D&O Green Technologies Berhad

(7204 | DOGT MK) Main | Technology

ESG 2 Stars

SHARIAH Compliant

Corporate Update

Downgrade to **Trading Sell**

Revised Target Price **RM1.04** (from RM1.31)

Running Below Breakeven Level

Near-term auto demand to remain weak. We are downgrading our recommendation for D&O to **TRADING SELL** from NEUTRAL previously with a lower target price of **RM1.04** (previously RM1.31). The group ran into losses in 1QFY25 as auto demand weakened further. We expect demand to remain muted in the near-term, at least until 2QFY25. This is in view of slower EV adoption and heightened pricing volatility which further pressured dealers to recalibrate their inventory and pricing strategies. We anticipate notable revenue recovery from 3QFY25 onwards in view of the healthier order pipeline with the gradual normalisation of inventory levels across the automotive sector.

Revenue stayed below RM300m. D&O operating at a normalised loss of -RM1.1m. This is as opposed to normalised earnings of RM13.2m achieved in 1QFY25. This was mainly impacted by lower revenue of RM240.8m (-12.0%yoy). Note that there was moderation in customer orders, as a result of lower vehicle production volumes among key automotive clients. This has led to lower utilisation of production capacity, leading to a decrease in gross profit margin to 15.8% from 21.0%.

Meanwhile, more efforts are being placed to improve operational efficiencies and reduce expenses. This can be seen in the reduction in labour cost and overhead expenses. In addition, the management is also looking at refining the supply chain management by optimising procurement practices, renegotiating supplier contracts and minimising material waste. Such measures will help to provide better margin when auto demand turns healthier.

Far below expectation. While we acknowledged that the first quarter is seasonally low, we do not expect 1QFY25 to be loss-making.

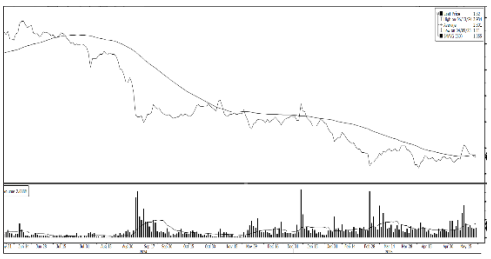
Lower capital spending. Capex for 1QFY25 substantially reduced to RM13.5m (-61.3%yoy) from RM34.9m a year ago as the group prioritised essential investment and delaying non-critical spending. This helped to partially preserved the cash reserved at RM228.4m as at 1QFY25, down -9.5%yoy from RM252.3m

Downward revision in earnings estimates. Premised on the poor performance, we adjust FY25 to FY27 earnings lower by between -20.8% and -17.2% as we lower our revenue and profit margin assumption.

Conservative target price. Following our earnings downgrade, we revised our target price lower to RM1.04 from RM1.31 previously. This was achieved by pegging FY25 eps of 3.6sen against unchanged forward PER of 29x, which is the rolling five-year mean.

RETURN STATISTICS	
Price @ 28th May 2025 (RM)	1.29
Expected share price return (%)	-20.6
Expected dividend yield (%)	+0.2
Expected total return (%)	-20.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.1	1.4
3months	-9.6	-6.4
12 months	-64.3	-61.9

INVESTMENT STATISTICS

FYE DEC (RM'm)	2025E	2026F	2027F
Revenue	1,066	1,172	1,285
Operating Profit	65.5	85.7	99.7
PBT	53.4	72.7	86.6
Core PATAMI	41.2	56.1	66.1
Core EPS (sen)	3.6	4.9	5.8
DPS (sen)	0.3	0.3	0.3
Dividend Yield	0.2%	0.2%	0.2%

KEY STATISTICS	
FBM KLCI	1,523.48
Issue shares (m)	1,238.29
Estimated free float (%)	76.43
Market Capitalisation (RM'm)	1,636.12
52-wk price range (rm)	RM1.09 – RM3.97
3-mth average daily volume (m)	3.18
3-mth average daily value (RM'm)	4.28
Top Shareholders (%)	
PRT Capital Pte Ltd	13.05
Keen Capital Investments	12.38
Aberdeen Group PLC	12.05

Analyst

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D&O GREEN TECHNOLOGIES BHD: 1QFY25 RESULTS SUMMARY

FYE 31st December (All in RM'm unless stated otherwise)	1Q25	1Q24	YoY (%)	4Q24	QoQ (%)
Revenue	240.8	273.7	-12.0	261.9	-8.0
EBITDA	28.9	39.1	-26.0	30.5	-5.3
Depreciation and amortisation	-24.8	-21.7	14.4	-23.2	6.9
EBIT	4.2	17.4	-76.1	7.4	-43.5
Finance costs	-5.3	-5.9	-10.1	-5.1	3.3
Interest income	1.3	1.9	-31.7	1.2	8.1
Contribution from JV	0.0	0.0	n.m.	0.0	n.m.
Profit before taxation	0.2	13.4	-98.6	3.5	-94.4
Taxation	0.0	-1.0	-99.8	-1.1	-99.8
Non-controlling interest	0.2	-1.2	-114.4	-0.1	-239.5
PATANCI	0.4	11.3	-96.8	2.2	-83.9
Normalised PATANCI	-1.1	13.2	-108.3	8.8	-112.5
EPS (sen)	-0.1	0.7	-109.7	0.1	-149.3
			+/- ppts		+/- ppts
EBITDA margin (%)	12.0	14.3	-2.3	11.7	0.4
EBIT margin (%)	1.7	6.4	-4.6	2.8	-1.1
Normalised PATANCI margin (%)	-0.5	4.8	-5.3	3.3	-3.8
Effective tax rate (%)	1.0	7.6	-6.5	32.6	-31.6

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	1,016.6	1,074.5	1,065.7	1,172.3	1,285.5
EBITDA	140.1	151.7	164.4	189.0	211.7
EBIT	61.4	61.3	65.5	85.7	99.7
PBT	49.5	45.7	53.4	72.7	86.6
Normalised PATANCI	46.0	38.0	41.2	56.1	66.1
Normalised EPS (sen)	2.8	2.3	3.6	4.9	5.8
Normalised EPS Growth (%)	-60.8	-17.5	53.1	36.0	17.8
PER (x)	45.3	54.9	35.9	26.4	22.4
Dividend Per Share (sen)	0.3	0.3	0.3	0.3	0.3
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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