D&O Green Technologies Berhad

(7204 | DOGT MK) Main | Technology

SHARIAH Compliant

4 Stars

Corporate Update

Facing Another Year of Setback

Downgrade to SELL (from NEUTRAL)

Revised Target Price **RM0.39** (from RM0.43)

Bleak near-term outlook. We are downgrading our recommendation for D&O to **SELL** from NEUTRAL with a lower target price of RM0.39 (from RM0.43). We anticipate challenging automotive market to have an impact on the group's wellbeing this year. This should be reflected in the demand of LED from its customers, especially in Europe and China. While the group is placing more reliance on its newer products to gain pricing advantage, we view that it would be insufficient to lift its revenue. On another note, the inventory impairment should continue in FY26 as the group continously adjusting its inventory balance. This would have a negative impact on the profitability. Given the subdued outlook, we do not foresee the company to announce any dividend in the foreseeable term.

Revenue pressure to persist. The global automotive outlook for 2026 remains weak. This is reflected in the markets where D&O has presence, especially in Europe and China which forms the bulk of its revenue.

In China, while demand for EV cars remains encouraging, we view that there is mounting price pressure in view of the fierce competition, particularly among the domestic brands. Model release cycles have shortened considerably to meet the consumer demand. We view that this could translate to shorter payback period for the group.

Meanwhile, the significant headwinds seen in the Europe automotive market is expected to persist in 2026. Note that new car sales for January and February 2026 continues to show contraction on a year-over-year basis. Moreover, based on newswire, the European car industry is now requesting for weaker climate targets. This could affect rollout of more affordable EV models which in turn will affect demand for automotive LED.

On the flip side, the group is anticipating higher contribution for its newer products such as SpicePlus 2520 as well as the Smart RGB which carry better ASP. Note that the latter is anticipated to make up about 15% of total sales for 2026.

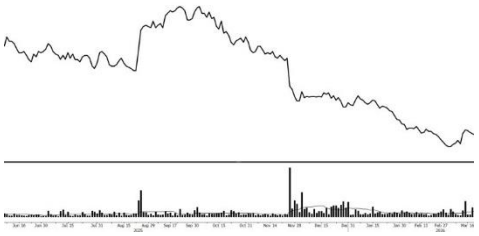
Various initiative to reduce cost. Given the weak revenue outlook, management is placing a greater emphasis on reducing cost. In recent years, management has progressively increased the level of automation of its plants. This will enable the group to be rightsized (-18%) its workforce to around 2.3k workers. Note that this is also in-tandem with plan to reduce its production capacity to a more optimum level. There are efforts to improve the production yield which also helps in minimising the raw material wastage. On the latter, management has also been actively executing raw material supplier diversification which also helps in terms of material cost-down. These initiatives are expected to yield positive result in 2H26.

On a separate note, we will continue to anticipate material impairment to be recorded in 2026 after the change of its inventory policy in 2H25. This would have negative repercussion on its bottomline. On a positive note, 2027 should start on a clean slate.

Downward revision to forecast and target price. Premised on the above, we cut FY26/27/28F by -32.9%/-23.1%/-.20.6%yoy. This also led to lower target price of **RM0.39** per share (previously RM0.43). This is arrived at by pegging unchanged target PER of 12.3x against FY27 EPS of 3.1sen.

RETURN STATISTICS	
Price @ 22nd April 2026 (RM)	0.495
Expected share price return (%)	-21.2
Expected dividend yield (%)	+0.0
Expected total return (%)	-21.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	1.4
3months	14.8	-28.8
12 months	-61.5	-65.9

INVESTMENT STATISTICS

FYE 31st Dec (RM'm)	2026E	2027F	2028F
Revenue	912	986	1,036
Operating Profit	47.5	59.8	70.4
Profit Before Tax	34.4	45.6	55.3
Core PATAMI	29.3	38.9	47.1
Core EPS	2.4	3.1	3.8
DPS	0	0	0
Dividend Yield (%)	0.0	0.0	0.0

KEY STATISTICS

FBM KLCI	1,710.39
Issue shares (m)	1,239.48
Estimated free float (%)	78.40
Market Capitalisation (RM'm)	625.94
52-wk price range	RM0.39 - RM1.6
3-mth average daily volume (m)	5.01
3-mth average daily value (RM'm)	2.66
Top Shareholders (%)	
PRT Capital Pte Ltd	13.05
Keen Capital Investments	12.38
Omega Riang Sdn Bhd	9.10

Analyst
Foo Chuan Loong, **Martin**
martin.foo@mbsb.com
03-2173 8391

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,076.2	989.7	912.2	985.7	1,036.4
EBITDA	151.8	-173.6	152.8	168.6	177.0
EBIT	61.3	-273.1	47.5	59.8	70.4
PBT	45.7	-287.4	34.4	45.6	55.3
Normalised PATANCI	53.5	36.3	29.3	38.9	47.1
Normalised EPS (sen)	4.3	2.9	2.4	3.1	3.8
Normalised EPS Growth (%)	51.7	-32.1	-19.2	32.6	21.1
PER (x)	11.7	17.2	21.3	16.1	13.3
Dividend Per Share (sen)	0.3	0	0	0	0
Dividend yield (%)	0.6	0.0	0.0	0.0	0.0

Source: Company, MBSBR

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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