

Results Update

25 February 2010

# Jadi Imaging Holdings

**Buy**

A fruitful year with strong earnings growth

TP:RM0.23

<b>Price (24 Feb 10)</b>	<b>RM0.170</b>
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



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#### 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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Published & Printed By:

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