


Datasonic Group Berhad

(5216 | DSON MK) Technology | Hardware and Equipment

Maintain BUY**Positive Development****Revised Target Price: RM0.57***(Previously RM0.56)***DEVELOPMENT**

- **Received LOE from KDN.** Datasonic Group Berhad's (Dsonic) wholly owned subsidiary, Datasonic Technologies Sdn Bhd (DTSB) has received and approved a Letter of Extension (LOE) from Kementerian Dalam Negeri (KDN) yesterday. This LOE pertains to changes in the contract for supplying MyKad, MyTentera, MyPOCA raw cards, and consumables to the National Registration Department, as outlined in the Letter of Award (LOA) sent on February 10, 2022 for a period of 3 months, commencing from February 15, 2023, to May 14, 2023, with an added contract value of RM12.5m.

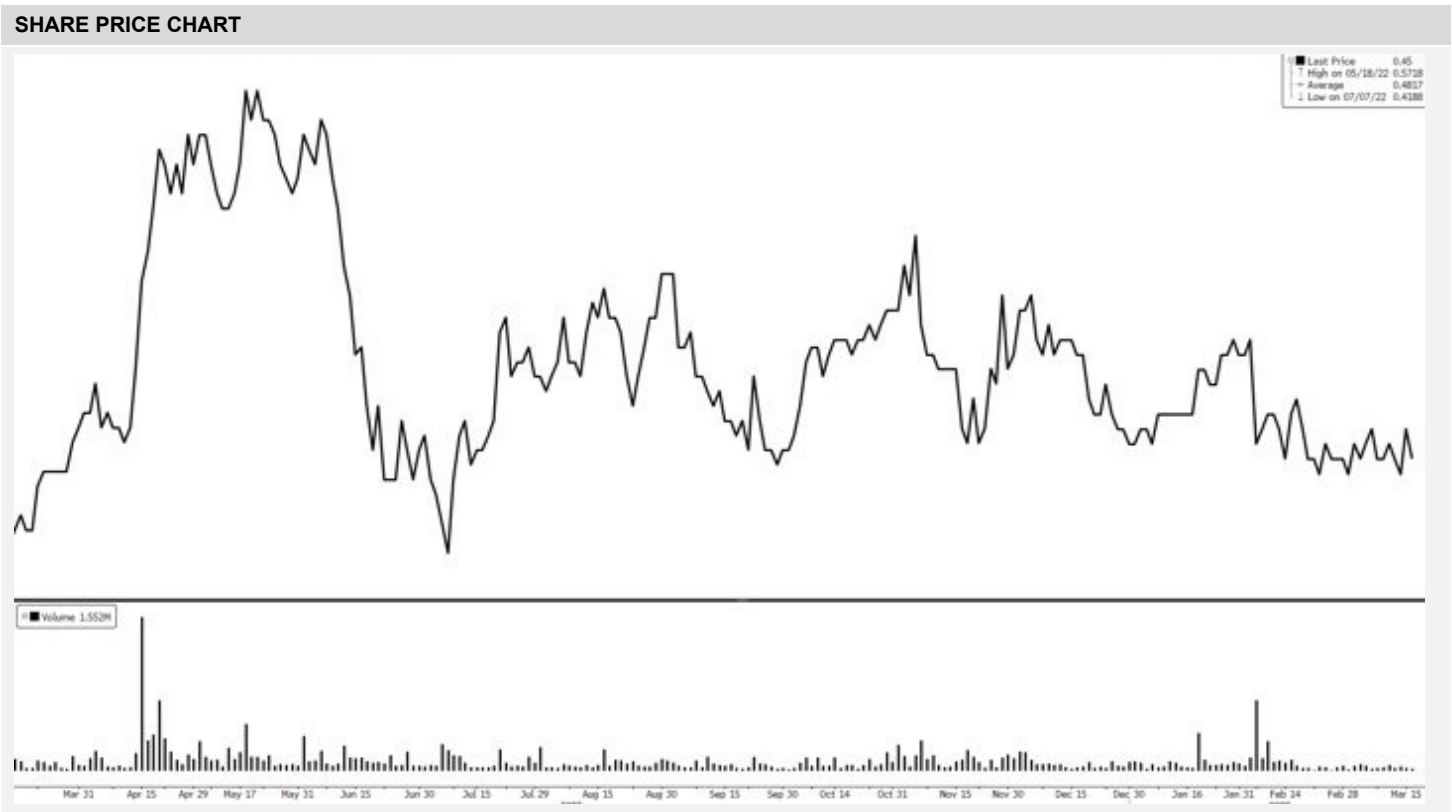
OUR VIEW

- **Opinion.** We consider the development to be beneficial to the Group as the increase in contract value is likely leave a positive impact on the Group's future earnings. We revised our earnings estimate for FY23F-FY25F upwards by 1.7%-2.3% and derived a revised target price of RM0.57, premised on pegging to new EPS of 2.85sen against the unchanged PER of 20x, the Group's 5-year mean PER. This is to account for the increase in the original contract value of RM50.1m to RM62.6m.
- **Maintain BUY.** Overall, we believe the Group's prospects will continue to improve on the back of pent-up demand for travel documents. On top of that, the Group's strength on its ready technology will allow it to be better candidate in securing the new contracts for the soon-to-be-released MyKad new generations, as well as contract extensions for passport-related solutions, i-Kad solutions, and national digital ID cards. All in all, we maintain our BUY recommendation on Dsonic with a **revised target price of RM0.57**. 

INVESTMENT STATISTICS

Financial year ending 31st March	2021A	2022A	2023F	2024F	2025F
Revenue	138.41	136.43	314.11	353.30	357.19
Operating profit	26.70	27.71	80.68	91.86	92.87
Profit before tax	11.09	12.74	84.81	102.46	103.59
Profit after tax	7.28	10.23	81.70	99.31	100.66
Core EPS (sen)	0.18	0.36	2.85	3.46	3.51
PER (x)	250.00	125.00	15.80	12.99	12.82
DPS (sen)	1.05	0.59	1.60	1.60	1.60
Dividend yield (%)	2.33	1.31	3.56	3.56	3.56

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 <i>rise</i> 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 <i>fall</i> 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