



## Jadi Imaging Holdings Berhad

Still in the Red

**TP: RM0.11 (+4.8%)**  
Last traded: RM0.105  
**SELL**

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### Review

- Jadi Imaging's (Jadi) 4Q12 results stayed in the red for two consecutive quarters. The cumulative FY12 net loss of RM111k came in lower than our loss projection of RM1.1mn. However, we note that the lower losses in Q4 were partly due to tax savings.
- 4Q12 net loss extended to RM678k from RM139k in 3Q12 despite an improvement in revenue. This was mainly due to increase in raw material cost, coupled with the weakening of the US\$ against the Ringgit. On a cumulative basis, the group suffered losses of RM111k vs. a profit of RM4mn in FY11. We believe this was due to the tough operating environment as the demand for toner slowed in respect to the decline in printer sales.
- In term of balance sheet quality, the group's net gearing was at a comfortable level of 0.17x. The current ratio of 1.8x indicates short term liquidity risk could be immaterial.

### Impact

- Sales and profit forecasts are maintained.

### Outlook

- We understand the initial response from customers on the new chemically prepared toners (CPT) was poor when the company started marketing the product in 3Q12. This was in line with the general trend in the printer market, that is the change in the demand pattern that consumers require less printing works. This dwindling future can be evidenced from Hewlett-Packard's 4Q12 results, which showed that printing revenue declined 5% YoY with total hardware units dropped 20%. Also, according to IDC report, overall shipments in the worldwide large format printer in both mature and emerging markets declined by 3.7% and 3.2% YoY respectively.
- As the group struggles to grow revenue, earnings growth would have to come from cost saving initiatives. Having said that, the company is expected to start commercialization of Palmatone palm-base resin by Feb-Mar/13. According to management, the group aims to progressive shift its production for the usage of Palmatone resin. For starter, it targets to migrate 30% of the capacity for the usage of Palmatone resin in 2013, before ramping up to 60% in 2014 and 100% in 2015.

### Share Information

Bloomberg Code	JADI MK
Stock Code	7223
Listing	Main Market
Share Cap (mn)	706.2
Market Cap (RMmn)	74.2
Par Value	0.1
52-wk Hi/Lo (RM)	0.175-0.09
12-mth Avg Daily Vol ('000 shrs)	549.9
Estimated Free Float (%)	20.7
Beta	0.74

### Major Shareholders (%)

LSI Holdings Sdn Bhd	30.24
Keen Capital Invnt Ltd	22.40
Mega First Housing-	12.9
Mega First Corp-	8.7
Eu Lan Eng	5.1

### Forecast Revision

	FY13	FY14
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	7.9	8.8
Consensus	-	-
TA's / Consensus (%)	nm	nm
Previous Rating		Sell (Maintained)

### Financial Indicators

	FY13	FY14
Net Debt/Equity (%)	10.6	Net cash
CFPS (sen)	0.8	2.6
Price/CFPS (x)	13.5	0.0
ROE (%)	6.3	6.7
NTA/Share (RM)	0.2	0.2
Price/NTA (x)	0.6	0.6

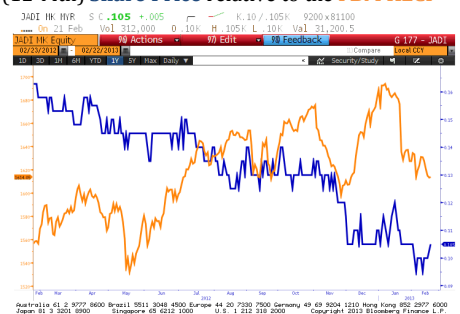
### Scorecard

	% of FY	
vs TA	nm	Above
vs Consensus	na	na

### Share Performance (%)

Price Change	JADI	FBM KLCI
1 mth	0.0	(0.9)
3 mth	(16.0)	(0.3)
6 mth	(19.2)	(2.3)
12 mth	(38.2)	3.4

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



Source: Bloomberg

## Valuation

- We maintain our target price at RM0.11/share based on unchanged 10x CY13 earnings. Given the upside potential of only 5%, we reiterate our **Sell** recommendation on the stock.

## 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	9.9	20.2	21.9	21.1
EBITDA margin (%)	15.3	12.7	25.1	24.3	22.2
Pretax profit	3.5	(1.1)	8.8	9.8	10.0
Net profit	4.1	(0.1)	7.9	8.8	9.0
Core net profit	4.1	(0.1)	7.9	8.8	9.0
EPS (sen)	0.6	(0.0)	1.1	1.2	1.3
Diluted EPS (sen)	0.4	(0.0)	0.8	0.9	0.9
EPS growth (%)	(69.2)	>-100	>100	11.3	2.4
PER (x)	26.0	nm	13.4	12.1	11.8
GDPS (sen)	0.0	0.0	0.3	0.3	0.3
Div yield (%)	0.0	0.0	2.9	2.9	2.9
Core ROE (%)	3.3	(0.9)	6.3	6.7	6.5

## 4QFY12 Results Analysis (RMmn)

FYE Dec 31	4Q11	3Q12	4Q12	QoQ (%)	YoY (%)	FY11	FY12	YoY (%)
Revenue	16.7	17.6	18.0	2.0	7.6	86.7	77.7	(10.4)
Gross profit	1.1	2.7	2.0	(24.6)	82.2	13.9	9.6	(30.9)
EBITDA	0.2	2.5	1.9	(25.1)	666.7	13.3	9.9	(25.0)
Depreciation	(2.4)	(2.4)	(2.4)	(0.2)	0.9	(9.0)	(10.0)	(10.6)
Interest costs	(0.3)	(0.2)	(0.3)	14.5	(2.5)	(0.7)	(1.0)	(44.2)
PBT	(2.4)	(0.1)	(0.8)	475.5	(67.0)	3.5	(1.1)	(130.2)
Taxation	1.2	0.0	0.1	nm	nm	0.6	1.0	nm
Net profit	(1.2)	(0.1)	(0.7)	387.8	(45.7)	4.1	(0.1)	(102.7)
Core Net profit	(1.2)	(0.1)	(0.7)	387.8	(45.7)	4.1	(0.1)	(102.7)
EPS (sen)	(0.2)	(0.0)	(0.1)	500.0	(33.3)	0.5	(0.0)	(108.0)
DPS (sen)	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
GP margin (%)	6.7	15.4	11.4	(4.0)	4.7	16.0	12.3	(3.7)
EBITDA margin (%)	1.5	14.3	10.5	(3.8)	9.0	15.3	12.8	(2.5)
PBT margin (%)	(14.5)	(0.8)	(4.4)	(3.7)	10.1	4.1	(1.4)	(5.4)
Net margin (%)	(7.5)	(0.8)	(3.8)	(3.0)	3.7	4.7	(0.1)	(4.9)
Tax rate (%)	48.5	0.0	15.3	15.3	(33.2)	(15.9)	nm	nm

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