

Datasonic Group

COMPANY UPDATE

TRADING BUY

Current Price	RM 1.35
Target Price	RM 1.41
Consensus Price	RM 1.61

Stock Return Information

KLCI	1,575.27
Expected share price return (%)	4.1
Expected dividend return (%)	1.9
Expected total return (%)	6.0

Key Statistics

Bloomberg Ticker	DSON MK
Masa Ticker / Stock Code	5216/DSONIC
Shares Issued (m)	1,320.1
Market Capitalisation (RM'm)	1,782.1
52 Week Hi/Lo Price (RM)	1.69/0.47
Avg Trading Volume (3-mth)	32,336,040
Est Free Float (m)	629.7
YTD Returns (%)	-8.78
Beta (x)	1.56

Share Price Performance (%)

Price change	DGB	FBM KLCI
1 mth	10.66	13.96
3 mth	35.68	9.10
12 mth	175.51	-4.60

Major Shareholders (%)

Chew Ben Ben	21.13
Urusharta Jamaah	9.40
Demi Makar	8.12

Analyst: Daryl Law Shih Shion
Email: daryllaw@interpac.com.my

Additional RM7.3m Contract From NRD

We shift our call for Datasonic Group Bhd (DGB) to a Trading Buy (from Buy) with a slightly higher target price of RM1.41 (previously RM1.37) after tweaking some of our assumptions on our DFCF-derived valuation model (unchanged discount rate: 9.0%, TV 2.0% perpetual growth rate). We view the additional contract award to be a testament to DGB's capabilities with the likelihood of further extensions on existing contracts more probable.

RM7.3m additional contract value. DGB received an award for a RM7.3m additional spare parts contract for the maintenance services of card personalization centres for the National Registration Department (NRD), from the Home Ministry. Recall that the initial contract awarded to DGB on 3 June 2019 was for a contract sum of RM28.8m. Terms of the contract remain, with the contract duration to be valid for a period of two years commencing from 1 June 2019 to 31 May 2021 with an option to extend for another one year.

Outlook. The award for the National Integrated Immigration System (NIISe) contract continues to see delays with an expected period of award to now be in June/July, as a result of MCO restrictions in Malaysia. Tender evaluations are said to have only just begun two weeks prior. 4QFY19 result release is tentatively set for 25th June 2020.

Forecast. We make minor adjustments upwards on our FY21 earnings forecast of 1.2%, to impute the additional contract.

Table 1: Financial Highlights

FYE 31st Mar	FY17	FY18	FY19	FY20(F)	FY21(F)
Revenue (m)	318.4	258.6	219.6	288.8	394.7
PBT (m)	71.9	70.3	40.5	82.1	115.0
PATAMI (m)	62.5	67.1	36.4	75.5	105.8
Core EPS (sen)	4.7	5.1	2.8	5.7	8.0
PBT margin (%)	22.6	27.2	18.4	28.4	29.1
PATAMI margin (%)	19.7	26.0	16.6	26.1	26.8
PER (x)	28.5	26.5	48.8	23.7	16.9
DPS (sen)	4.0	4.0	2.5	2.5	2.5
Dividend Yield (%)	3.0	3.0	1.9	1.9	1.9
ROE (%)	24.0	25.2	13.9	24.8	28.1
ROA (%)	13.2	15.1	8.1	16.4	20.2
Net Gearing	0.0	0.0	0.0	0.0	0.0
BV/Share	0.20	0.20	0.20	0.23	0.29
Price/Book Ratio (x)	6.85	6.69	6.79	5.85	4.73

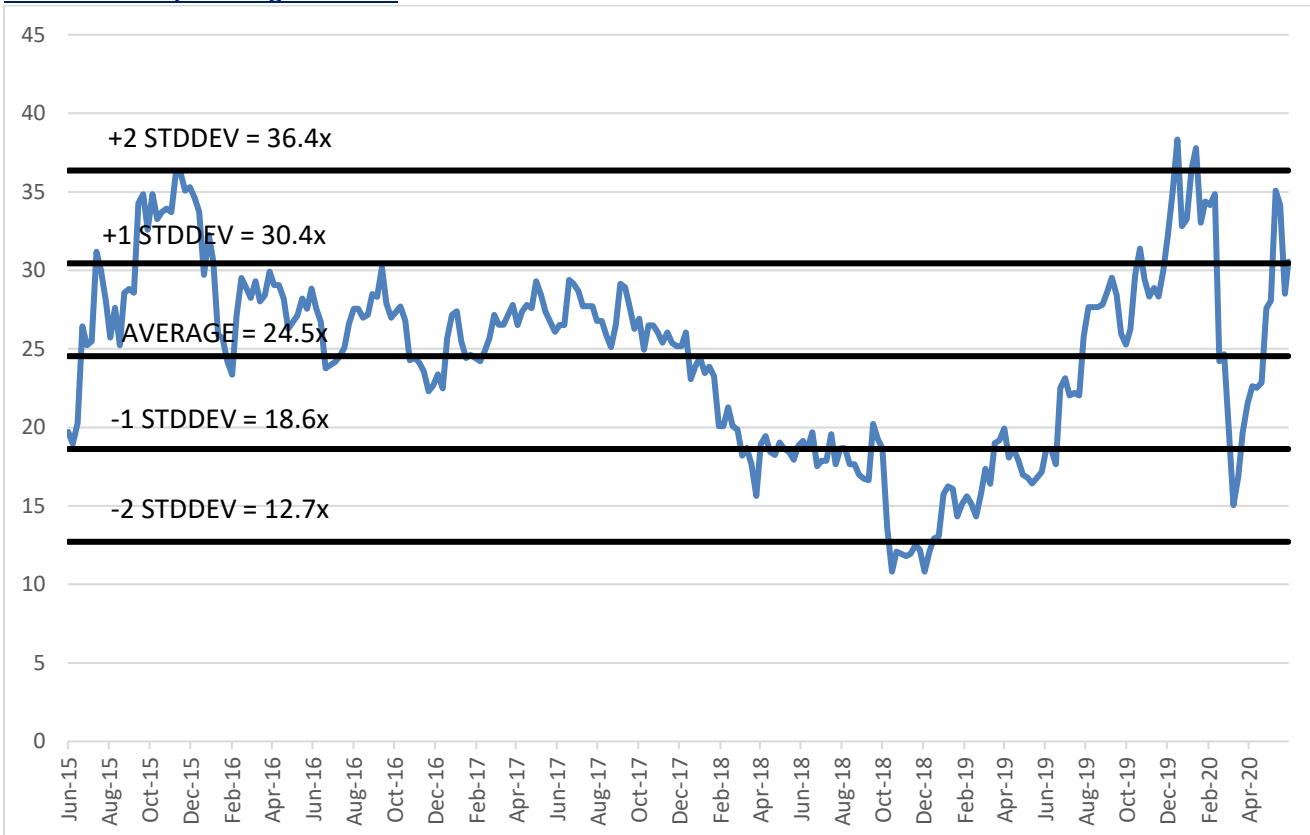
Source: Company, Inter-Pacific Research

Illustration 1: 1yr Share Price Performance



Source: Bloomberg, Inter-Pacific Research

Illustration 2: 5yr Trailing PER Chart



Source: Bloomberg, Inter-Pacific Research

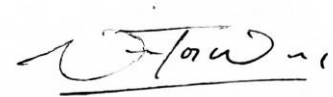
Declaration of Independence of Opinions and of Interest in Securities

The analyst(s) responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. Inter-Pacific Research Sdn Bhd prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the business. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

(i) As of June 11, 2020, Inter-Pacific Research Sdn Bhd has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies mentioned or recommended in this report: (a) Datasonic Group Bhd - nil,

(ii) As of June 11, 2020, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report: (a) Daryl Law - nil.

Signed



Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below 15% in the next 12 months
TRADING SELL	Total return is expected to be below 10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

IMPORTANT: This report has been prepared from sources that are believed to be reliable but we do not hold ourselves responsible for its completeness and accuracy. All opinions and estimates in this report are subject to change without notice. We do not accept any liability that may arise from the use of information in this report. Inter-Pacific Research Sdn Bhd and or its associates may from time to time have interest and/or underwriting commitments in the company being reported. This report is for internal circulation only and the contents or any part thereof **cannot be reproduced** in any manner whatsoever except with the prior written consent of Inter-Pacific Research Sdn Bhd.

Published and Printed by:

Inter-Pacific Research Sdn Bhd (449005-X)
West Wing, Level 13,
Berjaya Times Square,
No.1, Jalan Imbi,
55100 Kuala Lumpur
General Line : 03-2117 1888 Fax : 03-2142 7678