



Jadi Imaging Holdings Berhad

Benefitted From Weakening Yen

TP: RM0.145(+11.5%)
Last traded: RM0.13
HOLD

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Review

- Jadi Imaging's (Jadi) 1Q13 core profit accounted for 3.7% of our full-year projections. However, we consider the results as within expectations as we expect: 1) a gradual increase in revenue this year in tandem with the global economic growth; and 2) margin improvement on the back of weakening Yen against the Ringgit.
- 1Q13 revenue grew 6.6% QoQ to RM19.2mn driven by higher sales of black and colour toner. Coupled with the improvement in margin, the group has managed to turnaround from pretax loss of RM0.8mn (or net loss of 0.7mn) in the preceding quarter to pretax profit of RM0.3mn (or net profit of RM0.3mn). The improvement in PBT margin by 6.2%-pts was partly due to reduction in input cost and operating expenses.
- On YoY basis, the increase in pretax profit to RM0.3mn from pretax loss of RM0.5mn was largely due to depreciation of Yen against the Ringgit. Note that the Yen has depreciated approximately 15.5% YoY to average of RM3.3456/¥100 in 1Q13.
- In term of balance sheet quality, the group's net gearing was at a comfortable level of 0.11x as compared to 0.17x in 4Q12. The current ratio of 1.7x indicates short term liquidity risk is immaterial.

Impact

- Earnings forecasts are maintained.

Outlook

- We understand the commercialization of Palmatone resin, which would reduce the direct cost of production, is now expected to kick start in May-13. This is about a 2 to 3-month delay from the earlier guidance. In spite of that, the recovery in profit margin is intact due to favourable currency movement in which the depreciation of Yen will result in reduction in direct input cost (resin). Note that the Yen has depreciated further by 3% to current RM3.2473/¥100 from the average of RM3.3456 in 1Q13.
- In term of revenue, we expect it to move in tandem with the recovery in global economy. In other words, we should see a gradual recovery in the group's revenue, especially toward end-2013, when the growth in global economy gain more traction.

Share Information

Bloomberg Code	JADI MK
Stock Code	7223
Listing	Main Market
Share Cap (mn)	706.2
Market Cap (RMmn)	91.8
Par Value	0.1
52-wk Hi/Lo (RM)	0.16-0.09
12-mth Avg Daily Vol ('000 shrs)	533
Estimated Free Float (%)	20.5
Beta	0.86

Major Shareholders (%)

LSI Holdings Sdn Bhd	30.24
Keen Capital Invnt Ltd	22.40
Mega First Housing	13.14
Mega First Corp	8.7
Eu Lan Eng	5.1

Forecast Revision

	FY13	FY14
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	7.5	8.4
Consensus	-	-
TA's / Consensus (%)	nm	nm
Previous Rating	Sell (Maintained)	

Financial Indicators

	FY13	FY14
Net Debt/Equity (%)	12.6	(0.2)
CFPS (sen)	1.3	2.6
Price/CFPS (x)	9.6	0.0
ROE (%)	6.0	6.4
NTA/Share (RM)	0.2	0.2
Price/NTA (x)	0.7	0.7

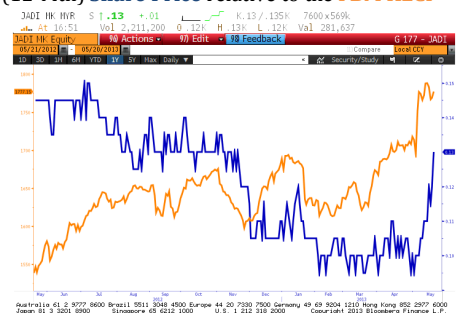
Scorecard

	% of FY	Within
vs TA	3.7	na
vs Consensus	na	na

Share Performance (%)

Price Change	JADI	FBM KLCI
1 mth	23.8	4.2
3 mth	23.8	10.1
6 mth	0.0	9.5
12 mth	(10.3)	15.5

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



Source: Bloomberg

Valuation

- Overall, we are less pessimistic now as compared to early-13 which we believe the group would struggle to grow sales volume. However, we think the operating environment has improved as the weakening Yen would help to reduce resin cost considerably, which accounts for 55% of total production cost. In view of that, we remove the discount of 2 PE multiples attached to our previous valuation (for the building of margin of safety) and roll forward our valuation base year to 2014. Accordingly, we raise our target price to RM0.145/share based on 10x CY14 EPS. Given a potential upside of 11.5%, **we upgrade Jadi to Hold.**

Earnings Summary (RM'mn)

FYE Dec 31 (RMmn)	FY11	FY12	2013F	2014F	2015F
Revenue	86.7	77.7	80.5	90.0	95.3
EBITDA	13.3	10.0	20.0	21.7	20.9
EBITDA margin (%)	15.3	12.8	24.8	24.0	22.0
Pretax profit	3.5	(1.1)	8.3	9.3	9.6
Net profit	4.1	(0.1)	7.5	8.4	8.6
Core net profit	4.1	(0.1)	7.5	8.4	8.6
EPS (sen)	0.6	(0.0)	1.1	1.2	1.2
Diluted EPS (sen)	0.4	(0.0)	0.7	0.8	0.9
EPS growth (%)	(69.2)	>100	>100	11.9	2.5
PER (x)	32.2	nm	17.5	15.7	15.3
GDPS (sen)	0.0	0.2	0.3	0.3	0.3
Div yield (%)	0.0	1.5	2.3	2.3	2.3
Core ROE (%)	3.3	(0.1)	6.0	6.4	6.2

1QFY13 Results Analysis (RMmn)

FYE Dec 31	1Q12	4Q12	1Q13	QoQ (%)	YoY (%)
Revenue	19.3	18.0	19.2	6.6	(0.7)
Gross profit	1.6	2.0	2.2	8.9	38.2
EBITDA	2.4	1.9	3.1	62.5	30.3
Depreciation	(2.5)	(2.4)	(2.4)	0.5	(4.1)
Interest costs	(0.3)	(0.3)	(0.3)	10.8	(5.4)
PBT	(0.5)	(0.8)	0.3	>100	>100
Taxation	0.8	0.1	(0.1)	(148.4)	(107.4)
Net profit	0.3	(0.7)	0.3	>100	(6.1)
Core Net profit	0.3	(0.7)	0.3	>100	(6.1)
EPS (sen)	0.0	(0.1)	0.0	>100	0.0
DPS (sen)	0.0	0.2	0.0	nm	nm
				QoQ (%pts)	YoY (%pts)
GP margin (%)	8.3	11.4	11.6	0.2	3.3
EBITDA margin (%)	12.2	10.5	16.0	5.5	3.8
PBT margin (%)	(2.6)	(4.4)	1.8	6.2	4.3
Net margin (%)	1.5	(3.8)	1.5	5.2	(0.1)
Tax rate (%)	160.0	15.3	17.5	nm	nm

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