

**RESULTS REPORT**

30 May 2011

Dataprep Holdings Berhad		Market Price:	RM0.27
		Market Capitalisation:	RM103.4m
		Board:	Main Market
Recommendation:	SELL	Sector:	Technology
Target Price:	RM0.20	Stock Code/Name:	8338 / DATAPRP

Analyst: Edmund Tham

KEY FINANCIALS

Key Stock Statistics	2012F
Year end: Mar 31	
Earnings (Loss)/Share (sen)	(0.1)
P/E Ratio (x)	n.m.
Dividend/Share (sen)	0.0
NTA/Share (RM)	0.13
Book Value/Share (RM)	0.13
Issued Capital (mil shares)	383.1
52-weeks share price (RM)	0.26 – 0.37
Major Shareholder:	%
.VXL Holdings S/B / Datuk Lim Chee Wah	53.4

*RM0.25 par value

Ratios Analysis	2009	2010	2011	2012F
Year end: Mar 31				
Book Value/Share (RM)	0.15	0.14	0.13	0.13
Earnings (Loss)/Sh. (sen)	(1.6)	(1.5)	(0.6)	(0.1)
Dividend/Share (sen)	0.0	0.0	0.0	0.0
Div. Payout Ratio (%)	0.0	0.0	0.0	0.0
P/E Ratio (x)	n.m.	n.m.	n.m.	n.m.
P/Book Value (x)	1.8	1.9	2.0	2.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	n.m.	n.m.	n.m.	n.m.
Net Gearing (or Cash) (x)	(0.61)	(0.60)	(0.56)	(0.51)

*2012F figures are our estimates

#ROE and P/E ratio not meaningful due to losses

P&L Analysis (RM mil)	2009	2010	2011	2012F
Year end: Mar 31				
Revenue	54.2	44.6	89.4	111.8
Operating Profit (Loss)	(5.2)	(5.6)	(1.6)	0.1
Depreciation	(1.5)	(1.5)	(1.5)	(1.5)
Interest Expenses	(0.2)	(0.1)	(0.1)	(0.2)
Pre-tax Profit (Loss)	(5.5)	(5.7)	(1.8)	(0.1)
Effective Tax Rate (%)	n.m.	n.m.	n.m.	n.m.
Net Profit (Loss)	(5.6)	(5.7)	(2.3)	(0.4)
Operating Margin (%)	(9.6)	(12.6)	(1.8)	0.1
Pre-tax Margin (%)	(10.1)	(12.7)	(2.0)	(0.1)
Net Margin (%)	(10.4)	(12.8)	(2.5)	(0.4)

*2012F figures are our estimates

#Tax rate n.m. (not meaningful) due to losses

PERFORMANCE – 4Q/FY11

4Q/ 31 Mar	4Q11	4Q10	yov %	3Q11	qoq%
Rev (RMm)	37.3	12.5	198.9	19.2	93.7
EBIT(RMm)	(2.5)	(0.0)	(8,103.3)	(0.1)	(1,723.0)
NPAT(RMm)	(2.4)	0.1	(2,241.6)	0.1	(4,345.6)
EPS (sen)	(0.63)	0.03	(2,241.6)	0.01	(4,345.6)

*based on 383.1 million shares

12M/ 31 Mar	FY11	FY10	yov %
Rev (RMm)	89.4	44.6	100.5
EBIT (RMm)	(2.7)	(6.4)	57.4
NPAT (RMm)	(2.3)	(5.7)	60.4
EPS (sen)	(0.6)	(1.5)	60.4

*based on 383.1 million shares

Basically Dataprep's 4Q/FY11 revenue came in above our earlier expectations, while its net loss position during the quarter was disappointing.

"Q4 – strong revenue, but net loss recorded"

Backed by a major contract secured, Dataprep recorded strong 4Q/FY11 revenue of RM37.3 million compared to RM12.5 million in the corresponding 4Q/FY10. The group however recorded a loss before tax (LBT) of RM2.1 million in 4Q/FY11 compared to a profit before tax (PBT) of RM0.17 million in 4Q/FY10. This is mainly due to higher operating expenses, lower profit margin and an exceptional write-off of project development costs amounting to RM578,000.

The group's 4Q/FY11 revenue was 93.7% higher q-o-q versus 3Q/FY11. However, the group recorded a loss before tax of RM2.1 million compared to profit before tax of RM0.1 million in 3Q/FY11.

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OUTLOOK/CORP. UPDATES

During the month of May 2011, Dataprep had announced the **resignation of its Chief Executive Officer (CEO) and Executive Director** Mr Cheam Tat Inn. This sounded alarming to us, to say the least.

“Alarming – CEO void”

According to Dataprep’s Remuneration, Quality and Nomination Committee, the group has initiated the search for a new Chief Executive Officer. During this transitional period, the Acting Chief Operating Officer would be tasked to assume the role.

The group’s latest results revealed that its **“Managed Services”** business segment is facing losses. Against a back-drop of tough competition and lower margins, the group is implementing cost reduction and profitability improvement initiatives to enhance overall financial performance in 2012.

According to International Data Corporation's (IDC) projections, the information and communications technology (ICT) industry in Malaysia is expected to grow at a rate of 9% for 2011. This is in tandem with the improving economic conditions. A steady economic growth would lead to higher optimism and hence assist to raise domestic consumption, including spending on ICT products and services.

“Economic conditions do matter”

Malaysia had reported a respectable 1Q/2011 GDP growth of +4.6%, stable 4Q/2010 unemployment rate of 3.2% and CPI of 3.2% (April 2011). BNM had raised its overnight policy rate (OPR) of 2.75% to 3.0% and the statutory reserve requirement (SRR) of 2% to 3% to rein-in inflationary pressures. March 2011 economic data revealed positive growth rates in y-o-y percentage terms, for instance: IPI (+2.4%), Manufacturing Sales (+14.1%), Exports (+7.8%) and Imports (+12.1%).

“MSC and ETP”

Malaysia's information, communications and technology (ICT) companies are forecast to contribute RM42 billion to the country's gross domestic product (GDP) by end-2015 under the third and final phase (2011-2020) of Malaysia's **Multimedia Super Corridor (MSC)** plan. This RM42 billion is a 22% increase from RM34.5 billion contributed under the second phase (2004-2010). According to Multimedia Development Corp’s (MDeC) CEO Datuk Badlisham Ghazali, under Phase Three of the MSC plan, ICT revenues are expected to increase by 37% to RM142 billion and exports to rise 75% to RM58 billion.

Under the government’s **ETP** (economic transformation plan), some of the initiatives involve The Communications Content and Infrastructure (CCI) sector. The CCI sector spans a wide ecosystem, from content generation to networks, services and devices. In 2009, the sector contributed RM22 billion of GNI from telecommunications, TV and broadcasting as well as post and courier.

Meanwhile, Dataprep had embarked on several cost cutting measures such as discontinuation of loss-making business units, reducing overall headcount and discontinuation of excess office space by merging resources. The group had improved its coverage of key customers to position the group more competitively for future growth.

Going forward, the group had realigned its focus towards securing higher margin product and services contracts by penetrating new markets. The group is also exploring regional business opportunities within Asia. The group is constantly in talks to secure new projects and is working closely with the major principals to expand its IT-solution offerings. The company is also looking at strategic investments (with its net cash position) while continuing to focus on its core services in consulting, systems integration and outsourcing.

VALUATION/CONCLUSION

Dataprep's future dividends would be largely determined by the performance and cashflow needs of the group. Due to the net losses incurred by the group during its FY2008-FY2011, there were no dividends declared or paid out during those financial years.

Even with a high adjusted beta (correlation factor) of 1.44 to the KLCI, Dataprep (-14.3% YTD) had underperformed the KLCI (+1.6% YTD) this year. Market conditions have also been volatile in recent months, impacted by the political upheavals in the Middle East/North Africa, sovereign debt issue in Europe and the Tohoku tsunami/earthquake in Japan. As Dataprep is not a particularly large market-cap stock, this may put a dampener on its market visibility and trading volume.

“Reduce to Sell Call”

Based on our forecast of Dataprep's FY12 EPS and an estimated P/BV of 1.5 times (within its historical range), we set a FY12-end **Target Price (TP) of RM0.20**. This TP is 25.7% lower than its current market price, and represents a Sell Call. Meanwhile, the local “Software and Computer Services” sector's average P/E and P/BV is 35.1 times and 1.6 times, respectively.

“Failure to achieve net profits for FY11”

We were disappointed that Dataprep failed to achieve net profits for its full-year FY11. We feel that the group is a “borderline case” to achieve profitability during its FY12. The group's net cash position does give it some flexibility in considering any JV or M&A opportunities.

“Risk Factors”

We note that Dataprep's future earnings performance could be affected by – possible fluctuations in economic conditions and business sentiment, and also factors such as foreign exchange translation, increased peer competition, issues with trade receivables, thinning margins and market acceptance of

various products/services. Going forward, the group's upside would also be largely dependent on its management's marketing and growth strategy and project-bidding success rate.

Dataprep: Share Price



Source: NextView

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