



TA SECURITIES

A MEMBER OF THE TA GROUP

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RESULT UPDATES

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FBM KLCI: 1,560.52

JADI Imaging Holdings Berhad

Thursday, 23 Feb, 2012

Not Out Of the Woods Yet

TP: RM0.17 (0%)

Business Summary	: JADI Imaging Holdings Bhd. develops, formulates, and manufactures toners for photocopiers, and laser printers.	Recommendation:	SELL
Major Shareholders (%)	: LSI Holdings Sdn Bhd (30.24) : Mega First Housing (12.79) : Mega First Corp Bhd (8.70)	Market Capitalisation (RMmn):	RM120.07
Company Website	: www.jadi.com.my	Current Price:	RM0.17
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		2012F	2013F
EPS	(sen)	1.5	1.6
PER	(x)	16.3	15.4
Gross div/ share	(sen)	1.3	1.3
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)		0.25-0.135

Per Share Data

YE Dec		2010	2011	2012F	2013F
Book Value	(RM)	0.2	0.9	0.2	0.2
Cash Flow	(ser)	(1.4)	(0.3)	0.1	(0.2)
Earnings	(ser)	1.9	0.6	1.5	1.6
Dividend	(ser)	0.3	1.3	1.3	1.3
Payout Ratio		14.6	42.6	87.2	82.4
PER (x)	(x)	13.0	42.1	16.3	15.4
P/ Cash Flow	(x)	(12.4)	(51.0)	176.5	(108.5)
P/ Book Value	(x)	1.0	1.0	1.0	1.0
Dividend Yield	(%)	1.8	7.6	7.6	7.6
ROE	(%)	11.5	3.3	8.5	8.8
Net Gearing	(%)	7.8	7.8	13.1	16.3

P&L Analysis (RM mil)

YE Dec	2010	2011	2012F	2013F
Revenue	94.7	86.7	120.8	125.2
Operating Profit	16.1	4.2	9.7	10.6
Depreciation	7.5	9.0	9.8	10.3
Interest Expenses	(0.4)	(0.7)	(0.6)	(1.0)
Pre-tax Profit	15.7	3.5	9.1	9.6
Effective Tax Rate (%)	15.4	(15.9)	(15.9)	(15.9)
Net Profit	13.2	4.1	10.5	11.1
Operating Margin (%)	16.9	4.9	8.1	8.5
Pre-tax Margin (%)	16.5	4.1	7.5	7.7
Net-Margin (%)	14.0	4.7	8.7	8.9

1. 4Q2011 Result Highlights/ Review

P&L Analysis (RM mil)

FYE DEC	4QFY10	3QFY11	4QFY11	YoY (%)	QoQ (%)
Revenue	19.5	23.1	16.7	(14.4)	(27.5)
Gross profit	5.3	3.3	1.1	(78.7)	(66.0)
EBITDA	5.0	3.6	0.2	(95.1)	(93.2)
Depreciation	(2.1)	(2.3)	(2.4)	(15.6)	(3.3)
Interest costs	(0.1)	(0.1)	(0.3)	(169.6)	(84.6)
PBT	2.8	1.1	(2.4)	nm	nm
Taxation	(0.9)	0.1	1.2	nm	nm
Net profit	1.9	1.2	(1.2)	nm	nm
Core Net profit	1.9	1.2	(1.2)	nm	nm
GP margin (%)	(%)	27.0	14.3	6.7	
EBITDA margin (%)	(%)	25.6	15.6	1.5	
PBT margin (%)	(%)	14.5	4.9	(14.5)	
Net margin (%)	(%)	9.7	5.1	(7.5)	
Tax rate (%)	(%)	(33.3)	5.3	(48.5)	

FYE DEC	FY10	FY11	YoY (%)
Revenue	94.7	86.7	(8.5)
Gross profit	27.6	13.9	(49.8)
EBITDA	25.1	11.8	(53.0)
Depreciation	(9.0)	(7.5)	16.4
Interest costs	(0.4)	(0.7)	(85.1)
PBT	15.7	3.5	(77.5)
Taxation	(2.4)	0.6	nm
Net profit	13.2	4.1	(69.2)
Core Net profit	13.2	4.1	(69.2)
GP margin (%)	(%)	29.2	16.0
EBITDA margin (%)	(%)	26.5	13.6
PBT margin (%)	(%)	16.5	4.1
Net margin (%)	(%)	14.0	4.7
Tax rate (%)	(%)	(15.4)	15.9

Share Price relative to the FBM KLCI



Source: Bloomberg

JADI announced its FY11 results, which came below TA's estimates. Net profit of RM4.1mn accounted for 62% of our full year forecast.

FY11 net profit plunged 69.2% YoY on the back of an 8.5% drop in revenue. The poor performance was mainly due to decrease in sales volume for both the black and coloured toners. The decrease was approximately 4.4%. Market demand slowed down due to concerns stemming from the European debt crisis.

Note that the appreciation of the Japanese Yen had resulted in higher production cost. The appreciation of the MYR against the USD had also led to lower sales profit margin.

2. Impact

We are lowering our earnings estimate for FY12 by 10.6% to reflect higher operating costs. We introduce our FY13 estimates for JADI. We expect net profit to reach RM11.1mn in FY13, up 1.4% YoY.

3. Outlook

Given the unresolved uncertainties pertaining to the Europe and US market, consumer spending will remain slow. With bulk of JADI's revenue coming from exports, the group would be impacted by the uncertainties surrounding the global market. Rising material cost and foreign exchange risks will also put downward pressure on the group's margin.

The group experienced a marked slowdown in market demand, mainly due to the European debt crisis which had led to buyers being more cautious with their purchases. According to management, many of their competitors are also experiencing the same slowdown in demand.

We expect a better 2H performance as the commercial production of Palmotone MPT will commence in 3Q FY12. We believe that its differentiation strategy of promoting environmentally-friendly Palmotone toner, may help the group penetrate some niche segments.

4. Valuation and Recommendation

Maintain SELL with a new target price of RM0.17, using FY12 diluted EPS of 1.0sen 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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