

# Jadi Imaging Holdings

**Take Profit**

In-the-money free warrants

TP: RM0.23

<b>Price (30 July 10)</b>	<b>RM0.275</b>
KLCI	1360.92

### Stock Data

Bursa / Bloomberg code	7223 / JADI MK
Market/ Sector	Main / Ind Product
Syariah Compliant status	No
Issued shares (m)	679.10m
Par Value (RM)	0.10
Market cap. (RM m)	190.15
Price / NTA	1.80
52-week price Range	RM 0.31 - 0.16
Beta (against KLCI)	1.30
3-m Average Daily Volume	3.81m
3-m Average Daily Value*	RM 0.92m
* based on closing price	

### Major Shareholders

1) LSI Holdings Sdn Bhd	31.5%
2) Mega First	9.1%
3) Lan Eng Eu	5.1%

### Share Performance (as at 30 July 10)

	1m	3m	12m
Absolute (%)	64.7	64.7	66.2
Relative (%-pts)	57.8	62.5	43.1

### 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)	27.2	16.1	13.4	10.9
DPS (sen)	0.50	0.30	0.50	0.50
Div Yield (%)	1.82	1.09	1.82	1.82

### Important Balance Sheet Items (as at 31 Mar 10)

NA / share (RM)	0.15
Total Receivables (RM m)	10.65
Total Payables (RM m)	12.25
Total Assets (RM m)	126.18
Net Cash/(Debt) (RM m)	Net cash

*Jadi Imaging announced that it has proposed an (i) issuance of up to 352,251,462 free warrants on the basis of 1 free warrant for every 2 existing shares, and (ii) increase in the authorised share capital from 1,000,000,000 RM0.10 shares to 2,000,000,000 RM0.10 shares.*

### Highlights

- In-the-money free warrants (American style)**  
 JADI Imaging is proposing an issuance of up to 352,251,462 free warrants with an exercise period of 5 years on the basis of 1 free warrant for every 2 existing shares. The exercise price for Jadi's free warrants has been fixed at RM0.17 each, representing a discount of approximately 27.6% to the 3-month VWAP of JADI shares of RM0.235 up to and including 29 July 2010. Based on Friday's closing price, the intrinsic value of the free warrants is RM0.105.
- Raising RM 59.9m from the warrant exercise**  
 Assuming a maximum scenario, should all the warrants be exercised at RM0.17 per share, Jadi would be able to raise RM59.9m to fund the future capital expenditure requirements of the company, which is in line with the company's ongoing efforts to increase its productivity and efficiency. Once the exercise is completed, the company's shareholders equity will increase to RM168.8m from RM105.6m, which translates into a lower gearing of 0.07x from 0.11x.
- Increase in Authorised Share Capital**  
 Meanwhile, the company proposed to increase its authorised share capital from 1,000,000,000 RM0.10 shares to 2,000,000,000 RM0.10 shares, to facilitate the issuance of new shares arising from the exercise of the free warrants, as well as to cater for any future issuance of new Jadi shares.

### Valuation and recommendation

- Take profit**  
 We value the stock at RM0.23 per share, which is derived from its 3-years average PER(adjusted) of 11.09x and forecasted FY10 EPS of 2.06 sen. We are maintaining our target price of RM0.23 since there are no changes to our earnings forecast and the proposed free warrants issue is not expected to have a material effect on the FY10 earnings as they are expected to be completed in the fourth quarter of the year 2010.

Historical Price Movement 30/7/2009 – 30/7/2010



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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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