

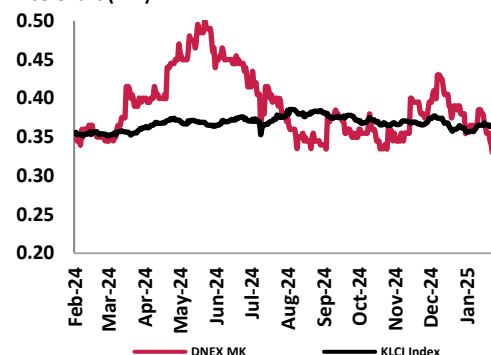
Dagang NeXChange Berhad (DNEK MK) **Inline**

Expecting Better Years Ahead

- Key Highlights.** Dagang NeXChange Berhad (DNeX) posted a 4Q24 revenue of RM300.5mn, marking a 14% QoQ and 6% YoY increase, driven by higher QoQ contributions across all segments – IT (+23%), Energy (+31%), and Technology (+6%). Energy segment however saw a 29% YoY decline due to lower average selling price of USD81.7/bbl (vs. USD82.2/bbl in 2023) and a 23% YoY drop in lifting volume, impacted by a planned maintenance shutdown in Aug 2024, followed by restricted production in the subsequent two months. At the core net profit level, excluding a net reversal of impairment on its assets and receivables amounting to RM29mn, the company reported a 4Q24 core LATAMI of RM32.7mn, versus a core net profit of RM3.6mn in the previous quarter. Meanwhile, Silterra's recovery continue to gain traction, with revenue rising 6% QoQ and 18% YoY to RM171.5mn. Emerging Technology, particularly Silicon Photonics (SiPh), contributed around 23% of Silterra's product mix in 2024.
- Earnings Revision.** No changes to our forecast.
- Outlook.** We remain optimistic about Silterra's turnaround, underpinned by growing demand for SiPh, a higher-margin product, which is critical for data centers and artificial intelligence (AI). With current plant utilization of 70%-75%, SiPh accounting for 30%-40% of its production—targeted to rise to 55% by 2025. The company also anticipates new income streams from i) its first oil production from the Abu Cluster, expected to commence in Oct 2025 with an initial output of 2.5k bpd, and ii) sovereign cloud services, in collaboration with Google Cloud, targeting government agencies as primary clients.
- Maintain BUY with an unchanged target price (TP) of RM0.52.** We reiterate our **BUY** call on DNeX with an SOP-derived **target price (TP) of RM0.52**. Albeit at a gradual pace, we anticipate Silterra's recovery to persist, as the company ramps up its production capacity and optimizes its product mix to meet the growing demand for SiPh chips.

BUYShare Price **RM0.305**Target Price **RM0.520 +70.5%**

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(12.7)	(12.7)	(16.2)
vs FBM KLCI	(14.2)	(11.7)	(17.7)

Stock Data

ESG Rating	Best
Mkt Cap (RM mn)	1,076.3
Beta	0.9
Free float (%)	81.8
Issued shares (mn)	3,472.0
52w H/L (RM)	0.525 / 0.290
3m avg daily volume	15,834,830

Major Shareholders (%)

Arcadia Acres Sdn Bhd	10.3
EPF	4.5
Foxconn Singapore	3.5

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Table 1: Quarterly Figures

DNeX Berhad FYE 31 Dec (RM mn)	Quarterly			Change		Cumulative		YTD	BIMB	
	6Q23*	3Q24	4Q24	QoQ	YoY	12M23*	2024	Change	2024F	12M/F
Revenue	283.7	263.0	300.5	14.3%	5.9%	1,162.8	1,171.5	0.7%	1,301.6	90%
EBITDA	29.5	23.6	22.7	-3.8%	-23.1%	209.2	159.1	-24.0%	235.0	68%
PBT	(26.1)	2.8	(67.8)	n.m.	>-100%	4.1	(81.0)	n.m	(7.9)	>100%
Core PBT	(23.0)	(2.8)	(23.7)	>-100%	3.0%	11.4	(31.4)	n.m	(7.9)	>100%
Taxation	(30.0)	7.7	(27.2)	n.m.	-9.3%	(296.6)	(5.0)	98.3%	71.7	n.m
MI	41.5	(1.3)	18.2	n.m.	-56.1%	99.96	37.79	-62.2%	5.7	>100%
PATAMI	(14.6)	9.1	(76.7)	n.m.	>-100%	(192.5)	(48.13)	75.0%	69.5	n.m
Core PATAMI	(11.5)	3.6	(32.7)	n.m.	>-100%	(185.21)	1.44	n.m	69.5	2.1%
EPS (sen)	(0.4)	0.1	(0.9)			(5.33)	0.04	n.m		
Net gearing (x)	net cash	net cash	net cash			Net cash	Net cash			
EBITDA margin (%)	10.4	9.0	7.6			20.4	12.8			
Core PBT margin (%)	(8.1)	(1.1)	(7.9)			3.4	(3.4)			
Core PATAMI margin (%)	(4.1)	1.4	(10.9)			(13.5)	(0.6)			
Effective tax rate	260.9	213.9	83.2			188.4	67.1			

Note: *18MFYE23

Source: BIMB Securities, Company

Table 2: Quarterly Segments Breakdown

Segments	6Q23*	3Q24	4Q24	QoQ Chg	YoY Chg
Revenue (RM mn)					
IT and e-Service	41.1	49.1	60.2	22.6%	46.6%
Energy	97.2	52.4	68.7	31.2%	-29.3%
Tech	145.43	161.52	171.56	6.2%	18.0%
Group	283.7	263.0	300.5	14.2%	5.9%
PBT (RM mn)					
IT and e-Service	(10.7)	(0.1)	(20.6)	>-100%	-92.9%
Energy	20.2	11.7	(26.1)	n.m	n.m
Tech	(31.0)	(0.4)	(17.6)	>-100%	43.1%
Group	(21.4)	11.1	(64.3)	n.m	>-100%
Core PBT Margin (%)					
IT and e-Service	-26.0	-0.3	-34.1		
Energy	20.8	22.3	-38.0		
Tech	-21.3	-0.2	-10.3		
Group	-7.6	4.2	-21.4		

Note: *18MFYJun23

Source: BIMB Securities, Company

Table 3: SOP Breakdown

Items	Equity	RM mn	RM/share	Remarks
Ping Petroleum	90%	359	0.10	Finite DCF on Anasuria using WACC 9.5%
SilTerra	40%	1,350	0.39	Infinite DCF using WACC 9.5%, assuming full dilution scenario in Silterra
IT e-Services		373	0.11	
Holding co discount		(396)	(0.11)	
Total enterprise value		1,686	0.49	
Less: net (debt) / cash		114	0.03	
Total equity value		1,800	0.52	
No. of shares (mn)		3,472		
Equity value per share (RM)		0.52		

Source: BIMB Securities, Company

Table 4: Earnings Forecast

FYE 31 Dec (RM mn)	18M23	FY24F	FY25F	FY26F	FY27F
Turnover	1,913	1,302	1,602	1,819	1,812
EBITDA	494	235	471	533	523
Pretax profit	157	(8)	232	299	295
Core Net Profit	186	69	210	251	252
EPS (sen)	5.9	2.0	6.0	7.2	7.3
PER (x)	5.2	15.2	5.0	4.2	4.2
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
BVPS	0.6	0.5	0.6	0.7	0.7
P/B (x)	0.5	0.6	0.5	0.5	0.4
Key Ratios (%)					
ROE	10.5	3.8	10.2	10.9	9.9
EBITDA margin	25.8	18.0	29.4	29.3	28.9
Pretax margin	8.2	(0.6)	14.5	16.4	16.3
Net margin	9.7	5.3	13.1	13.8	13.9

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

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

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	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
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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