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## D&O VENTURES BHD

**BUY**  
Price **RM0.53**  
Target **RM0.64**

Share Profile/Statistics	
Bloomberg Ticker	DOV MK
KLCI	902.09
Issued share capital (m)	730.0
Market Capitalisation (RMm)	386.9
52 week High (RM)	1.65
52 week Low (RM)	0.38
Average Volume (3m) '000	139.6
YTD Returns (%)	0.0
5 yr Average ROE (%)	N/A
5 yr Average ROA (%)	N/A
Net gearing (x)	-0.2
Altman Z-Score	7.26
ROCE/WACC	0.37
Beta (x)	N/A
Cash Ratio (x)	1.3
FCF/share (x)	0.0
P/FCF/share (x)	N.A.
Book Value/share (RM)	0.16

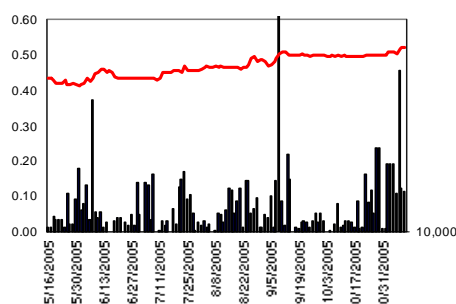
Major Shareholders (%)	
PRT Capital Pte Ltd	16.46%
Magna Reserve SB	14.51%
Omega Riang SB	11.59%

Share Performance				
(%)	1m	3m	6m	12m
Absolute	4.0	10.8	18.7	N/A
Relative	7.2	14.4	17.7	N/A

Growth Profile (%)				
	03a	04a	05f	06f
Revenue	-	46.9	20.0	26.0
EBITDA	-	41.4	18.9	25.7
PBT	-	67.3	61.0	47.0
NP	-	401	46.9	21.5

Margin (%)				
	03a	04a	05f	06f
EBITDA	-	21.9	22.6	22.6
PBT	-	15.9	21.3	24.9
NP	-	4.71	19.7	22.9

Historical Price Ratio				
(x)	01a	02a	03a	04a
P/Sales	-	-	-	1.22
P/Earnings	-	-	-	26
P/Book	-	-	-	3.34



### Earnings on track.

**Within expectation.** 3Q05 results are definitely on track to meeting forecasts stated in the prospectus. **PBT and Net Income saw an increase of 25.9% and 31% respectively** as compared to 2Q05. **Margins of the group settled comfortably at 26% at net level.**

**Profit from associate,** Dominant Semiconductors impressed us and contributed a significant **RM2.9m for 3Q05, which is 222% more than the previous quarter** as the previous quarter showed only one month of contributions. Therefore, this may push net income for FY05 exceeding our forecast of RM23.97m.

**Revenue took a slight 7.5% dip** but we are not overly concerned as fluctuations are largely due to the timing of contract renewals from the Group's main customer Aligent Technologies. For 4Q05, the Group has **released 3 new OEM manufacturing lines** and we expect this to help achieve revenue target of RM122m for FY05.

Evidently there is a **large and growing market for LEDs** abroad for electronics, automotives and outdoor lighting needs, considering the healthy margins that D&O is able to command for its products.

Despite the success of LEDs the Group is still keen on expanding its business to other lucrative areas. It was alluded to us that the group's next venture would be the **OEM of RFID tags**. Currently, the Group is still conducting marketing efforts to garner enough orders to kick start operations at an efficient level. Reportedly, all machinery has been set up and funded internally through Dominant.

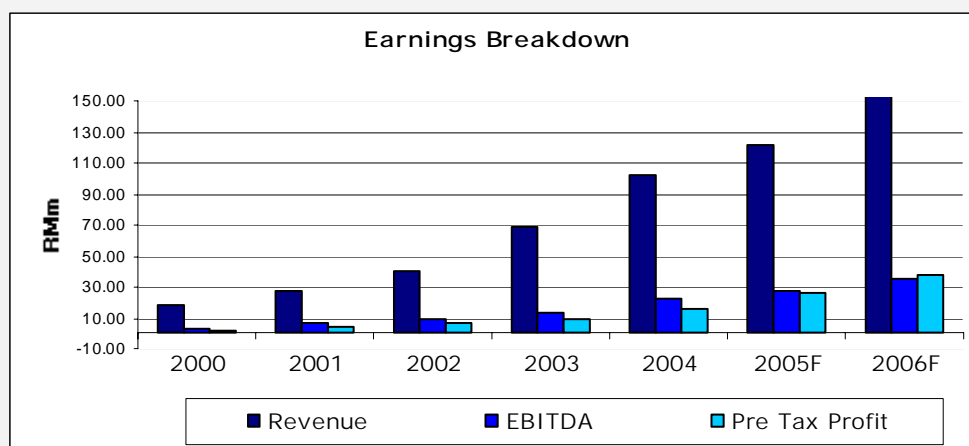
**Maintain BUY.** Since listing in Dec04, share price has gained 39% to 53sen, which we think is decent considering the thin trading on the stock. We believe that D&O has all the makings to become a prominent semiconductor player in Malaysia. By way of DDM coupled with basic PE valuation, we have arrived at a **fair value of 64sen** citing a **potential upside of 21%**.

FYE Dec (RMm)	FY02	FY03	FY04	FY05f	FY06f
Total Revenue	-	-	101.63	121.96	153.67
Net Profit	-	-	15.69	23.97	35.21
% chg YoY	-	-	-	-	-
Consensus EPS (sen)	-	-	-	-	-
EPS (sen)	-	-	2.2	3.3	4.5
Gross DPS (sen)	-	-	0.73	1.6	1.6
Gross Div. Yield (%)	-	-	0.19	3	3
PER (x)	-	-	26.0	15.8	10.8
P/BV (x)	-	-	3.34	2.98	2.35
CFO per share (sen)	-	-	1.0	3.1	3.2
ROE (%)	-	-	3.17%	9.57%	12.30%
ROA (%)	-	-	5.99%	24.07%	29.24%
Net Gearing	-	-	Net Cash	Net Cash	Net Cash
Current Ratio	-	-	2.33	1.92	2.22

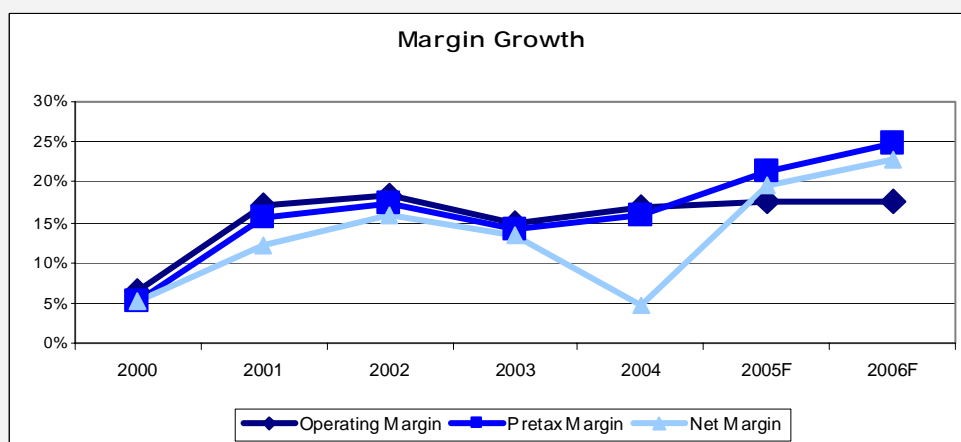
Results Table (RMm)	3QFY05	2QFY05	% chg	YTD FY05	YTD FY04	% chg
<b>FYE Dec 31</b>						
Turnover	29.5	31.8	-7.5%	87.1	75.0	16.2%
EBITDA	6.1	7.1	-15.3%	18.9	15.9	18.7%
Depreciation	(0.9)	(1.8)	-51.9%	(4.4)	(3.5)	25.7%
Net interest expense	(0.1)	(0.2)	-38.6%	(0.6)	(0.8)	-24.2%
Associates	2.9	1.0	189.6%	3.9	0.0	#DIV/0!
PBT	8.1	6.4	25.9%	18.6	12.6	47.0%
Tax	(0.4)	(0.6)	-26.2%	(1.3)	(0.7)	90.2%
MI	0.0	0.0	0.0%	0.0	0.0	0.0
Net Profit	7.7	5.9	31.0%	17.3	12.0	44.0%
EPS (sen)	1.1	0.8		2.4	1.6	
Gross DPS (sen)	0.1	0.0		0.1	0.0	
EBITDA margin	20.5%	22.5%		21.7%	21.3%	
NTA/share (RM)	0.18	0.17		0.18	0.16	

### A quick recap.

D&O is an OEM and “captive line agreement” semiconductor manufacturer hailing from Malacca. Its main product is **Light Emitting Diodes** and all of production is ultimately for the export market. The Group’s main customer is Aligent Technologies, which contributes to more than 60% of revenue each year.



Source : Company, OSK Estimates.



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