4QFY22 Results Review (Below) | Thursday, 23 February 2023

# D&O Green Technologies Berhad

*Maintain* BUY

(7204 | DOGT MK) Technologies | Semiconductors

## Bright Outlook Continues

*Unchanged* Target Price: RM5.10

## KEY INVESTMENT HIGHLIGHTS

- **4QFY22 normalised earnings of RM11.1m (-68.5%yoy) in line with lower topline of RM247.2m (-4.1%yoy)**
- **FY22 normalised earnings missed ours but met consensus expectations**
- **No revision on earnings estimates**
- **Maintain BUY with an unchanged TP of RM5.10**

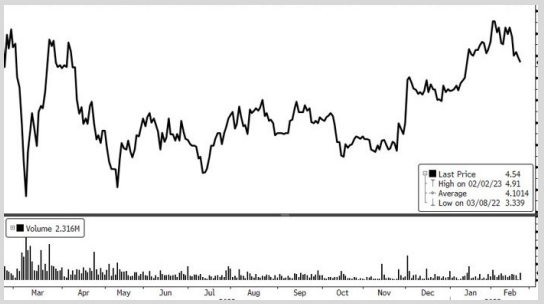
**4QFY22 normalised earnings decreased by -68.5%yoy.** D&O Green Technologies Bhd (D&O) 4QFY22 normalised earnings came in lower at RM11.1m (-68.5%yoy), in line with the Group lower topline of RM247.2m (-4.1%yoy). The earnings decline was due to the weakened automotive industry in China that was impacted by the country's prolonged Zero Covid policy. To normalize inventory levels and account for capacity underutilization caused by high inventory levels in the supply chain, management reduced production during the quarter under review. However, management plans to gradually increase production starting in 2QFY23 in anticipation of a recovery in China's car sales after the lifting of Zero Covid policies, which is expected to lead to a gradual recovery in margins.

**Below our expectation.** Cumulatively, FY22 normalised earnings recorded at RM112.4m or -2.2%yoy. The slight decline in performance was contributed from lower plant utilisation and the effects of minimum wage increase in May 2022. While the Group's normalised earnings for FY22 came in below expectation as it only accounted for 76% of our full-year earnings estimate, we are optimistic about its 1QFY23 performance due to the increasing use of automotive LED lighting per car, China's better automotive industry due to the economic reopening as well as management measures to automate and streamline the production process. We believe that the Group's future in the LED business remains bright because of the ongoing innovation in automotive LED lighting which continues to gain popularity in new car designs and applications.

**No changes in earnings estimates.** We made no changes in our estimates as we expect 1QFY23 to be stronger due to pick-up in sales boosted by China economic reopening. Our **target price** is maintained at **RM5.10**, premised on pegging the unchanged FY23 EPS of 14.3 against the unchanged PER of 35.4x. The premium valuation is justified on the back of robust outlook on the company primarily on the increasing adoption of LED in future automotive designs especially for the EVs.

| RETURN STATISTICS | |
|---|---|
| Price @ 22nd February 2023 (RM) | 4.54 |
| Expected share price return (%) | +12.3 |
| Expected dividend yield (%) | +0.9 |
| **Expected total return (%)** | **+13.2%** |

**SHARE PRICE CHART**

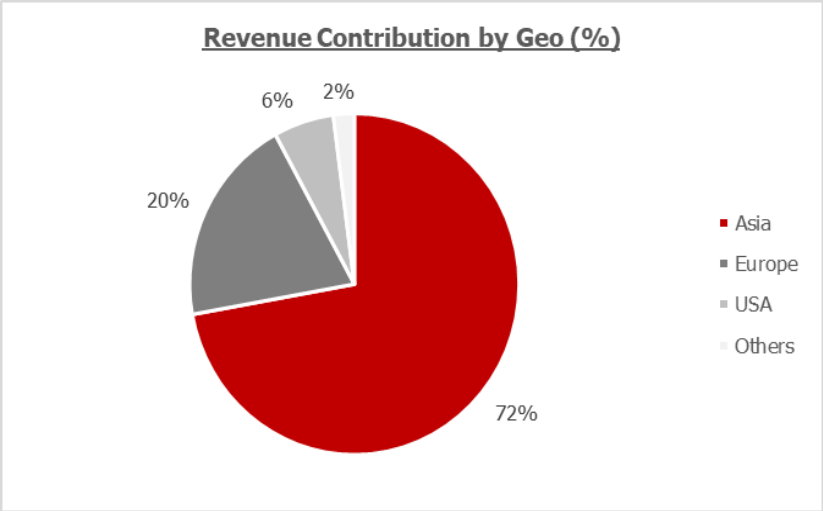



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | -1.57 | -1.38 |
| 3 months | -6.95 | -5.18 |
| 12 months | -36.12 | -32.63 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,464.0 |
| 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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**Maintain BUY.** The future of the automotive LED industry looks promising due to the growing demand for LED adoption in upcoming car designs, as well as the shorter design process for electric vehicles, which is expected to benefit the Group's automotive LED segment. Therefore, we maintain our **BUY** rating for DOGT with an unchanged target price of **RM5.10** as we believe that the Group still holds a strong strategic position within the automotive industry.




*Source: Company, MIDFR*

## INVESTMENT STATISTICS

| Financial year ending 31st December (in RM'm, unless otherwise stated) | 2020A | 2021A | 2022A | 2023F | 2024F |
|---|---|---|---|---|---|
| Revenue | 575.8 | 846.5 | 983.0 | 1114.0 | 1290.2 |
| Operating profit | 68.8 | 141 | 103.9 | 219.5 | 273.3 |
| Profit before tax | 66.3 | 138.1 | 90.5 | 220.4 | 273.8 |
| Profit after tax after non-controlling interest | 49.7 | 110.5 | 78.5 | 164.3 | 203.1 |
| Normalised PATANCI | 46.3 | 114.9 | 112.4 | 164.3 | 203.1 |
| Normalised PATANCI margin (%) | 8.0 | 13.6 | 11.4 | 14.7 | 15.7 |
| Normalised EPS (sen) | 3.9 | 10.9 | 9.1 | 14.3 | 17.7 |
| EPS growth (%) | 77.3 | 179.3 | -16.6 | 57.7 | 23.6 |
| Price-earnings ratio (x) | 116.4 | 41.7 | 50.0 | 31.7 | 25.6 |
| Dividend per share (sen) | 1.0 | 1.0 | 1.3 | 3.5 | 3.5 |
| Dividend yield (%) | 0.2 | 0.2 | 0.3 | 0.8 | 0.8 |

*Source: Company, MIDFR*

# D&O GREEN TECHNOLOGIES BHD: 4QFY22 RESULTS SUMMARY

| *(All in RM'm unless stated otherwise)* | Quarterly Results | | | Cumulative | | |
|---|---|---|---|---|---|---|
| **31st December** | **4QFY22** | **YoY (%)** | **QoQ (%)** | **2022** | **2021** | **YoY (%)** |
| Revenue | 247.2 | -4.1 | -2.0 | 983.0 | 846.5 | 16.1 |
| | | | | | | |
| EBITDA | 32.8 | -44.2 | -52.9 | 196.6 | 190.5 | 3.2 |
| Depreciation and amortisation | -17.8 | 29.3 | -60.5 | -92.7 | -49.4 | 87.6 |
| EBIT | 15.0 | -66.7 | -38.9 | 103.9 | 141.0 | -26.3 |
| Finance costs | -3.2 | 413.1 | 33.3 | -7.6 | -2.2 | 249.2 |
| Interest income | 0.7 | -263.9 | -118.2 | -5.7 | -0.7 | 677.9 |
| PBT | 12.5 | -71.7 | -31.9 | 90.5 | 138.1 | -34.4 |
| Taxation | -2.5 | 170.0 | 176.0 | -12.0 | -14.3 | -16.1 |
| Non-controlling interest | 1.4 | -130.6 | -18.6 | -2.2 | -13.3 | -83.4 |
| PATANCI | 13.6 | -64.9 | -29.1 | 78.5 | 110.5 | -29.0 |
| Normalised PATANCI | 11.1 | -68.5 | -69.1 | 112.4 | 114.9 | -2.2 |
| Normalised EPS (sen) | 0.9 | -59.6 | -69.1 | 9.1 | 10.9 | -16.6 |
| | | +/- ppts | +/- ppts | | | +/- ppts |
| EBITDA margin (%) | 13.3 | -9.6 | -14.4 | 20.0 | 53.0 | -33.0 |
| EBIT margin (%) | 6.1 | -11.4 | -3.7 | 10.6 | 42.5 | -32.0 |
| Normalised PATANCI margin (%) | 4.5 | -9.2 | -9.8 | 11.4 | 34.0 | -22.6 |
| Effective tax rate (%) | 19.7 | 17.6 | 14.8 | 13.3 | 2.1 | 11.2 |

*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