Arhnue Tan
+60 (3) 2162 4388 (638)
arhnue.tan@osk.com.my

D&O Ventures Bhd

BUY

Price RM0.55
Target RM0.64

Share Profile/Statistics	
Bloomberg Ticker	DOV MK
KLCI	896.13
Issued share capital (m)	730.0
Market Cap (RMm)	401.5
52 week High (RM)	0.65
52 week Low (RM)	0.38
Average Volume (3m) '000	135.6
YTD Returns (%)	0.1
5 yr Average ROE (%)	NA
5 yr Average ROA (%)	NA
Net gearing (x)	-0.2
Altman Z-Score	7.26
ROCE/WACC	0.37
Beta (x)	NA
Cash Ratio (x)	1.3
FCF/share (x)	0.0
P/FCF/share (x)	-47.7
Book Value/share (RM)	0.16

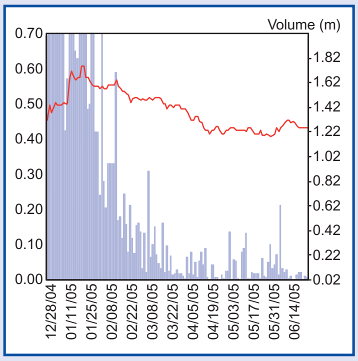
Major Shareholders (%)	
PRT Capital Pte Ltd	16.46%
Magna Reserve SB	14.51%
Omega Riang SB	11.59%

Share Performance				
(%)	1m	3m	6m	12m
Absolute	10	13.4	34.5	NA
Relative	12.0	16.5	27.7	NA

Growth Profile (%)	03a	04a	05f	06f
Sales	-	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	-	15.4	19.7	22.9

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



Lights that lead the way

Light Emitting Diodes (LEDs). D&O's forte lies in the packaging, assembly and testing of LEDs that are used in a myriad of items such as automotive lights, outdoor lighting displays, as well as electronic goods. LEDs have contributed to 68% of revenue YTD and provided EBITDA margins of 26%.

Solid Customer - Agilent Technologies. It is fair to say that much of Omega Semiconductors S/B's (D&O's main subsidiary) success is attributed to its **7-year relationship** with Agilent. Business from Agilent comes in the form of yearly-renewed Captive Line agreements, which **make up close to 60% of yearly revenue.** We see the likelihood of Agilent's departure as slim as Agilent is tied down by its machinery installed in Omega's facilities.

Solid Track record. Revenue and Net Profit CAGR for FY00 to FY04 are at 40% and 38% respectively. Net margins have grown from 5.2% in FY00 to 15.4% in FY04.

The Dominant factor. Recently included 49.66% owned associate, Dominant Semiconductors S/B have raised bottom line margins significantly to 26% in 3Q05 contributing RM2.9m or 34% to PBT. Dominant, unlike Omega is an Original Design Manufacturer (ODM) and specializes in Surface Mount LEDs. We expect monthly PBT contributions of RM0.9m - RM1m to continue going forward.

More OEM production lines in tow. Top line growth of 20% for FY05 and 26% for FY06 is to be driven by release of new OEM manufacturing lines by Omega. So far there have been 5 new releases YTD in FY06 and 1-2 per quarter planned for FY06.

RFID - the next venture. D&O's next venture is the OEM manufacture of RFID tags. Currently marketing efforts are still underway to garner enough orders to begin operations at an efficient level. Reportedly, all machinery for has been set up and funded internally through Dominant.

A decent small cap BUY. Since listing in Dec04, share price has gained 45% to 55sen, which we think is decent considering the thin trading on the stock. D&O currently trades at a PE of 12.2x based on a prospective EPS of 4.5sen and has expected net dividend of 1.2sen for FY06 (2.2% net yield). By way of DDM coupled with basic PE valuation, we have arrived at a **fair value of 64sen citing a potential upside of 16.4%.**

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
ROA (%)	-	-	3.17%	9.57%	12.30%
ROE (%)	-	-	5.99%	24.07%	29.24%
Net Gearing	-	-	Net Cash	Net Cash	Net Cash
Current Ratio	-	-	2.33	1.92	2.22