D&O Green Technologies Berhad

(7204 | DOGT MK) Technologies | Semiconductors

***Maintain* BUY**

Masked by Forex Loss

***Revised* Target Price: RM4.58**

(previously RM4.48)

KEY INVESTMENT HIGHLIGHTS

- **2QFY22 normalised earnings of RM34.1m (+25.3%yoy), supported by increasing global automotive LED demand**
- **1HFY22 normalised earnings met our and consensus expectations**
- **Earnings estimates maintained**
- **Maintain BUY with a revised TP of RM4.58**

2QFY22 normalised earnings increased by +25.3%yoy. D&O Green Technologies Bhd (D&O) 2QFY22 normalised earnings came in higher at RM34.1m (+25.3yoy). This was in line with the Group higher topline of RM242.1m (+17.7%yoy). The earnings growth was primarily underpinned by the growth in automotive segment revenue of +15.1%yoy to RM234.7m on the back of growing industry demand.

Met expectation. Overall, the group's 1HFY22 normalised earnings of RM65.2m met our and consensus expectations, accounting for 45% of respective full-year FY22 earnings estimates. The projection is consistent with the rapid rise in automotive LED demand, which has been fueled by the proliferation of electric vehicles and changes in new design trends.

Forex Loss. The company's 2QFY22 PATANCI before adjusted to gain/loss on foreign exchange stood at RM15.3m or -42.1%yoy. However, after excluding the forex loss to better reflect the company's performance, the normalised PATANCI at RM34.1m recorded a strong growth of +25.3%yoy. D&O reported an -RM18.8m forex loss compared to RM0.3m gain in 2QFY21. This amount mostly consisted of unrealised translation loss (no cashflow effect) on US Dollar denominated loans obtained by the Group to partially finance US Dollar denominated equipment purchases for expansion. DOGT's 1HFY22 normalised PATANCI grew at +18.7%yoy to RM65.2m as it was bolstered by a 15.2% increase in automotive LED sales. The performance was achieved on the back of slower global new car sales which was adversely impacted by component shortages, supply chain disruptions and Covid lockdown in China.

Dividend. No dividend was announced for this quarter.

No changes in earnings. Since the earnings result met our expectation, we made no changes to the earning forecast. Note that we roll forward our valuation base year to FY23 and revise our new target price to RM4.58 (previously RM4.48), which is derived by pegging FY23 EPS of 14.3 against an unchanged PER of 32.0x.

RETURN STATISTICS	
Price @ 23rd August 2022 (RM)	4.09
Expected share price return (%)	+12.0
Expected dividend yield (%)	+0.9
Expected total return (%)	**+12.9%**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	4.6	3.4
3 months	6.2	14.2
12 months	-21.0	-17.3

KEY STATISTICS	
FBM KLCI	1,482.57
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1237.14
Estimated free float (%)	69.18
Market Capitalisation (RM'm)	5,060.18
52-wk price range	RM3.22 - RM6.15
Beta vs FBM KLCI (x)	0.73
Monthly velocity (%)	13.43
Monthly volatility (%)	18.29
3-mth average daily volume (m)	1.60
3-mth average daily value (RM'm)	6.28
Top Shareholders (%)	
PRT Capital Pte Ltd	13.08
Keen Capital Investments	12.40
Omega Riang Sdn Bhd	9.12

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Maintain BUY. The long-term outlook for the automotive LED industry remains solid. This is mostly due to higher adoption of LED in future automotive designs. Apart from that, shorter design win process for EV cars amongst others bode well for their automotive LED segment. All in all, we maintain our call on DOGT at **BUY** with a revised TP of **RM4.58** as we opine the company still has a strategic positioning within the automotive industry.

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2019	2020	2021	2022F	2023F
Revenue	504.3	575.8	846.5	1092.6	1114.0
Operating profit	50.2	68.8	141	198.1	219.5
Profit before tax	47.1	66.3	138.1	198.3	220.4
Profit after tax after non-controlling interest	34.9	49.7	110.5	147.2	164.3
Normalised PATANCI	33.0	46.3	114.9	147.2	164.3
Normalised PATANCI margin (%)	6.5	8.0	34	13.5	14.7
Normalised EPS (sen)	2.2	3.0	2.2	12.8	14.3
EPS growth (%)	-10.9	37.3	-27.2	483.4	11.6
Price-earnings ratio (x)	168.2	122.5	168.2	28.8	25.8
Dividend per share (sen)	1.0	1.0	1.0	2.5	3.5
Dividend yield (%)	0.3	0.3	0.3	0.7	0.9

Source: Company, MIDFR

D&O GREEN TECHNOLOGIES BHD: 1QFY22 RESULTS SUMMARY

Financial year ending 31st December (in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	2QFY22	YoY (%)	QoQ (%)	6M2022	6M2021	YoY (%)
Revenue	242.1	17.7	0.2	483.7	414.3	16.7
EBITDA	38.7	-18.6	-30.3	94.1	-50.3	-287.2
Depreciation and amortisation	-15.5	35.6	7.8	-29.8	-23.2	28.5
EBIT	23.2	-35.7	-43.6	64.3	73.5	-12.5
Finance costs	-1.3	145.3	83.5	-2.0	-1.0	93.6
Interest income	-1.3	-1268.1	3.4	-2.6	0.2	-1307.4
PBT	20.6	-42.3	-47.4	59.7	72.7	-17.8
Taxation	-3.5	-41.7	-33.2	-8.7	-12.8	-32.6
Non-controlling interest	-1.8	-44.7	-48.4	-5.3	-6.5	-19.6
PATANCI	15.3	-42.1	-49.7	45.8	53.3	-14.0
Normalised PATANCI	34.1	25.3	9.9	65.2	54.9	18.7
Normalised EPS (sen)	2.1	19.6	9.9	4.0	3.5	14.6
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	16.0	-7.1	-7.0	19.5	-12.1	31.6
EBIT margin (%)	9.6	-8.0	-7.4	13.3	17.7	-4.4
Normalised PATANCI margin (%)	14.1	0.9	1.2	13.5	13.2	0.2
Effective tax rate (%)	16.8	0.2	3.6	14.5	17.7	-3.2

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