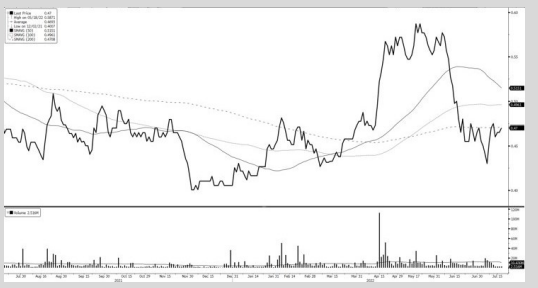
Dsonic has been evolved over time since its commencement, from just selling ICT products in the form of computer forms and credit card imprinters to financial institutions in Malaysia, to supplying smart card personalisation systems and solutions, consumables and provide technical support and maintenance services to National Registration Department (NRD) Malaysia. In tandem to growing concern over identity fraud in this digital age, we opine that Dsonic's world class ID security technologies could keep innovation accelerating forward without compromising identity and nation securities. We believe the Group is ready to capture the growing market of digital identity and security space. Therefore, we initiate coverage on Dsonic with a **BUY** recommendation and a target price of **RM0.57**. Our valuation was derived by pegging its FY23F core EPS of **2.94sen** to the five years average mean PER of **19.5x.**

KEY INVESTMENT THESIS

1. Prominent player in producing national ID security with Malaysian government
2. Prime beneficiary of full reopening of borders
3. Strong cash position and almost non-existence gearing ratio

RETURN STATISTICS	
Price @19th July 2022 (RM)	0.47
Expected share price return (%)	+21.3
Expected dividend yield (%)	+3.9
Expected total return (%)	**+25.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.1	-0.2
3 months	1.1	-2.8
12 months	0.0	6.4

KEY STATISTICS	
FBM KLCI	1,428.76
Syariah compliant	Yes
Issue shares (m)	2,865.36
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Estimated free float (%)	52.89
Market Capitalisation (RM'm)	1,346.25
52-wk price range	RM0.39 - RM0.6
Beta vs FBM KLCI (x)	0.95
Monthly velocity (%)	7.09
Monthly volatility (%)	22.86
3-mth average daily volume (m)	10.56
3-mth average daily value (RM'm)	5.66
Top Shareholders (%)	
Urusharta Jamaah Sdn Bhd	9.25
Chew Ben Ben	8.81
DEMI MEKAR SDN BHD	6.00

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A. BUSINESS OVERVIEW

Forte in national ID security; three business segments. Dsonic is known for its forte in national ID security with its world class security technologies. The Group main revenue contributors are coming from the issuance of passport booklets and identification cards. Apart from that, Dsonic also generates its revenue from other stream of incomes such as the birth certificates, personalization of financial cards and provision of largescale customized software and hardware systems for secure ID. In general, Dsonic classifies its business segments into three categories which are the Customised Smart Card Solutions (CSCS), Manufacturing (MA) and Investment holding (IH). The CSCS segment is engaged in the provision of largescale customized software and hardware systems for secure ID, total smart card solutions and information and communications technology (ICT) project management. The MA segment is engaged in manufacturing of cards while the IH segment is engaged in investment holding and provision of management services to the group of companies.

Regular service provider to NRD. Since its inception, Dsonic has been involved in provision of Malaysia National ID (MyKad) as a first in the world pioneer multi-application smartcard program since 1999. Subsequent to the pilot project in Klang Valley and thereafter the National Rollout in 2005, the Group has been a regular service provider to the National Registration Department (NRD), an agency of the Home Affairs Ministry (KDN) of Malaysia. This has been via cutting edge R&D efforts enhanced with the latest technology such as centralised and decentralised laser engraving; retransfer printing system to replace Dye Diffusion Thermal Transfer (D2T2) printing and provision of entire infrastructure, hardware & software solutions inclusive of application systems at over 56 Distributed Printing centres and more than 200 NRD branches nationwide, supply of full polycarbonate material with improved security features using Datasonic in-house Operating System (OS), technical support and maintenance services for issuance of consistently high quality national IDs at state level and major branches to continuously shorten delivery lead time resulting in improved public delivery services.

End-to-end supplier of passports. Ever since the initial involvement in Immigration Department of Malaysia, [Jabatan Imigresen Malaysia (JIM)] commencing from late 1990s, Dsonic has matured into a comprehensive end-to-end supplier of International Civil Aviation Organization (ICAO) standard electronic-passport comprising Polycarbonate Data Page, Passport Chips and Machine Readable Travel Document (Passport Booklets) with its own manufacturing plants in Malaysia. It commenced since the late 1990s with provision of Foreign Workers systems; Visa, Pass & Permit systems; Data Centre & Helpdesk and technical support & maintenance of previous passport printers. In 2011, Datasonic successfully won the contract through open tender from Malaysian Government to supply ICAO standard high quality polycarbonate data page with advanced security features such as first of its kind "picture quality Ultra Violet (UV)" as well as "class 1" laser engraving printing system & solutions in addition to technical support and maintenances services for 66 JIM branches nation-wide and 7 overseas attaches in United States, United Kingdom, Australia, Republic of Indonesia, Jeddah, Singapore and Hong Kong supported by skilled competent engineers & technicians.

Further innovative security features. Subsequently in 2016, Datasonic was given a further contract to supply ICAO standard Passport Chips and Passport Booklets with better quality product and innovative security features. The Group has also successfully implemented the integration and upgrade of auto gates readers to ensure compatibility of the ICAO compliant Data Page at all 120 immigrations' auto gate check-points nationwide since 2016 through open read of Machine Readable Zone (MRZ) of key generated in passport chip for authentication of Data Page information. In 2017, Dsonic had successfully set up its own manufacturing facilities (gazetted by Chief Government Security Office as "Highly Secured Area") in addition to the latest equipment and specialized machinery for printing, production and assembling of visa pages, passport cover and passport booklets for the new Malaysian Passport Travel Document that was first issued in November of that same year and launched on 11th January 2018 by the Malaysia Ministry of Home Affairs (KDN).

Some of key milestones for the Group include the following:

2019
Secured the contract to provide for maintenance services of card personalization centres at the National Registration Department for 2 years duration from 1 Jun 2019 to 31 May 2021.
Secured contract to supply, deliver, install and commission 16 units of foreigner e-gate with facial recognition system at the Malaysia-Singapore entry/exit point for the Immigration Department of Malaysia from 15 February 2019 to 14 February 2020.
2020
Secured extension of contract to supply, deliver, install and commission additional 6 units of foreigner e-gate with facial recognition system at the Malaysia-Singapore entry/exit point for the Immigration Department of Malaysia from 15 February 2020 to 14 February 2021.
Secured extension of contract to supply 12m units of MyKad raw cards and MyKad consumables for the National Registration Department of Malaysia for a year duration from 1 January 2020 to 31 December 2020.
Received Letter of Change of Scope ("LOCS") for the revision of supply of Malaysia Passport Chips from 12.5m to 11.0m with addition of new scope of works included for the maintenance services for hardware and software of Autogate and Chips and the maintenance services for equipment and application of Public Key Infrastructure and Public Key Directory; from 1 December 2016 to 30 November 2021.
2021
Secured contract to supply for the comprehensive maintenance services of equipment, software and application for the Facial Live Capture Image (FLC) System at all issuing and receiving offices of Immigration Department of Malaysia for a period of 36 months, commencing from 25 February 2021 to 24 February 2024.

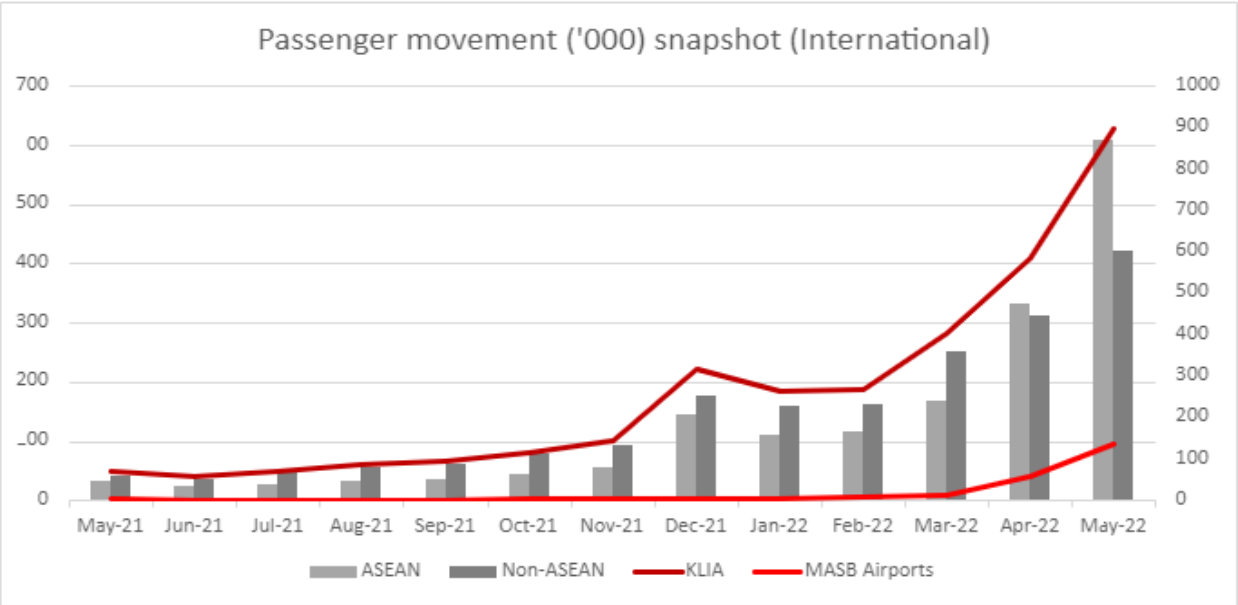
B. KEY INVESTMENT THESIS

1. Prominent player in producing national ID security with the Malaysian government

As a prominent player in producing national ID security with the Malaysian government, Dsonic has turned passports, smart cards, biometrics, laser engraving, Public Key Infrastructure (PKI) and other key technologies into exceptional strong lines of defence against fraud and forgery. With over a decade of experience in Malaysia government domain, Dsonic has issued almost 25m of MyKads and Malaysia Passports as to date. As the Group is known to be the current vendor of the MyKad raw card, chip, and laser printing system since 2012 as well as the existing 1-year contract that will expire on 14 Feb 2023, we believe that the likelihood of the Group to win the new generation of MyKad contract, which is expected to be rolled out soon, is very high.

2. Prime beneficiary of full reopening of borders

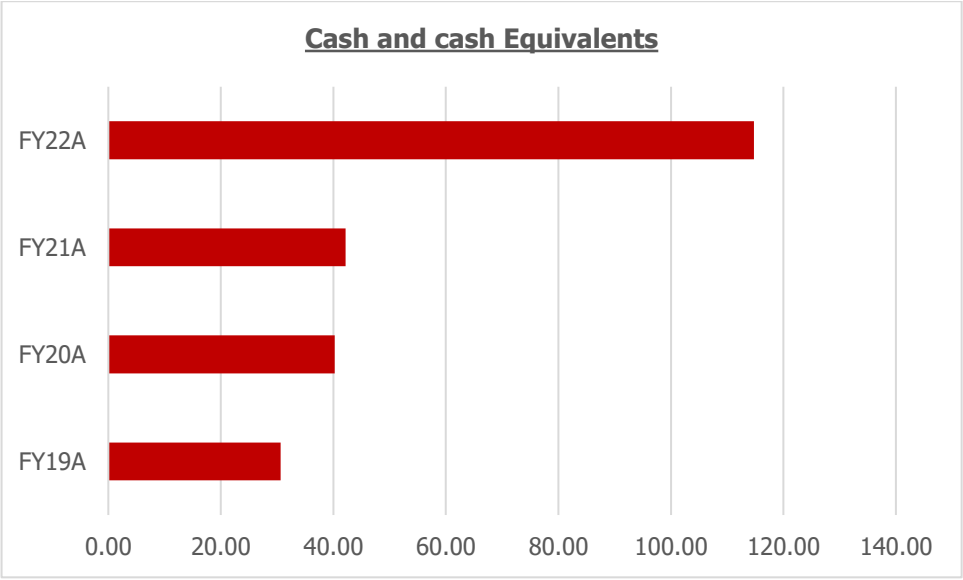
After nearly two years of COVID-19 pandemic-related closure, Malaysia has now all set to welcome the local and international travellers to travel in and out of the country. According to the data from MASB Airport, the trend of passengers' movement across KLIA to both ASEAN and Non-ASEAN countries recorded a new high in the month of May 2022, despite the inflationary pressures, which incurred worries among the investors if travelling demands has recently dropped. The fact that countries have shut down borders for almost two years, we think this travelling trend is inflation insulated and likely stay, which definitely benefits our sole passport issuance company, Dsonic, who could ride on the travel booms.



Source: MASB Airports, MIDFR
Note MASB Airports refers to the 38 Malaysian airports other than KLIA/KUL operated by Malaysia Airports Sdn Bhd.*

3. Strong cash position and almost non-existence gearing ratio

Dsonic is sitting on a net cash pile of RM114.7m as of FY22, with a compound annual growth rate (CAGR) of +55.3% over the last 4 years from FY19 to FY22. The gearing is almost non-existent at 0.10% as of FY22, which bode well to the Group's balance sheet, allowing it ready access to liquidity. The Group has stated that it will not further enhance its pioneer business activities of card personalisation services due to flattish growth as more and more local players entering the market. Instead, Dsonic plans to utilise the cash pile into digital ID security segments, in tandem with digitalization era. We think the readily strong cash position will give the Group extra advantage to explore the growing market which is more capital intensive as well as allowing the Group to stay competitive in producing cutting-edge security technology.

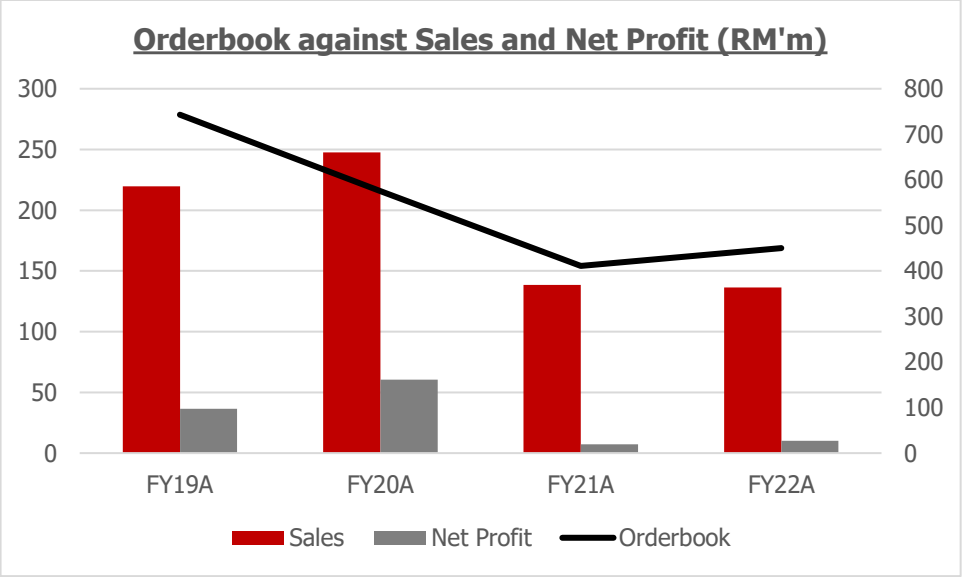


Source: Company, MIDFR

C. KEY CATALYSTS

1. Riding on travel boom as the borders reopen

Dsonic's revenue streams mainly supported by passport-related solutions that contributed more than three-quarters of total Group revenue in FY22. As the border reopens, we are expecting to see pent-up demands for travel documents as such any secure extension for the passport-related solutions will provide steadier earnings visibility for the Group as well as eliminate the woes of non-renewal risk from the investors. Currently, the outstanding orderbook for its passport-related solutions stands at circa RM335.3m. Management is still eager to secure an additional contracts e.g. MyKad-related solutions, national digital ID cards and i-Kad solutions to boost its orderbook.



Source: Company, MIDFR

2. Digitalization compel the needs for ID security solutions

We understand that the Malaysian government is developing a National Digital Identity (NDID) project, where the frameworks was finalized on June 30 this year and is awaiting Cabinet decision for further action. As Dsonic is forte with ID security solutions, we believe it is well-placed to capture new business opportunities in the area of digital ID and e-KYC, as well as e-financial services. If Dsonic is to be elected as the vendor of the national project to introduce secure digital MyKads that would store all personal information digitally and be integrated with the NDID system, we think it will provide additional revenue streams for the Group in future, given that the NDID project is not a substitute, but a digital complement to MyKad.

D. SWOT ANALYSIS

Strengths	Weaknesses
• 10 years track records in offering national ID security solutions to Malaysia government • Strong R&D with own patented security solutions • High barrier of entry as the capex to set up the business is expensive	• Highly dependent on government's contracts, especially the MyKad and passport contracts which contributed the most to the Group's revenue
Opportunities	**Threats**
• Strong net cash position allows the Group to stay competitive in producing cutting-edge security technology • Digitalization provides long-term earnings prospects for the Group in terms of offering security solutions	• Delay in contracts awards could be detrimental to the Group's potential earnings • Prolonged in global chip shortages could interrupt the Group's production to deliver timely

E. OUTLOOK

1. Winning the new generation of MyKad contracts

Dsonic has been involved in the production of trusted identity documents such as the MyKad since 2012. That being said, the Group is optimistic that it could secure the new generation of MyKad contracts, worth RM400.0m for the supply of 12.5m cards and 77 new printing equipment. Since the MyKad chip has a data retention up to 20 years and card lifespan of 10 years, we believe the new generation of MyKad will be rolled out soon. We opine that Dsonic has a high chance to win the contracts due to its 10 years proven track records in producing and handling national ID security with the Malaysian government as well as its readily cutting-edge security technology to introduce new MyKad replacement with better security feature.

2. The underway NDID project could provide robust outlook to the Group

The introduction of a NDID Framework is a strategic step towards the development and transformation of various service sectors be it government or private, given the significant growing in demand for digitalised platforms as well as the rapid growth of the digital economy. Besides offering digital ID authentication, other NDID functions will include but not limited to digital banking, e-Voting, e-Wallet, driver license, health record, insurance claims and other value-added services in future as the ecosystem matures. Since Dsonic has been entrusted by the Malaysian governments and private sectors to issue, manage and a variety of ID cards: national ID, credit, debit and loyalty cards, we believe the Group, on the back of its winning track records in government's ID projects, could be the front runner in the underway NDID project as well.

3. New Foreign Worker Card (i-KAD Project)

The Malaysian Immigration Department (JIM) halted the issuing of i-Kad on July 17, 2019 due to; i) late delivery of cards, which resulted in many cards being returned since recipients were no longer at the address, ii) inadequate hardware and software for card authentication. Dsonic was one of the bidders in the open tender for the new foreign worker card project and the Group is very confident of securing the i-Kad contract worth around RM140m for supplying 10m cards. The former i-Kad, which was made of PVC and had a standard printing technology, will be updated to polycarbonate with a more secure chip and a laser printing system. We believe Dsonic has a competitive edge over its competitors due to the Group's competence in polycarbonate MyKad with laser printing technology since 2012. Furthermore, the Group has a proven track record of issuing MyKad quickly and securely. The Group's strong R&D team and in-house developed card operating system (OS), which is internationally recognised with EAL 4+, will assist it in having the most up-to-date features in this category.

4. Electronic Medical Records (EMR)

The fourth industrial revolution is already underway. Businesses are embracing the digital era by starting to automate its production lines and begun shifting its internal processes online due to the rapid growth of today's technologies such as Cloud Computing, Internet of Things (IoT), and Big Data, among others. EMR is one the technology that provides a sort of digital hospital and a full monitoring system that meets the unique needs of the patient/medical industry while saving time and money. Dsonic is still in the early stages of the digital healthcare industry with the proposed installation of MediCloud EMR, which connects all public clinic facilities through a secured cloud computing platform that is assessable by authorised personnel in public hospitals via the hospital information system. We anticipate that the fourth industrial revolution will shift the healthcare sector to use EMR instead of traditional record-keeping. However, the downside risk for this segment is that the specific market is very competitive. It has been dominated by few niche players who already have established track records and business partnerships with medical services providers.

F. KEY RISKS ASSOCIATED TO THE BUSINESS AND INDUSTRY

1. Failure in contract bidding

Even though Dsonic is quite prominent in the ICT solutions and e-Government services industries, competition is still inevitable. Considering the revenue is mostly derived through contracts, it is vulnerable to competition from other market participants as the Group is required to go through a rigorous bidding procedure via competitive tendering in order to secure or extend a contract from its clients. To mitigate the risk of failure from contract bidding, the Group continuously develop its core competencies with the goal of providing world-class integrated solutions and exceptional services at a competitive cost that continuously provide maximum value for the clients.

2. Global chip shortages issues

Dsonic, like other tech players, is not shielded from the ongoing global issue of chip shortages. According to the management, it has placed approximately 1m chips in November 2021 from its supplier to cope with their rising products demands. However, due to longer lead time, which is currently at the average of 26.6 weeks in March CY22 - breaking the half-year barrier, the Group have yet to receive these orders. This was mitigated by its efficient inventory management, allowing Dsonic to have sufficient chip supplies to meet expected demands.

3. Inflationary pressure environment

People have begun organising their vengeance travel since the World Health Organization (WHO) stated that international travel restrictions should be lifted or eased. However, the potential benefit of travelling may be limited when consumers begin to include rising inflation rates in their budgets. Inflationary pressures may have an impact on the Group's revenue because people may postpone their trip plans, reducing the demand for travel documents especially passport issuance or renewal. However, we believe that central banks' action to curb inflationary pressures may placate this worry and make travel more appealing again.

4. Arrival of new variants which could cause another travel restriction.

The Covid-19 pandemic has had a considerable impact on the Group's revenue and earnings, as it has on most businesses. The likelihood of another variety or an unrelated pandemic causing lockdowns or travel restrictions could have a severe impact on the Group's business. However, the gradual reopening of borders has tremendously aided in reviving the demand for passports. Moving forward, we opine the risk from the pandemic will be manageable and will not result in a major decline in revenue and earnings performance due to the readiness of the healthcare sector.

I. FINANCIALS

1. Snapshot of FY22 results

On quarterly basis, Dsonic recorded a significant jumped of +110.4%yoy in its 4QFY22 revenue underpinned by the easing of restrictions that allows the border to reopen and encourage stronger orderbook for passports. Nonetheless, on yearly basis, the Group's FY22 top line of RM136.4m recorded a slight declined by -1.4%yoy, resulted from the absence of MyKad-related solutions, which partly supported by improved demand for passport-related solutions. Nevertheless, its gross profit increased to RM73.5m or +2.1%yoy, marking a steady gross profit margin at 53.9%. Consequently, this allowed the Group to enjoy a net profit of RM10.2m or +40.5%yoy, on the back of higher orders for MyKad and passport-related orders, which contributed to better margins for the Group.

FYE March (in RM'm unless otherwise stated)	4Q22	QoQ (%)	YoY (%)	FY22	FY21	YoY (%)
Revenue	54.34	51.2	110.4	136.43	138.41	-1.4
EBITDA	20.30	667.3	2659.8	27.71	26.70	3.8
Depreciation and amortisation	-5.59	-205.8	-40.2	-17.46	-13.97	25.0
EBIT/(LBIT)	14.71	762.2	407.7	10.25	12.73	-19.5
Finance costs	-0.31	19.3	39.5	-1.46	-3.06	-52.4
Other income	0.85	21.6	188.4	3.95	1.43	177.2
PBT/(LBT)	15.24	657.1	404.6	12.74	11.09	14.9
Taxation	-1.88	-268.0	-198.4	-2.51	-3.81	-34.0
PAT/LAT	13.36	789.2	337.2	10.23	7.28	40.4
MI	-0.02	-157.1	-500.0	-0.02	-0.02	5.6
PATAMI/(LATAMI)	13.35	792.1	336.8	10.21	7.27	40.5
EPS/(LPS) (sen)	4.65	1215.4%	429.0%	3.56	1.82	-95.1%
		+/-ppts	+/-ppts			+/-ppts
EBITDA margin (%)	37.4	4.8	13.2	20.3	19.3	5.3
EBIT margin (%)	27.1	4.7	2.5	7.5	9.2	-18.3
Effective tax rate (%)	-12.3	0.5	-2.0	-19.7	-34.3	-42.5

2. Earnings forecast

We anticipate that Dsonic's earnings to grow at a CAGR of 106.9% over FY22A-FY25F. This is mainly driven by the pent-up demand for passports due to the lifting of travel restriction as well as outstanding expired and non-renewed Malaysian passports, of approximately 4.5m. We think Dsonic could deliver another 2.5m to 3.0m units of passports over FY23F – FY25F, converting into sales of RM175m to RM210m respectively. Moving forward, we remain optimistic that the Group could secure, among others, the new generation of MyKad contracts as well as the NDID projects which are expected to roll out soon, on the back of their sturdy orderbook, proven track record of winning government's projects as well as competitive advantage in terms of their high quality of security product features and services.

J. VALUATION AND RECOMMENDATION

We initiate coverage on Dsonic with a **BUY** recommendation and a **target price of RM0.57** per share by pegging its FY23F core EPS of 2.94sen to the Group's 5-year mean PER of 19.5x. We believe the valuation is justified in view of the Group's improved prospects, mainly due to the expected pent-up demands for travelling documents in tandem to the easing of travelling restrictions. On top of that, the management is confident to secure new contracts for the soon to-be-rolled-out MyKad new generations as well as contract extension for passport-related solutions, MyKad-related solutions, i-Kad solutions and national digital ID cards on the back of its readied technology. All in all, we believe that Dsonic's commitment to stay ahead of security technology make it much more appealing than its peers to continuously be selected as the national ID security related solutions' vendor.

K. PEER COMPARISON

Global and Local Peers	FYE	Revenue (RM'm)	Gross Profit (RM'm)		Gross Profit Margin		Net Profit (RM'm)		Net Profit Margin	
			FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
Thales	Dec-21	79,316.3	19,716.5	21,161.9	26.0%	26.0%	6,410.0	6914.0	8%	8%
Dsonic	Mar-22	136.4	73.5	165.01	53.9%	56.0%	10.2	76.5	8%	27%
Myeg	Dec-21	721.9	416.8	433.2	54.0%	53%	349.1	381.6	45%	47%
Ghlsys	Dec-21	360.2	164.7	180.1	41.0%	41.0%	33.35	40.45	8%	8%
Revenue	Jun-21	87.0	N.A.	N.A.	N.A.	N.A.	16.23	19.43	17%	18%
Iris	Mar-22	211.0	40.0	N.A.	19.0%	N.A.	N.A.	N.A.	N.A.	N.A.
Cuscapi	Jun-21	9.981	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Global and Local Peers	Last Price	Market Cap (€/RM'm)	PER		EPS (sen)		EV/EBITDA		DPS (sen)		Dividend Yield	
			FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
Thales	€122.90	€26,164.2	17.6x	16.1x	6.94	7.61	10.2x	9.1x	2.79	3.07	2.3%	2.5%
Dsonic	RM0.47	RM1,346.3	21.1x	18.6x	0.02	0.03	11.9x	11.7x	0.02	0.02	4.1%	4.3%
Myeg	RM0.77	RM5,926.9	17.0x	15.7x	0.05	0.05	14.6x	13.4x	0.02	0.02	1.9%	2.3%
Ghlsys	RM1.19	RM1,369.8	40.7x	33.0x	0.03	0.04	15.9x	14.1x	0.00	0.00	0.0%	0.0%
Revenue	RM0.95	RM443.5	30.0x	25.1x	0.03	0.04	11.5x	10.0x	0.01	0.01	0.9%	0.9%
Iris	RM0.12	RM358.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Cuscapi	RM0.23	RM217.3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

L. INCOME STATEMENT

Financial year ending 31st March (RM'm)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Revenue	219.56	247.54	138.41	136.43	294.66	296.88	313.60
COGS	-100.57	-108.89	-66.43	-62.91	-129.65	-130.63	-134.85
Gross profit	118.99	138.65	71.99	73.52	165.01	166.25	178.75
Gross profit margin (%)	54.19	56.01	52.01	53.89	56.00	56.00	57.00
Operating profit/EBITDA	69.45	92.72	26.70	27.71	75.68	77.19	81.54
Operating profit margin (%)	31.63	37.46	19.29	20.31	25.69	26.00	26.00
Profit before tax	40.47	63.40	11.09	12.74	87.40	89.57	93.50
Taxation	4.04	3.03	3.81	2.51	3.11	3.14	2.92
Profit after tax	**36.44**	**60.37**	**7.28**	**10.23**	**84.29**	**86.42**	**90.58**
Profit after tax margin (%)	16.59	24.39	5.26	7.49	28.60	29.11	28.88
Core EPS (sen)	2.71	2.24	0.18	0.36	2.94	3.01	3.16
Core EPS growth (%)	NA	-17.53	-91.95	100.00	716.37	2.54	4.81
PER (x)	16.97	20.58	255.56	127.78	15.65	15.26	14.56
DPS (sen)	0.03	0.03	0.01	0.01	0.02	0.01	0.01
Dividend yield (%)	5.43	6.52	2.28	1.30	3.89	2.17	2.41

M. BALANCE SHEET

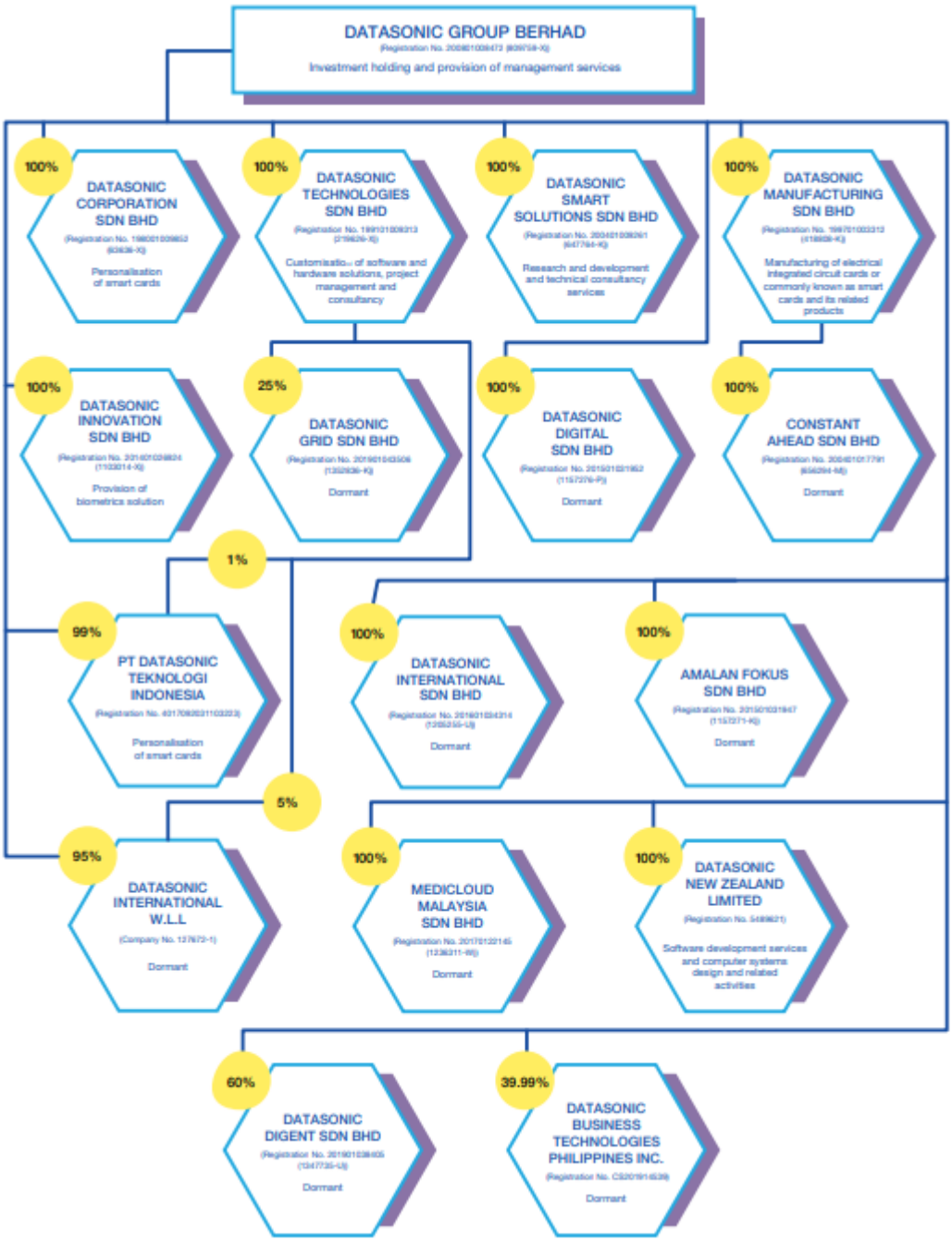
Balance Sheet (RM'm)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Assets							
PPE	177.58	138.26	134.37	131.26	134.63	133.42	133.10
Others	41.54	63.28	43.12	32.80	46.40	40.77	39.99
Total non-current assets	219.11	201.53	177.49	164.07	181.03	174.19	173.10
Trade and other receivables	133.71	92.11	58.06	41.87	64.01	54.65	53.51
Inventories	49.43	43.31	52.23	48.28	47.94	49.48	48.57
Cash & bank balances	26.94	12.85	4.64	10.74	11.28	13.53	14.21
Others	18.15	38.28	28.12	135.82	138.00	165.00	188.71
Total current assets	228.22	186.56	143.05	236.71	261.23	282.66	305.00
Total assets	**447.33**	**388.09**	**320.53**	**400.78**	**442.26**	**456.86**	**478.09**
Liabilities							
Borrowings	81.35	58.44	45.97	23.75	42.72	37.48	34.65
Other non-current liabilities	2.03	3.21	4.16	4.33	3.90	4.13	4.12
Non-current liabilities	83.38	61.65	50.14	28.08	46.62	41.61	38.77
Borrowings	55.28	35.68	0.76	8.95	15.13	8.28	10.79
Trade and other payables	39.30	30.30	30.31	21.23	27.28	26.27	24.93
Others	6.75	3.84	13.01	0.00	0.00	0.00	0.00
Current liabilities	101.33	69.82	44.08	30.18	42.41	34.55	35.71
Total liabilities	**184.71**	**131.46**	**94.22**	**58.26**	**89.03**	**76.17**	**74.49**
Equity							
Share Capital	135.00	135.00	135.00	261.28	261.28	261.28	261.28
Retained earnings	139.37	158.78	139.76	138.52	144.11	145.29	141.92
Others	-11.75	-37.16	-48.44	-57.29	-52.16	-25.88	0.40
Total Equity	**262.63**	**256.63**	**226.32**	**342.52**	**353.23**	**380.70**	**403.60**

N. CASH FLOW STATEMENT

Cash Flow (RM'm)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Operating							
PBT	40.47	63.40	11.09	12.74	87.40	89.57	93.50
Depreciation of PPE	16.04	14.14	9.73	12.00	12.97	12.21	11.73
Tax paid	-2.13	-3.81	-2.93	-2.18	-2.76	-2.92	-2.70
Others	12.46	55.91	61.80	-24.54	-1.48	-0.56	8.27
CFO	**66.84**	**129.63**	**79.69**	**-1.99**	**96.13**	**98.30**	**110.80**
Investing							
Purchase of PPE	-24.08	-10.99	-2.26	-7.32	-11.16	-12.00	-12.50
Others	0.59	1.67	1.21	3.13	1.65	1.91	1.97
CFI	**-23.49**	**-9.33**	**-1.05**	**-4.20**	**-9.51**	**-10.09**	**-10.53**
Financing							
Borrowings repaid	-94.57	-94.57	-63.25	-42.32	-73.68	-68.46	-61.93
Dividend paid	-33.75	-47.09	-26.33	-11.48	-48.00	-38.00	-30.00
Others	89.02	30.99	12.83	132.56	70.00	68.00	52.00
CFF	**-39.29**	**-110.67**	**-76.75**	**78.75**	**-51.68**	**-38.46**	**-39.93**
Net increase / (decrease)	4.06	9.64	1.90	72.57	34.94	49.76	60.35
Cash and cash equivalents at the beginning of the year	26.39	30.65	40.26	42.19	114.79	149.76	199.54
Cash and cash equivalents at the end of the year	**30.65**	**40.26**	**42.19**	**114.79**	**149.76**	**199.54**	**259.92**

O. APPENDIX

I. Corporate Structure



Source: Company, MIDFR

II. Board of Directors

BOARD OF DIRECTORS

General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd)
Independent Non-Executive Chairman

Encik Wan Zalizan bin Wan Jusoh
Managing Director

Encik Safian bin Mohd Yunus
Executive Director

Dato' Wan Ibrahim bin Wan Ahmad
Independent Non-Executive Director

Mr Yee Kim Shing @ Yew Kim Sing
Independent Non-Executive Director

Encik Azrul bin Yahaya
Non-Independent Non-Executive Director

Dato' Wan Mohd Safiain bin Wan Hasan
Independent Non-Executive Deputy Chairman

Mr Chia Kok Khuang
Deputy Managing Director

Dato' Sri Sharifuddin bin Ab Ghani
Independent Non-Executive Director

Dato' Ibrahim bin Abdullah
Independent Non-Executive Director

Cik Noor Suhaila binti Saad
Independent Non-Executive Director

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 *rise* 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 *fall* 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