D&O Green Technologies

Navigating Challenges

OUTPERFORM ↔

Price: **RM1.40**

Target Price: **RM2.03** ↔

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D&O's FY24 results fell short of expectations due to weaker turnover and margins. To improve profitability, management is implementing cost optimisation measures, including a 15% labour reduction and supply chain enhancements. Despite sluggish automotive growth, LED demand remains strong, with Dominant Opto and Dominant Electronics well-positioned for expansion. We leave our TP of RM2.03 and stock recommendation unchanged, pending an earnings revision post today's results briefing.

Below expectations. FY24 net profit of RM40m came in below expectations, accounting for only 63% of our forecast and 71% of the street's full-year estimate. The earnings shortfall was primarily due to lower-than-expected turnover and GP margin assumptions.

YoY, FY24 revenue grew 6%, driven by new design wins, particularly in Smart LED ambient lighting, rear combination lamps, and headlamp applications. Regionally, Europe posted strong 17% growth, while other markets saw single-digit expansion. However, the Group's GP margin declined to 20.2% (from 21.2% a year ago) due to lower plant utilisation following capacity expansion. Meanwhile, PBT fell 8%, impacted by higher distribution and administrative expenses, leading to a proportional decline in PAT.

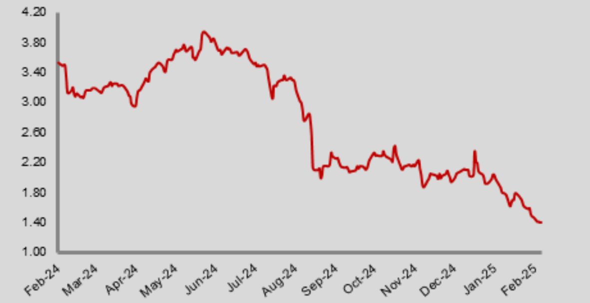
QoQ, revenue declined 4% to RM262m, as higher contributions from the US market were offset by weaker sales in Asia. Despite the lower turnover, GP margin remained stable at 20%, supported by effective cost control, strong supply chain management, and yield improvements. However, PBT dropped 83% to RM3.5m, mainly due to higher other expenses (RM13m loss vs. RM1.6m gain in the previous quarter), driven by a shift from forex gains to losses, partially mitigated by lower inventory impairment and customer compensation.

Outlook. In 2025, management is executing a comprehensive cost optimisation plan to enhance efficiency and profitability. Key measures include a 15% reduction in direct labour through automation and process improvements, helping to mitigate the impact of the February 2025 minimum wage hike while lowering production costs. Additionally, the Group is refining its supply chain strategies by optimising procurement, negotiating better supplier contracts, and reducing waste to control material and maintenance expenses. Despite sluggish automotive growth, demand for automotive LEDs remains robust, with the market projected to reach USD28b by 2029 at a CAGR of 6.9%. This growth is fuelled by advancements in autonomous vehicles, adaptive lighting, EV adoption, and energy efficiency. Dominant Opto is well-positioned to capitalise on this trend, leveraging its diverse product portfolio and expanding production capacity. Meanwhile, US-China tensions have accelerated product transfers for multi-component assemblies under Dominant Electronics, with order growth expected to rise in 2025, according to management.

Forecasts. Maintained pending today's briefing.

Valuations. We maintained our TP at RM2.03 for now, based on an unchanged targeted FY25F PER of 22x, in line with its peers' (i.e. Vitrox and Penta) forward average. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-33.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DOGT MK EQUITY
Market Cap (RM m)	1,735.3
Shares Outstanding	1,239.5
52-week range (H)	3.97
52-week range (L)	1.35
3-mth avg daily vol:	2,358,533
Free Float	77%
Beta	1.3

Major Shareholders

PRT Capital Pte Ltd	13.1%
Keen Capital Investments	12.4%
Omega Riang Sdn Bhd	9.1%

Summary Earnings Table

FYE Dec (RM m)	2023A	2024A	2025F
Turnover	1,017	1,075	1,316
EBIT	71	68	155
PBT	50	46	132
Net Profit	44	40	114
Consensus	-	56	92
Earnings Revision	-	-	-
Core EPS (sen)	3.6	3.2	9.2
EPS growth (%)	-41.3	-10.6	285
NDPS (sen)	0.3	0.3	0.5
BV/Share (RM)	0.7	0.7	0.6
Core PER (x)	39.3	43.9	15.1
P/BV (x)	2.0	1.9	2.2
Gearing (x)	0.2	0.3	-0.5
Net Dvd Yield (%)	0.2%	0.2%	0.4%

Investment case. We like D&O for: (i) its unique exposure in the automotive LED business, (ii) its penetration into the electric vehicle market, and (iii) venture into next-generation smart LEDs which yield higher margins.

Risks to our call include: (i) a sharp decline in automotive demand, particularly for electric vehicles (EVs), (ii) an unexpected slowdown in the growth of the smart LED segment, and (iii) a general slowdown in the global economy.

Results Highlight

FYE Dec (RM m)	4Q24	3Q24	QoQ Chg	4Q23	YoY Chg	FY24	FY23	YoY Chg
Turnover	261.9	273.2	-4.2%	310.0	-15.5%	1,074.5	1,016.6	5.7%
Gross Profit	52.3	54.7	-4.5%	81.2	-35.6%	216.6	215.9	0.4%
EBITDA	30.7	93.0	-66.9%	57.0	-46.1%	201.5	151.3	33.2%
EBIT	8.6	25.7	-66.8%	34.4	-75.2%	68.1	71.0	-4.1%
PBT/(LPT)	3.5	20.1	-82.8%	28.4	-87.8%	45.7	49.5	-7.7%
Taxation	(1.1)	(0.1)	693.7%	(1.6)	-31.0%	(2.9)	(1.8)	59.0%
MI	(0.1)	(1.7)	NA	(2.5)	NA	(3.3)	(3.5)	NA
Net Profit	2.2	18.3	-87.9%	24.3	-90.9%	39.5	44.1	-10.5%
Core EPS (sen)	0.2	1.5	-87.9%	2.0	-90.9%	3.2	3.6	-10.6%
DPS (sen)	0.0	0.3	-100.0%	0.3	-100.0%	0.3	0.3	0.0%
Gross Margin	20.0%	20.0%		26.2%		20.2%	21.2%	
EBITDA Margin	11.7%	34.0%		18.4%		18.8%	14.9%	
EBIT Margin	3.3%	9.4%		11.1%		6.3%	7.0%	
PBT Margin	1.3%	7.4%		9.2%		4.3%	4.9%	
NP Margin	0.8%	6.7%		7.8%		3.7%	4.3%	
Tax Rate	-32.6%	-0.7%		-5.7%		-6.3%	-3.7%	

Source: Kenanga Research

Revenue Geographical Breakdown

FYE Dec (RM m)	4Q24	3Q24	QoQ Chg	4Q23	YoY Chg	FY24	FY23	YoY Chg
Asia	172.7	188.7	-8.5%	221.3	-22.0%	701.5	690.6	1.6%
Europe	66.4	64.1	3.6%	70.5	-5.9%	291.8	248.7	17.3%
USA	19.3	16.5	17.1%	15.2	26.8%	66.3	63.4	4.6%
Others	3.6	4.0	-10.7%	2.9	22.1%	14.9	13.9	7.2%
TOTAL	**261.9**	**273.2**	**-4.2%**	**310.0**	**-15.5%**	**1,074.5**	**1,016.6**	**5.7%**

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 27 Feb. (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net. Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	OP	1.40	2.03	45.0%	1,735.3	Y	12/2025	8.9	9.0	178.7%	1.0%	16.5	11.7	1.7	11.5%	1.0	0.5%
INARI AMERTRON BHD	MP	2.19	2.80	27.9%	8,297.8	Y	06/2025	7.4	9.0	-9.7%	21.9%	23.3	18.5	3.0	7.1%	8.0	2.7%
KELINGTON GROUP BHD	OP	3.52	4.33	23.0%	2,536.5	Y	12/2025	20.4	19.9	25.4%	13.4%	21.8	18.1	3.9	26.6%	10.0	2.9%
LGMS BHD	MP	1.05	1.00	-4.8%	478.8	Y	12/2025	3.3	3.8	22.8%	13.2%	22.7	16.6	4.7	15.3%	2.0	0.8%
M'SIAN PACIFIC INDUSTRIES BHD	OP	18.90	26.75	41.5%	3,768.6	Y	06/2025	83.6	99.1	32.0%	18.6%	25.4	13.7	1.7	7.8%	35.0	1.3%
NATIONGATE HOLDINGS BHD	MP	1.99	2.15	8.0%	4,530.6	Y	12/2025	9.0	5.5	16.0%	-38.1%	34.7	21.7	4.2	20.5%	2.0	0.6%
OPPSTAR BHD	UP	0.515	0.390	-24.3%	329.9	Y	03/2025	(1.0)	1.5	-141.3%	53.1%	9.1	7.9	2.3	-4.4%	0.0	1.2%
P.I.E. INDUSTRIAL BHD	OP	4.20	6.28	49.5%	1,613.0	Y	12/2024	17.4	29.1	-10.1%	67.5%	18.9	14.6	2.5	10.6%	7.0	0.0%
SKP RESOURCES BHD	OP	0.995	1.24	24.6%	1,554.5	Y	03/2025	7.6	8.6	22.4%	13.9%	13.6	11.7	1.4	11.4%	0.0	0.0%
UNISEM (M) BHD	MP	2.30	3.00	30.4%	3,710.1	Y	12/2024	5.7	11.1	12.7%	94.8%	22.6	18.1	1.6	3.9%	8.0	2.5%
Simple Average					28,555.2					13.9%	16.9%	23.8	20.4	2.7	11.0%		1.2%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	☆		
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	☆	
SPECIFIC	Worker Welfare	★	★	★		
	Supply Chain Auditing	★	★	★	☆	
	Waste Management	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Work Site Safety	★	★	★		
	Digital Transformation	★	★	☆		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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