D&O Green Technologies Berhad

(7204 | DOGT MK) Technologies | Semiconductors

***Maintain* BUY**

Outlook Remains Upbeat

***Unchanged* Target Price: RM4.58**

KEY INVESTMENT HIGHLIGHTS

- **3QFY22 normalised earnings of RM36.3m (+75.0%yoy) in line with higher topline of RM252.2m (+44.4%yoy)**
- **9MFY22 normalised earnings met our expectation**
- **No revision on earnings estimates**
- **Maintain BUY with an unchanged TP of RM4.58**

3QFY22 normalised earnings increased by +75.0%yoy. D&O Green Technologies Bhd (D&O) 3QFY22 normalised earnings came in higher at RM36.3m (+75.0%yoy), in line with the Group higher topline of RM252.2m (+44.4%yoy). The earnings growth was primarily propelled by the growth in automotive segment revenue of +44.5%yoy to RM245.9m attributable to increased orders for new projects amidst a challenging market condition coupled with a low-base effect.

Met expectation. Cumulatively, 9MFY22 earnings recorded at RM101.2m which grew +75.5%yoy. This is on the back of increasing adoption of automotive LED which allowed the automotive segment to grow up by +23.8%yoy. Even though the group's 9MFY22 normalised earnings of RM101.2m accounted for 69% of our full-year FY22 earnings estimates, we think 4QFY22 performance will be stronger in view of increasing application of automotive LED lighting per car. We believe the Group's prospect in LED business stay intact as the course of innovation in automotive LED lighting will still be continued due to its increasing popularity in new car designs and applications despite global slowdown in car sales.

Forex Loss. The company's 3QFY22 PATANCI before adjusted to gain/loss on foreign exchange stood at RM19.1m or +2.8%yoy. However, after excluding the forex loss to better reflect the company's performance, the normalised PATANCI depict a stronger growth at RM36.1m or +75.0%yoy. D&O reported an increase in of forex loss of -RM17.2m compared to -RM2.0m forex loss in 3QFY21. This amount mostly consisted of unrealised translation loss arising from the Group's US Dollar denominated loans. Moving forward, the impact on earnings from foreign currency volatility will be substantially reduced in 4Q2022 as the Group gradually increased US Dollar asset holdings and explored banking facilities in different currencies. The Group also entered into forward foreign currency contracts to manage its foreign currency exposures.

RETURN STATISTICS	
Price @ 23rd November 2022 (RM)	3.75
Expected share price return (%)	+22.1
Expected dividend yield (%)	+0.9
Expected total return (%)	**+23.0%**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.57	-1.38
3 months	-6.95	-5.18
12 months	-36.12	-32.63

KEY STATISTICS	
FBM KLCI	1,443.50
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1237.14
Estimated free float (%)	69.30
Market Capitalisation (RM'm)	4639.69
52-wk price range	3.22 - 6.08
Beta vs FBM KLCI (x)	0.58
3-mth average daily volume (m)	13.43
3-mth average daily value (RM'm)	17.63
Top Shareholders (%)	1.09
PRT Capital Pte Ltd	4.29
Keen Capital Investments	
Omega Riang Sdn Bhd	13.08

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Dividend. The Group announced a second interim dividend of 0.52sen per share. The total dividend declared for FY22 is 1.30sen vs 1.50sen per ordinary share in FY21.

No changes in earnings estimates. We made no changes in our estimates as we expect 4QFY22 to be stronger due to pick-up in sales. Our target price is maintained at RM4.58, premised on pegging FY23 EPS of 14.3 against an unchanged PER of 32.0x.

Maintain BUY. The long-term outlook for the automotive LED industry remains upbeat on the back of increasing demand for LED adoption in future automotive designs. Apart from that, shorter design in or 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 an unchanged 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	3.9	9.0	12.8	14.3
EPS growth (%)	-10.9	77.3	130.8	42.6	11.6
Price-earnings ratio (x)	170.5	96.2	41.7	29.2	26.2
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: 3QFY22 RESULTS SUMMARY

(All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
31st December	**3QFY22**	**YoY (%)**	**QoQ (%)**	**9M2022**	**9M2021**	**YoY (%)**
Revenue	252.2	44.4	4.2	735.8	588.9	25.0
EBITDA	69.7	107.8	80.3	163.8	130.2	25.8
Depreciation and amortisation	-45.1	279.7	192.0	-74.9	-35.1	113.6
EBIT	24.5	13.4	5.8	88.9	95.1	-6.6
Finance costs	-2.4	357.1	87.7	-4.4	-1.6	183.1
Interest income	-3.8	-1328.7	188.6	-6.4	0.5	-1320.0
PBT	18.3	-14.5	-11.0	78.1	94.1	-17.0
Taxation	-0.9	59.3	-74.3	-9.5	-13.4	-28.8
Non-controlling interest	1.7	-173.9	-194.1	-3.6	-8.8	-59.5
PATANCI	19.1	2.8	24.6	64.9	71.9	-9.7
Normalised PATANCI	36.1	75.0	5.7	101.2	75.5	34.1
Normalised EPS (sen)	2.9	123.0	38.7	8.2	4.8	69.5
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	27.6	8.4	11.7	22.3	7.1	15.2
EBIT margin (%)	9.7	-2.7	0.2	12.1	30.1	-18.1
Normalised PATANCI margin (%)	14.3	2.5	0.2	13.8	25.1	-11.3
Effective tax rate (%)	4.9	2.2	-12.0	12.2	20.3	-8.0

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