Corporate Update| Tuesday, 16 August 2022

Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

***Maintain* BUY**

Bags additional contract

***Unchanged* Target Price: RM0.57**

KEY INVESTMENT HIGHLIGHTS

- **Secured additional contract worth RM31.39m from Home Affairs Ministry (KDN)**
- **Additional contract is within our expectation**
- **Earnings forecast unchanged**
- **Maintain BUY with an unchanged target price of RM0.57**

Secured RM31.39m additional contract from KDN. Datasonic Group (Dsonic) has accepted a letter dated 9th August 2022 from Home Affairs Ministry (KDN) regarding amendments to the contract for the supply of the Malaysian Passport Chips or 12.5m of Passport Chips commencing from 1st December 2021 to 30th November 2023. The initial contract was worth RM318.75m, and the revisions will raise the overall contract ceiling value by RM31.39m to RM350.14m.

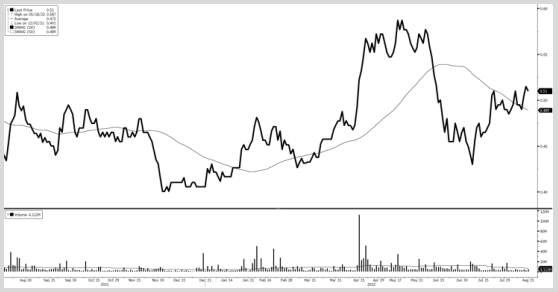
Additional contract is within our expectation. We are neutral on the announcement as the additional RM31.39m contract is within our expectations. The modification in the contract ceiling value is projected to contribute to the group's future earnings and net assets per share from FY23 onwards throughout the term of the contract. The amendment contract includes maintenance services for equipment, software, and system applications for public key infrastructure and public key development in 2022 and 2023. It also includes maintenance services for equipment, software, and e-gates, as well as maintenance services for equipment, software, and chip system applications for local and overseas. Dsonic is required to furnish a performance bond for the amount of RM3.18m to KDN with the validity period be extended until 30th November 2024.

Earnings forecast unchanged. We make no changes to our earnings forecast for FY23-25F as the additional contract is within our expectations. Earnings outlook is expected to underpin by pent-up demand for passport-related solutions as borders gradually reopen, with new contracts for the soon-to-be-rolled-out MyKad new generations and national digital ID on the strength of its ready technology.

Maintain BUY with unchanged TP of RM0.57. We remain positive on Dsonic's outlook due to the Group's commitment to stay ahead of security technology and makes the Group much more appealing than its peers to continuously be selected as the national ID security-related solutions vendor. Hence, we maintain our **BUY** call on Dsonic with an unchanged 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.

RETURN STATISTICS	
Price @ 15th August 2022 (RM)	0.51
Expected share price return (%)	+11.8
Expected dividend yield (%)	+3.9
Expected total return (%)	**+15.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	9.7	3.4
3 months	9.7	-5.6
12 months	14.6	14.5

KEY STATISTICS	
FBM KLCI	1,504.01
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	2,865.36
Estimated free float (%)	43.02
Market Capitalisation (RM'm)	1,460.82
52-wk price range (RM)	RM0.32 - RM0.6
Beta vs FBM KLCI (x)	0.99
Monthly velocity (%)	7.09
Monthly volatility (%)	23.33
3-mth average daily volume (m)	7.64
3-mth average daily value (RM'm)	3.93
Top Shareholders (%)	
Urusharta Jamaah Sdn Bhd	9.23
Chew Ben Ben	8.35
Bin Noordin Abu Hanifah	6.62

MIDF Research
research@midf.com.my

INVESTMENT STATISTICS

Financial year ending 31st March (in RM'm, unless otherwise stated)	2021A	2022A	2023F	2024F	2025F
Revenue	138.41	136.43	294.66	296.88	313.60
COGS	-66.43	-62.91	-129.65	-130.63	-134.85
Gross profit	71.99	73.52	165.01	166.25	178.75
Gross profit margin (%)	52.01	53.89	56.00	56.00	57.00
Operating profit/EBITDA	26.70	27.71	75.68	77.19	81.54
Operating profit margin (%)	19.29	20.31	25.69	26.00	26.00
Profit before tax	11.09	12.74	87.40	89.57	93.50
Taxation	3.81	2.51	3.11	3.14	2.92
Profit after tax	**7.28**	**10.23**	**84.29**	**86.42**	**90.58**
Profit after tax margin (%)	5.26	7.49	28.60	29.11	28.88
Core EPS (sen)	0.18	0.36	2.94	3.01	3.16
Core EPS growth (%)	-91.95	100.00	716.37	2.54	4.81
PER (x)	283.33	141.67	14.76	16.92	16.15
DPS (sen)	0.01	0.01	0.02	0.01	0.01
Dividend yield (%)	2.06	1.18	3.50	1.96	2.18

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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