



## Jadi Imaging Holdings Berhad

Operating Environment Remains Tough

**TP: RM0.11** (-12%)

Last traded: RM0.125

**SELL**

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Tan Kam Meng, CFA

+603-2072-1277 ext:1614

kmtan@ta.com.my

www.taonline.com.my

### Review

- 1H12 net profit came in below our expectations, accounting for 9.8% of our full-year projections. The variance was largely due to our higher-than-expected sales and margins.
- 2Q12 recorded a turnaround from loss before tax of RM495k in Q1 to PBT of RM370k in Q2 thanks for favourable currency movements and the drop in crude oil prices. For this quarter, the average USD has strengthened against the Ringgit by 1.7% while crude oil price has retreated 17.5%.
- On a year-on-year basis, the 6M12 earnings dipped 83.0% to RM700k due to 1) a 10% drop in sales; and 2) contraction in PBT margin due to high crude oil price in 1Q12. According to management, demand for after-market toners slipped in all major markets due to weak global economic condition.

### Impact

- Given the lower-than-expect 1H12 earnings performance, we cut our FY12-14 earnings by 30-81% after reducing the sales volume and profit margins.

### Outlook

- According to management, earnings visibility for after-market toner is poor and demand is expected to stay lacklustre. The group has started introducing chemically prepared toners (CPT) to its customers but the response is weak as CPT is pricier than conventional toners.
- As far as the commercialisation of Palmatone palm-base raisin is concerned, we understand that there would be a delay in trial run as the purchase of machinery in Japan has caused some delays. The company is targeting to begin the trial run in 4Q12 (from 3Q previously guided). As such, the cost saving that we have imputed into our model for 2012 would not be materialized.

### Valuation

- Given the change in earnings, we trimmed our target price to RM0.11 (from RM0.16 previously) based on an unchanged 10x CY13 earnings. Given the potential downside risk of 12%, we reiterate our Sell recommendation on the stock.

### Share Information

Bloomberg Code	JADI MK
Stock Code	7223
Listing	Main Market
Share Cap (mn)	706.3
Market Cap (RMmn)	88.3
Par Value	0.1
52-wk Hi/Lo (RM)	0.205/0.125
12-mth Avg Daily Vol ('000 shrs)	479
Estimated Free Float (%)	43.2
Beta	0.88

### Major Shareholders (%)

LSI Holdings Sdn Bhd	30.24
Mega First Housing	12.79
Mega First Corp	8.7
Eu Lan Eng	5.1

### Forecast Revision

	FY13	FY14
Forecast Revision (%)	(81.8)	(31.2)
Net profit (RMmn)	1.3	7.9
Consensus	-	-
TA's / Consensus (%)	nm	nm
Previous Rating	Sell (Maintained)	

### Financial Indicators

	FY12	FY13
Net Debt/Equity (%)	20.8	20.0
CFPS (sen)	(0.9)	0.7
Price/CFPS (x)	nm	17.4
ROE (%)	1.1	6.2
NTA/Share (RM)	0.2	0.2
Price/NTA (x)	0.7	0.7

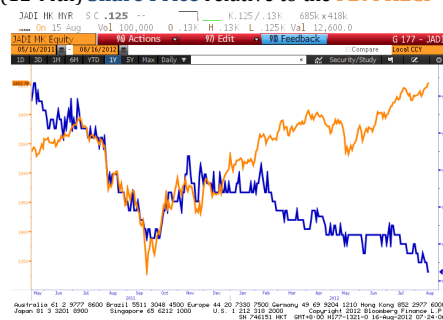
### Scorecard

	% of FY	
vs TA	9.8	Below
vs Consensus	na	na

### Share Performance (%)

Price Change	JADI	FBM KLCI
1 mth	(10.7)	1.1
3 mth	(13.8)	7.7
6 mth	(26.5)	6.7
12 mth	(30.6)	10.4

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Earnings Summary (RM'mn)

FYE Dec 31 (RMmn)	FY10	FY11	FY12F	2013F	2014F
Revenue	94.7	86.7	124.1	127.8	134.9
EBITDA	23.5	13.3	11.6	20.2	21.9
EBITDA margin (%)	24.9	15.3	9.3	15.8	16.2
Pretax profit	15.7	3.5	1.1	8.8	9.8
Net profit	13.2	4.1	1.3	7.9	8.8
Core net profit	13.2	4.1	1.3	7.9	8.8
EPS (sen)	1.9	0.6	0.2	1.1	1.3
Diluted EPS (sen)	1.3	0.4	0.1	0.8	0.9
EPS growth (%)	28.1	(69.2)	(67.7)	500.7	11.5
PER (x)	9.5	31.0	96.0	16.0	14.3
GDPS (sen)	0.3	0.0	0.3	0.3	0.3
Div yield (%)	2.4	0.0	2.4	2.4	2.4
Core ROE (%)	11.5	3.3	1.1	6.2	6.6

2Q12 Results Performance (RM'mn)

FYE Dec 31	2Q11	1Q12	2Q12	QoQ (%)	YoY (%)	6M11	6M12	YoY (%)
Revenue	24.0	19.3	22.8	17.9	(5.1)	46.9	42.1	(10.3)
Gross profit	4.8	1.6	3.2	99.3	(33.3)	9.4	4.8	(48.9)
EBITDA	4.9	2.4	3.2	35.2	(34.6)	9.4	5.5	(41.2)
Depreciation	(2.2)	(2.5)	(2.6)	2.2	15.3	(4.3)	(5.1)	(19.3)
Interest costs	(0.2)	(0.3)	(0.2)	(29.3)	43.2	(0.3)	(0.5)	(81.1)
PBT	2.5	(0.5)	0.4	(174.7)	(85.0)	4.8	(0.1)	(102.6)
Taxation	(0.4)	0.8	0.0	(95.1)	nm	(0.7)	0.8	nm
Net profit	2.1	0.3	0.4	37.7	(80.6)	4.1	0.7	(83.0)
Core Net profit	2.1	0.3	0.4	37.7	(80.6)	4.1	0.7	(83.0)
EPS (sen)	0.3	0.0	0.1	50.0	(77.8)	0.5	0.1	(80.8)
DPS (sen)	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
GP margin (%)	20.1	8.3	14.1	5.8	(6.0)	20.1	11.5	(8.7)
EBITDA margin (%)	20.3	12.2	14.0	1.8	(6.3)	20.1	13.2	(6.9)
PBT margin (%)	10.3	(2.6)	1.6	4.2	(8.6)	10.3	(0.3)	(10.6)
Net margin (%)	8.8	1.5	1.8	0.3	(7.0)	8.8	1.7	(7.2)
Tax rate (%)	14.3	160.0	(10.5)	(170.5)	(24.9)	14.0	nm	nm

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Kaladher Govindan – Head of Research