

## Datasonic Group Berhad (DSON MK)

### Higher Contract Ceiling for Passport Chips

- Datasonic Group Berhad (DSONIC) has received a letter from the Ministry of Home Affairs (MoHA) that states an increase in the ceiling value for the supply of Malaysian passport chips, bringing the total contract ceiling value to RM387.8mn from RM350mn.
- No change to earnings estimates as this has been incorporated into our financial forecast. Based on our forecast, we expect DSONIC to supply an average of 2.8mn passport-related products for FY24F and FY25F.
- Reiterate BUY on DSONIC at RM0.80 TP, pegged at 25x PER on FY24F EPS of 3.4 sen.

### Secured Additional Contract Ceiling Value for Passport Chips

On June 13, 2023, Datasonic Group Berhad (DSONIC) announced that it has received a letter from the Ministry of Human Affairs (MoHA) for the amendment of the contract for the supply of Malaysian Passport Chips for a period from December 1, 2021 to November 30, 2023. The letter states a higher contract ceiling valued at RM37.6mn, bringing the total contract value to RM387.8mn from RM350mn. This marks the second additional contract ceiling value granted to DSONIC.

### Ensuring Uninterrupted Delivery to the Public

The additional contract ceiling value of RM37.5mn, which is equivalent to approximately 1,475,000 units of passport chips, will ensure continuous and uninterrupted delivery of passport to the public thanks to robust demand for passport amid the reopening of international borders. Considering the average monthly passport chips delivery to the government for FY23 was 233k, we believe this will be sufficient for 6-month delivery (June – Nov), before the contract expires on November 30, 2023. We remain confident that DSONIC will continue to be the front-runner for the passport contract given its solid track record.

### No Change to Earnings Estimates

No change to earnings estimates as we have already incorporated this into earnings forecast. Based on our forecast, we expect DSONIC to supply an average of 2.8mn passports for FY24F and FY25F.

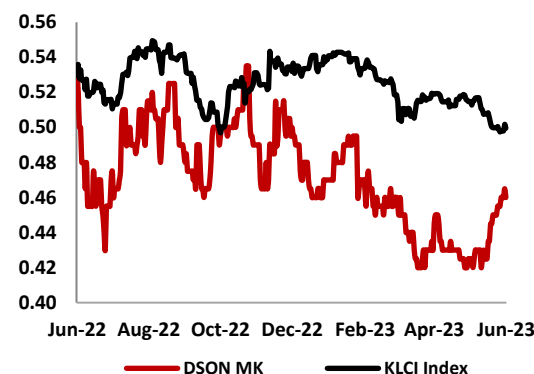
### Reiterate BUY at TP of RM0.80

Reiterate **BUY** on DSONIC at **RM0.80 TP**, pegged at 25x PER on FY24F EPS of 3.4 sen. We expect DSONIC to achieve another record revenue and the highest net profit for FY24F driven by robust demand for passports and MyKads in the market. Given DSONIC's attractive business outlook, we view the current share price offers attractive value for investors.

# BUY

Share Price RM0.46  
Target Price RM0.80 +73.9%

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	8.2	2.2	(10.5)
vs FBM KLCI	11.6	4.1	(7.9)

### Stock Data

Mkt Cap (RM mn)	1,302.5
Adjusted Beta	0.7
Free float (%)	77.2
Issued shares (mn)	2,831.6
52w H/L (RM)	0.54 / 0.41
3m avg daily volume	2,796,849

### Major Shareholders (%)

Urusharta Jamaah	8.8
Abu Hanifah Noordin	8.0
Demi Mekar	6.1

FYE Mar (RM mn)	FY21	FY22	FY23	FY24F	FY25F
Turnover	138	136	345	402	424
EBITDA	27	25	146	143	153
Pretax Profit	11	13	108	127	139
<b>Core Profit</b>	<b>7</b>	<b>10</b>	<b>76</b>	<b>96</b>	<b>105</b>
Consensus NP				94	95

EPS (sen)	0.2	0.4	2.7	3.4	3.7
PER (x)	190	127	17	14	12
BVPS	8.0	12.1	12.7	13.6	14.5
P/B (x)	5.8	3.8	3.6	3.4	3.2
DPS (sen)	1.1	0.6	2.0	2.5	2.8
D. Yield (%)	2.3	1.3	4.3	5.5	6.0
Net gearing (x)	0.2	0.1	0.1	Net cash	Net cash

### Key Ratios (%)

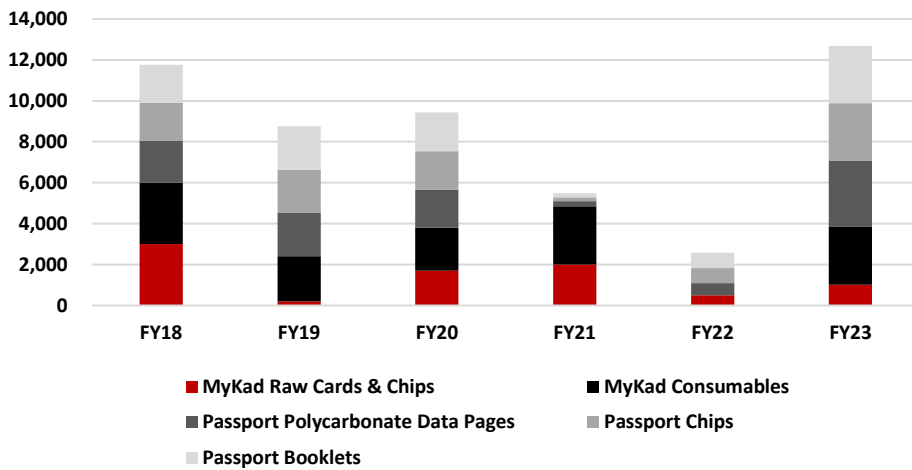
ROE	3	3	21	25	26
EBITDA margin	19	18	42	36	36
Pretax margin	8	9	31	32	33
Net margin	5	7	22	24	25

Source: Bloomberg, BIMB Securities

**Afifah Abdul Malek**

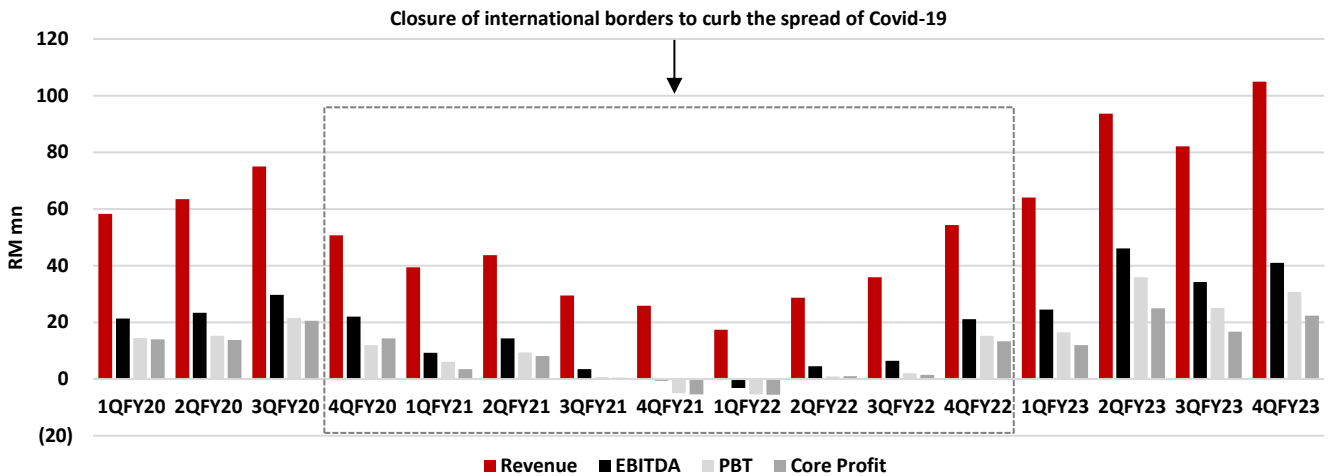
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Chart 1: DSONIC's Products Volume Delivery ('000)



Source: Company, BIMB Securities

Chart 2: DSONIC's Quarterly Performance



Source: Company, BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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