

Jadi Imaging Holdings

Buy

Private Placement of up to 61.46 mil shares at RM 0.20

TP: RM0.23

Price (12 July 10)	RM0.20
KLCI	1326.74

Stock Data

Bursa / Bloomberg code	7223 / JADI MK
Market/ Sector	Main / Ind Product
Syariah Compliant status	No
Issued shares (m)	613.48m
Par Value (RM)	0.10
Market cap. (RM m)	122.70
Price / NTA	1.31
52-week price Range	RM 0.22 - 0.13
Beta (against KLCI)	1.24
3-m Average Daily Volume	0.76m
3-m Average Daily Value*	RM 0.14m
* based on closing price	

Major Shareholders

1) LSI Holdings Sdn Bhd	34.8%
2) Lan Eng Eu	5.61%
3) Hock Guan Lim	3.59%

Share Performance (as at 12 July 10)

	1m	3m	12m
Absolute (%)	14.3	17.6	55.3
Relative (%-pts)	11.1	17.9	24.1

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)	19.80	11.70	9.71	7.91
DPS (sen)	0.50	0.30	0.50	0.50
Div Yield (%)	2.50	1.50	2.50	2.50

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 is proposing a private placement of up to 10% of the company's paid-up share capital, or 61.5mil shares. The issue price is fixed at RM0.20, which represents a premium of approximately 11% to the 5-days volume-weighted average market price of Jadi's shares up to 9 July 2010. This exercise is expected to raise RM12.09mil for working capital purposes.

Highlights

- **Private placement of up to 10% of Jadi's paid-up share capital**

JADI IMAGING is proposing a private placement of up to 10% of the company's paid-up share capital, or 61.5mil shares. The issue price is fixed at RM0.20, which represents a premium of approximately 11% to the 5-days volume-weighted average market price of Jadi's shares up to 9 July 2010. Once the exercise is completed, the company's paid-up share capital will increase by 10%, from 614.62mil to 676.08mil.

- **Proceeds utilisation**

Assuming Jadi issues up to 10% placement shares at RM0.20 per share, this exercise is expected to raise RM12.29mil for working capital purposes (RM12.09mil) and corporate proposal expenses (RM0.2mil).

- **Positive on the proposal**

Overall, we view this proposal positively as the proceeds will be utilised for working capital purposes where it is expected to contribute positively to the future earnings of the company. Besides that, this fund raising option enables Jadi to raise funds without incurring interest cost as compared to bank borrowings. Going forward, we expect the company's prospect to remain positive on the back of a sustainable rebound in demand. According to the company, an additional monochrome toner line is scheduled to be fully installed in third quarter this year, which is in line with the company's ongoing efforts to increase its productivity and efficiency.

Valuation and recommendation

- **Maintain Buy with an unchanged TP of RM0.23**

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.

Historical Price Movement 13/7/2009 – 12/7/2010



JF APEX SECURITIES BERHAD – CONTACT LIST

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JF APEX SECURITIES - RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

OUTPERFORM	: The stock's total returns* are expected to exceed KLCI's total return by 10% or more in the next 12 months.
MARKETPERFORM	: The stock's total returns* are expected to be within +10% or -10% of KLCI's total return.
UNDERPERFORM	: The stock's total returns* are expected to be below KLCI's total return by 10% or more in the next 12 months.
BUY	: The stock's total returns* are expected to be 15% or higher within the next 12 months.
SELL	: The stock's total returns* are expected to be -15% or worse within the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	: The industry as defined by the analyst is expected to outperform the KLCI over the 12 months.
MARKETWEIGHT	: The industry as defined by the analyst is expected to perform in line with KLCI over the 12 months.
UNDERWEIGHT	: The industry as defined by the analyst is expected to underperform the KLCI over the next 12 months.

*capital gain + dividend yield

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