

Results Update

25 February 2010

Jadi Imaging Holdings

A fruitful year with strong earnings growth

Buy

TP:RM0.23

Price (24 Feb 10)	RM0.170
KLCI	1270.78

Stock Data

Bursa / Bloomberg code	7223 / JADI MK
Market/ Sector	Main / Ind Product
Syariah Compliant status	No
Issued shares (m)	609.6m
Par Value (RM)	0.10
Market cap. (RM m)	106.69
Price / NTA	1.23
52-week price Range	RM 0.22- 0.07
Beta (against KLCI)	1.22
3-m Average Daily Volume	0.98m
3-m Average Daily Value*	RM 0.18m
* based on closing price	

Major Shareholders

1)LTL Venture Holdings Sdn Bhd	35.03%
2)Lau Eng Eu	5.65%
3) Hock Guan Lim	3.61%

Share Performance (as at 24 Feb 10)

	1m	3m	12m
Absolute (%)	-1.9	3.9	85.9
Relative (%-pts)	-0.1	-2.1	30.8

Price-Earnings Band

	FY-3	FY-2	FY-1
Upper	16.93	13.71	21.58
Lower	9.03	4.48	7.36

Financial Forecast (Year End Dec 31)

(RMm)	08A	09A	10F	11F
Revenue	63.22	85.89	95.77	108.89
Operating Profit	6.31	13.11	14.79	17.66
Pretax Profit	6.21	12.55	14.59	17.41
Net Profit	6.13	10.33	12.45	15.31
EPS (sen)	1.01	1.71	2.06	2.53
PER (X)	16.83	9.94	8.25	6.71
DPS (sen)	0.50	0.30	0.50	0.50
Div Yield (%)	2.94	1.76	2.94	2.94

Important Balance Sheet Items (as at 31 Dec 09)

NA / share (RM)	0.15
Trade Receivables (RM m)	11.06
Trade Payables (RM m)	9.92
Total Assets (RM m)	122.91
Net Cash /(Debt) (RM m)	Net Cash

JADI IMAGING posted FY09 net profit of RM10.33mil (up 68.5% y-o-y) on the back of RM85.89mil revenue (up 35.9% y-o-y), largely driven by an increase in sales volume of both black and colour toners. The 12MFY09 results came in within our expectations, accounting for 95.6% of our FY09 full-year earnings forecast. We rate the stock a Buy based on the unchanged target price of RM0.23 per share.

Highlights

Revenue rose 35.9% y-o-y ; net profit surged 68.5% y-o-y

Jadi Imaging's revenue for FY09 came in at RM 85.89mil, up 35.9% from RM 63.22mil recorded in FY08. Meanwhile, net profit surged 68.5% to RM 10.33mil as compared to last year, mainly due to higher sales volume of both black and colour toner as well as better margins achieved during the period under review. The group's net profit margin improved to 12.03% in FY09 from 9.70% in FY08 on the back of the group's continuous effort to enhance productivity and lower expenses. Overall, the global economic recovery has contributed significantly to the strong results achieved in FY09.

Sequential performance was below expectation

From a q-o-q perspective, revenue expanded by 8.4% q-o-q to RM25.3mil but net profit fell by 23.3% to RM 2.83mil due to weaker USD and write-off of renovation of Suzhou old factory amounting to RM 0.49mil for the quarter under review. As a result, net profit margin declined to 11.2% from 15.8% in 3QFY09. In our opinion, the profit margin growth trend remains intact in view of the improved business environment and better cost control.

Improving current ratio-2.14x

We noticed that Jadi's current ratio has further improved to 2.14x from 2.11x in 3QFY09 (1.94x in 2QFY09). It is worth to note that this is the second improvement since 1QFY08, which temporarily eases liquidity concerns.

Dividend

No interim dividend was declared for the current quarter.

Investment Risks

Currency fluctuation remains as the main concern

Currency fluctuation of Yen and USD is critical in determining Jadi's earnings and profits margins as Jadi sources production materials from Japan while trading terms are in USD. Although we believe that Ringgit should have stabilized against USD and Yen, any major changes in the foreign exchange due to unforeseen scenario will be bad for Jadi.

Rapid advancements in technology

Jadi needs to reinvest its capital for new machines and R&D to ensure its toner compatibility with the ever-changing models of printers. As the pace of technology advancement is sometimes unpredictable, there is a risk in terms of JADI's speed to adjust and conform itself with the ever changing environment.

Valuation and recommendation

Maintain Buy with an unchanged TP of RM 0.23

In view of the lower margins achieved during the quarter under review, we have revised downwards our FY10 earnings forecast by 5% after tweaking our margin assumptions. We value the stock at RM0.23, which is derived from its 3-years average PER(adjusted) of 11.09x and forecasted FY10 EPS of 2.06 sen.

Overall, we are positive on Jadi Imaging's ability to sustain its profitability on the back of its plan to expand the black and colour line and launch several new products in year 2010 due to improved demand and sales as the global economic recovery remains on track.

FY Dec (RM m)	FY08	FY09	FY10F	FY11F
Revenue	63.22	85.89	95.77	108.89
Gross Profit	20.25	24.23	29.19	34.59
Operating Profit	6.31	13.11	14.79	17.66
PBT	6.21	12.55	14.59	17.41
Net Profit	6.13	10.33	12.45	15.31
EPS (sen)	1.01	1.71	2.06	2.53
PER	16.83	9.94	8.25	6.71
DPS (sen)	0.50	0.30	0.50	0.50
Div Yield (%)	2.94	1.76	2.94	2.94

Table: Results Summary

Year Ending Dec	4Q09	3Q09	4Q08	QoQ (%)	YoY (%)	YTD FY09	YTD FY08	Chg (%)
Revenue (RMm)	25.31	23.36	16.07	8.35	57.50	85.89	63.22	35.86
Operating Profit (RMm)	3.81	4.27	(-1.44)	-10.77	N.M	13.11	6.45	103.26
Profit before Taxation (RMm)	3.73	4.13	(-1.54)	-9.69	N.M	12.55	6.21	102.09
Net Profit (RMm)	2.83	3.69	(-0.98)	-23.31	N.M	10.33	6.13	68.52
EPS (sen)	0.47	0.61	(-0.16)	-22.95	N.M	1.71	1.01	69.31
Operating margin (%)	15.05	18.28	N.M	-3.23	N.M	15.26	10.20	5.06
Net Profit Margin(%)	11.18	15.80	N.M	-4.61	N.M	12.03	9.70	2.33

Historical Price Movement 26/02/2009 – 24/02/2010



JF APEX SECURITIES BERHAD – CONTACT LIST

JF APEX SECURITIES BHD

Head Office:

6th Floor, Menara Apex
Off Jalan Semenyih
Bukit Mewah
43000 Kajang
Selangor Darul Ehsan
Malaysia

General Line: (603) 8736 1118
Facsimile : (603) 8737 4532

PJ Office:

15th Floor, Menara Choy Fook On
No. 1B, Jalan Yong Shook Lin
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

General Line: (603) 7620 1118
Facsimile : (603) 7620 6388

DEALING TEAM

Head Office:

Valerie Gan Ai Lynn (ext 3238)
Kong Ming Ming (ext 3237)
Shirley Chang (ext 3211)
Norisam Bojo (ext 3233)
Derrick Ng Wei Yee (ext 3239)
Edwin Loh Ming Hon (ext 3236)
Wong Wing Haur, Alvin (ext 3226)
Gan Huai Hsia (ext 3214)

Institutional Dealing Team:

Lim Teck Seng
Sanusi Manso (ext 740)
Edy Sukasma (ext 745)
Fathul Rahman Buyong (ext 741)
Ramlee Sulaiman (ext 742)
Ahmad Mansor (ext 744)
Lum Meng Chan (ext 743)

PJ Office:

Tengku Badrul Hisham (ext 363)
Mohd Hanif Wan Said (ext 111)
Elle Chan (ext 862)

RESEARCH TEAM

PJ Office:

Norhashmilaidi Hashim (ext 810)
Ng Keat Yung (ext 823)
Lim Seong Chun (ext 812)
Phoon Thai Yoon (ext 825)
Afif Termizi (ext 822)
Chai San San (ext 837)
Jason Tan

JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

- BUY** : The stock's total returns* are expected to exceed 10% within the next 12 months.
- HOLD** : The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
- SELL** : The stock's total returns* are expected to be below -10% within the next 12 months.
- TRADING BUY** : The stock's total returns* are expected to exceed 10% within the next 3 months.
- TRADING SELL** : The stock's total returns* are expected to be below -10% within the next 3 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
- MARKETWEIGHT** : The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
- UNDERWEIGHT** : The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

*capital gain + dividend yield

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