

29 May 2026

D&O Green Technologies

Reset Before Recovery

By Cheow Ming Liang | cheowml@kenanga.com.my

We came away from D&O's post-1QFY26 briefing with a more cautious view of its earnings recovery, as near-term performance remains constrained by legacy inventory clean-up, the lagged impact of its 12-month rolling inventory cost methodology, and sub-optimal utilisation. While management expects 2QFY26 revenue to stabilise, we believe margin recovery will likely be gradual and more visible only towards late-FY26, subject to stronger loading, successful inventory clearance and forex stability. We cut our FY26F earnings to a core net loss of RM32.3m from core PATAMI of RM26.3m previously, and trim FY27F core net profit by 13% to RM32.0m after lowering our GP margin assumptions. In addition, we also factor in RM20m inventory impairment over the next four quarters. Correspondingly, we reduce our TP to RM0.44 from RM0.47, based on an unchanged 22x FY27F PER, and maintain MARKET PERFORM.

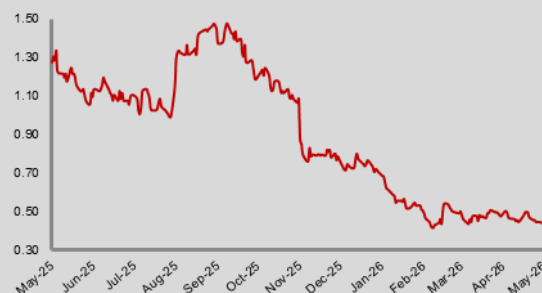
We came away from D&O's post-1QFY26 results briefing with the following key takeaways:

- The revised inventory provision framework provides better visibility, but earnings may remain uneven.** D&O has adopted a more progressive provision schedule based on inventory ageing and risk profile. For lower-risk inventory, the provision rate is 0% for Year 1, 25% for Year 2, 50% for Year 3 and 100% after three years. For higher-risk legacy inventory, the provision rate is higher at 15% for Year 1, 35% for Year 2, 70% for Year 3 and 100% after three years. This framework provides greater transparency, although quarterly earnings may still fluctuate depending on which inventory batches are reworked, the actual recovery yield and whether recovered units are subsequently sold.
- Legacy inventory remains a key item to monitor over the next four to six quarters.** D&O explained that the inventory issue was largely related to inventories accumulated during the 2022–2024 ramp-up period, which are now being retested, reworked and reverified. Total inventory has been reduced from around 2.7b pieces previously to about 1.6b–1.7b pieces currently, while management's longer-term ideal level is around 800m pieces. For higher-risk "Group 2" inventory, management indicated a book value of about RM118m, against provisions of around RM70m, while total inventory provisions stood at about RM80m–RM100m. Further impairment or writebacks may still arise, depending on the actual recovery rate of the remaining inventory.
- Margin recovery is likely to be gradual due to the 12-month rolling average cost methodology.** Management highlighted that D&O has moved towards a 12-month rolling weighted average cost methodology, which better reflects current operating conditions but also delays the recognition of cost savings. D&O also indicated that the inventory cost remeasurement effect reduced 1QFY26 profit by about RM7m, suggesting that gross margin may recover only progressively as lower costs, better yields and higher utilisation are reflected in the cost base.
- Operational reset is underway, with recovery dependent on loading and execution.** D&O had previously built capacity to support monthly sales of around RM120m during the 2021–2024 ramp-up cycle, but actual sales in 1QFY26 were below that level. The group is now rightsizing its cost base towards a near-term monthly sales run-rate of around RM80m–RM85m, while still allocating capacity to higher-growth products such as smart LEDs and advanced rear-combination lighting. Headcount has been reduced from more than 2,500 previously to around 2,300, with a further target of about 2,200. Management indicated that

MARKET PERFORM ↔

Price : RM0.415
Target Price : RM0.44 ↓

Share Price Performance



KLCI 1,684.93
YTD KLCI chg 0.3%
YTD stock price chg -44.7%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker DOGT MK Equity
Market Cap (RM m) 514.4
Shares Outstanding 1,239.5
52-week range (H) 1.48
52-week range (L) 0.42
3-mth avg. daily vol. 7,423,636
Free Float 78%
Beta 0.87

Major Shareholders

Prt Capital Pte Ltd 13.1%
Keen Capital Investm 12.4%
Omega Riang Sdn Bhd 9.1%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	990	987	1,012
EBIT	-268	-118	23
PBT	-287	-135	6
Net Profit	-228	-103	32
Core Net Profit	11	-32	32
Consensus	-	25	32
Earnings Revision	-	-222%	-13%
EPS (sen)	0.9	-8.3	2.0
EPS Growth (%)	-71.5	1017.2	0.0
NDPS (sen)	0.0	0.5	0.6
BV/Share (RM)	0.5	0.4	0.4
Core PER (x)	45.6	-5.0	20.9
P/BV (x)	0.8	1.2	1.1
Gearing (x)	0.3	0.4	0.3
Net Dvd Yield (%)	0.0%	1.2%	1.4%

29 May 2026

operational breakeven is around 75%–77% utilisation, suggesting that sustained recovery will depend on stronger loading, successful inventory clearance and continued cost discipline.

5. **Demand appears to be stabilising, although the broader automotive backdrop remains soft.** GlobalData forecasts global light vehicle sales to grow by only 0.3% YoY to 92.35m units in 2026, reflecting a cautious industry outlook. That said, management noted some improvement in China order trends in April–May after a weak 1QFY26, while 2QFY26 sales are expected to remain broadly stable. Over the longer term, D&O continues to see opportunities from higher automotive LED content across EVs, PHEVs and next-generation vehicle platforms, supported by ongoing design-in activity and secured design wins.

Forecasts. We cut our FY26F earnings to a core net loss of RM32.3m, from core PATAMI of RM26.3m previously, after lowering our GP margin assumption to 10.7% from 17.1%. This reflects the weak 1QFY26 performance, which was affected by sub-optimal utilisation and inventory cost remeasurement. We also trim our FY27F core net profit by 13% to RM32.0m, after lowering our GP margin assumption slightly to 17.5% from 18.0%. In addition, we factor in c.RM20m inventory impairment over the next four quarters. Overall, we believe near-term earnings visibility remains constrained by three key factors: lingering inventory impairment risk, the lagged impact of the 12-month rolling inventory cost methodology, and still-suboptimal utilisation. While management expects 2QFY26 revenue to stabilise, we believe a more meaningful margin recovery is likely to emerge only gradually towards late-FY26, subject to improved loading, successful inventory clearance and a more stable forex environment.

Valuations. Correspondingly, we reduce our TP to RM0.44 (from RM0.47), after rolling over the valuation year to FY27 with an unchanged targeted PER of 22x, which implied 1 standard deviation below its 5-year mean. Maintained MARKET PERFORM rating.

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.

29 May 2026

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 28 May (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	MP	0.415	0.440	6.0%	514.4	Y	12/2026	(2.6)	2.0
FRONTKEN BHD	OP	4.88	5.10	4.5%	8,847.1	Y	12/2026	12.8	13.9	31.9%	8.7%	38.2	35.2	6.8	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	2.35	2.42	3.0%	8,948.4	Y	06/2026	4.8	8.0	-28.1%	64.6%	48.6	29.5	3.2	5.9%	5.0	2.1%
KELINGTON GROUP BHD	OP	7.43	9.05	21.8%	6,395.7	Y	12/2026	21.4	24.5	29.1%	14.1%	34.7	30.4	8.4	27.5%	15.0	2.0%
LGMS BHD	OP	0.515	0.580	12.6%	234.8	Y	12/2026	2.9	3.6	30.4%	21.8%	17.7	14.5	1.8	10.5%	2.0	3.9%
M'SIAN PACIFIC INDUSTRIES BHD	MP	49.12	38.90	-20.8%	9,794.4	Y	06/2026	104.7	134.1	35.6%	28.0%	46.9	36.6	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.760	0.780	2.6%	1,719.6	Y	12/2026	3.5	5.2	-20.1%	49.3%	21.8	14.6	1.6	7.6%	2.0	2.6%
OPPSTAR BHD	UP	0.655	0.430	-34.4%	421.5	Y	03/2027	1.2	2.0	-50.9%	58.2%	53.1	33.6	3.3	6.3%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.42	1.45	2.1%	545.3	Y	12/2026	5.9	8.4	0.4%	42.3%	24.0	16.9	0.8	3.5%	0.0	0.0%
SKP RESOURCES BHD	MP	0.335	0.500	49.3%	523.4	Y	03/2026	5.7	4.4	-24.4%	-22.5%	5.9	7.6	0.5	8.0%	0.0	0.0%
SKYECHIP BHD	OP	2.82	2.00	-29.1%	5,064.7	Y	03/2027	2.6	3.4	30.1%	32.1%	108.5	82.1	29.2	31.2%	70.0	24.8%
UNISEM (M) BHD	UP	5.00	2.47	-50.6%	8,065.4	Y	12/2026	5.4	9.5	39.6%	74.6%	91.9	52.6	3.7	4.1%	0.0	0.0%
UWC BHD	OP	5.80	4.70	-19.0%	6,399.3	Y	07/2026	9.0	14.3	143.3%	59.0%	64.7	40.7	11.1	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.61	3.95	-14.3%	3,279.2	Y	12/2026	12.1	13.1	39.0%	8.1%	38.0	35.2	3.8	10.4%	2.0	0.4%
INFOMINA BHD	OP	1.09	1.90	74.3%	655.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.3	14.3	3.3	18.3%	1.0	0.9%
Simple Average					61,408.6					12.1%	36.1%	46.1	33.9	5.5	11.0%		2.7%

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

