



TA SECURITIES

A MEMBER OF THE TA GROUP

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RESULT UPDATES

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FBM KLCI: 1,431.55

JADI Imaging Holdings Berhad

Tuesday, Nov 29, 2011

Below Expectations

TP: RM0.18 (-3%)

Business Summary	: JADI Imaging Holdings Bhd. develops, formulates, and manufactures toners for photocopiers, and laser printers.	Recommendation:	HOLD
Major Shareholders (%)	: LSI Holdings Sdn Bhd (30.24) : Mega First Housing (12.55) : Mega First Corp Bhd (8.70)	Market Capitalisation (RMmn):	RM130.7
Company Website	: www.jadi.com.my	Current Price:	RM0.185
IR Contact	: N/A	Market/ Sector:	Industry
Constituent of	: N/A	Stock Code:	7223

TA Research Team Coverage

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Key Stock Statistics

YE Dec		2011	2012F
EPS	(sen)	0.9	1.6
PER	(x)	28.4	16.1
Gross div/ share	(sen)	0.3	0.3
NTA/share	(RM)	0.2	0.2
Book value/ share	(RM)	0.2	0.2
Issued capital	(mn shares)		706.3
52 weeks share price range	(RM)	0.28-0.135	

Per Share Data

YE Dec		2009	2010	2011E	2012F
Book Value	(RM)	0.2	0.2	0.2	0.2
Cash Flow	(ser)	2.0	(1.4)	(1.8)	(3.3)
Earnings	(ser)	1.5	1.9	0.9	1.6
Dividend	(ser)	0.3	0.3	0.3	0.3
Payout Ratio		17.5	14.6	32.2	18.3
PER (x)	(x)	18.1	14.1	28.4	16.1
P/ Cash Flow	(x)	9.3	(13.5)	(10.1)	(5.7)
P/ Book Value	(x)	1.4	1.1	1.1	1.0
Dividend Yield	(%)	1.6	1.6	1.6	1.6
ROE	(%)	11.2	11.5	5.5	9.0
Net Gearing	(%)	(6.2)	7.8	12.0	27.6

P&L Analysis (RM mil)

YE Dec		2009	2010	2011E	2012F
Revenue		85.9	94.7	91.1	120.8
Operating Profit		13.1	16.1	7.9	13.3
Depreciation		6.8	7.5	8.9	9.9
Interest Expenses		(0.6)	(0.4)	(0.5)	(0.3)
Pre-tax Profit		12.6	15.7	7.4	13.0
Effective Tax Rate	(%)	17.5	15.4	11.0	11.0
Net Profit		10.3	13.2	6.6	11.6
Operating Margin	(%)	15.3	16.9	8.7	11.0
Pre-tax Margin	(%)	14.6	16.5	8.1	10.8
Net-Margin	(%)	12.0	14.0	7.2	9.6

1. 3Q2011 Result Highlights/ Review

P&L Analysis (RM mil)

FYE DEC	3QFY10	2QFY11	3QFY11	YoY (%)	QoQ (%)
Revenue	23.0	24.0	23.1	0.1	(3.8)
Gross profit	6.3	4.8	3.3	(47.2)	(31.4)
EBITDA	4.8	4.9	3.6	(25.1)	(26.1)
Depreciation	(1.9)	(2.2)	(2.3)	(23.0)	(3.3)
Interest costs	(0.1)	(0.2)	(0.1)	(65.6)	3.9
PBT	2.8	2.5	1.1	(60.1)	(54.3)
Taxation	(0.3)	(0.4)	0.1	nm	nm
Net profit	2.5	2.1	1.2	(53.3)	(43.8)
Core Net profit	2.5	2.1	1.2	(53.3)	(43.8)
GP margin (%)	(%)	27.2	20.1	14.3	
EBITDA margin	(%)	20.8	20.3	15.6	
PBT margin	(%)	12.2	10.3	4.9	
Net margin	(%)	11.0	8.8	5.1	
Tax rate	(%)	(10.1)	(14.3)	5.3	

FYE DEC	9MFY10	9FY11	YoY (%)
Revenue	75.2	70.0	(7.0)
Gross profit	22.3	12.7	(42.9)
EBITDA	15.4	13.0	(15.8)
Depreciation	(2.3)	(6.6)	>-100
Interest costs	(0.3)	(0.4)	(55.1)
PBT	12.8	5.9	(53.7)
Taxation	(1.5)	(0.6)	58.3
Net profit	11.4	5.3	(53.1)
Core Net profit	11.4	5.3	(53.1)
GP margin (%)	(%)	29.7	18.2
EBITDA margin	(%)	20.5	18.6
PBT margin	(%)	17.1	8.5
Net margin	(%)	15.1	7.6
Tax rate	(%)	(11.5)	(10.4)

Share Price relative to the FBM KLCI



Source: Bloomberg

JADI announced its 9MFY11 results, which came below TA's estimate. Net profit of RM5.3mn accounted for 60% of our full year forecast.

9MFY11 net profit plunged by 53.1% YoY on the back of a 7.0% drop in revenue. The poor performance was mainly due to the adverse currency translation effects (strengthening of MYR against USD), increase in production overhead cost and cost arising from higher material costs.

Besides, the increase in selling prices in 2H affected sales volumes, which resulted in weaker bottom-line performance. As such, the group was not able to sustain its net margin, leading to a 7.5p.pts decline from 15.1% in 9M FY10 to 7.6% currently.

2. Impact

We are lowering our earnings estimate for FY11 and FY12 by 26% and 1.4%, respectively mainly to reflect higher operating costs.

3. Outlook

Management remains cautious about the outlook given uncertainties in the global economies, particularly in the US and Europe. Besides, the rising material costs and the currency risk would continue to affect the group's bottom-line.

We believe the group's business will be affected by the weak macroeconomics and market signals stemming from uncertainties over the Europe and US market since 98% of revenue were derived from export. The mounting worries would slow down consumer spending and cause distress to the aftermarket industry.

Nonetheless, we are positive on the group's environmentally friendly palm-oil toner resin (Palmotone) as the group has already been granted patent protection from the Patent and Trademark Office in US. According to JADI, the commercial production of the Palmotone MPT would come into effect by 2H of next year.

4. Valuation and Recommendation

We downgrade JADI from HOLD to SELL with a new target price of RM0.18, using a FY12 diluted EPS of 1.1sen and pegging it at a PER of 16x. The PER of 16x represents a 28.6% discount to JADI's historical peak PER of 22.4x.

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