AFFIN RESEARCH

05 Dec 2005

Goldis

GOLD MK

RM1.25

BUY

Price Chg (%)	GOLD	KLCI
1 mth	4	(3)
3 mth	(1)	(3)
12 mth	(15)	(4)

Syariah	Yes
Issued Cap (m shares)	320.9
Market Cap (RM'm)	401.1
3M Avg Daily Volume (shrs)	22,763
52wk High/Low (RM)	1.50/1.16
Net Cash / (Debt) (RM'm)	(108.6)
Net Gearing (x)	0.1
Book NTA (RM/share)	2.67
Free float (%)	35

Major s/holders

Dato' Tan Chin Nam, Robert Tan and family (43.1%)
Permodalan Nasional Bhd (13.1%)

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3Q results below expectations

Y/E : 31 Jan (RM'm)	3Q FY06	2Q FY06	Q-o-Q Chg	9M FY06	9M FY05	Y-o-Y Chg
Turnover	56.3	40.4	39%	132.5	106.5	24%
EBIT	2.1	(1.5)	>100%	19.1	19.1	0%
Net inc/(exp)	(1.6)	(1.5)	2%	(4.4)	(2.1)	111%
Associates	17.7	10.4	70%	39.6	27.1	46%
Pretax profit	**18.3**	**7.4**	**149%**	**36.4**	**34.6**	**5%**
Taxation	(6.1)	(3.3)	88%	(13.9)	(10.4)	33%
Minority interest	(0.6)	0.2	(423%)	(0.5)	(1.7)	(70%)
Net profit	**11.5**	**4.3**	**169%**	**22.0**	**22.5**	**(2%)**
EPS (sen)	3.6	1.3	169%	6.9	7.0	(2%)
DPS (sen)	-	-	na	-	-	na
NTA/share (RM)	2.67	2.64	1%	2.67	2.50	7%
EBIT margin	4%	(4%)		14%	18%	
Pretax margin	32%	18%		28%	76%	
Effective tax rate	33%	44%		38%	23%	

	Results	% of FY	Comments
Vs Affin	Below	40	▪ Mainly due to lower than expected results from Hoe Pharmaceuticals which suffered from lower sales and higher promotional overseas expenditures.
Vs consensus	-	-	

Forecast revision	**06**	**07**	
Revision (%)	(18)	(13)	• Reduced our forecasts mainly due to the lower sales and higher marketing costs of Hoe Pharmaceuticals.
Net profit	45.0	54.7	
Consensus	-	-	

Recommendation	**After**	**Before**	
	BUY	BUY	• Despite the earnings downgrade, the stock still trades at an undemanding FY07 P/E of 7.3x. Also, the stock is at a deep 41% discount to our RNAV of RM2.10. • Our target price of RM1.50 is pegged to a FY07 P/E of 9x.

Goldis (RM1.25)

Y/E Jan (RM'm)	Pretax Profit	Net Profit	EPS (sen)	EPS Chg (%)	P/E (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2003	50.7	35.4	11.0	na *	11.3	28.3	-	-
2004	81.4	60.9	19.0	72	6.6	35.5	2.0	1.6
2005 **	59.6	44.4	13.9	(27)	9.0	17.9	2.5	2.0
2006E	60.5	45.0	14.0	1	8.9	20.1	2.5	2.0
2007E	72.7	54.7	17.1	22	7.3	15.3	3.0	2.4

* - *the merger between IGB and Tan & Tan was completed on 31 Jan 02*

** - *drop in earnings due to sale of IJM Corporation shares by associate IGB and China property developments in FY04.*

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Results highlights

Y/E : 31 Jan (RM'm)	3Q FY06	2Q FY06	Q-o-Q Chg	9M FY06	9M FY05	Y-o-Y Chg
Healthcare	22.9	15.3	50%	52.5	25.7	104%
Property inv/dev & hotels	1.0	-	>100%	1.0	-	>100%
ICT	11.2	9.2	22%	29.0	5.7	413%
Paper mfg	17.5	14.9	17%	45.2	10.6	326%
Others	3.7	1.1	253%	4.8	0.9	457%
Revenue	**56.3**	**40.4**	**39%**	**132.51**	**42.1**	**215%**
Healthcare	0.3	(3.5)	>100%	(4.7)	1.4	(440%)
Property inv/dev & hotels	(0.6)	0.3	(>100%)	(1.1)	(0.4)	167%
ICT	(0.1)	0.2	(>100%)	2.4	0.0	>100%
Paper mfg	2.4	1.9	23%	5.3	2.4	121%
Others	0.1	(0.4)	>100%	(0.7)	0.5	(>100%)
EBIT	**2.1**	**(1.5)**	**>100%**	**1.3**	**3.9**	**(67%)**

Q-o-Q	3Q FY06	2Q FY06	Chg	Comments
Turnover	56.3	40.4	39%	Higher exports of healthcare products, demand for SMS services and sales of China corrugated paper production.
Pretax profit	18.3	7.4	149%	Mainly due to higher progress billings by 28%-owned IGB Corp, improved earnings from Hoe Pharmaceuticals and impressive results from the China paper division.

Y-o-Y	9M FY06	9M FY05	Chg	Comments
Turnover	132.5	106.5	24%	Higher pharmaceutical, ICT sales and China-based corrugated carton revenues.
Pretax profit	36.4	34.6	5%	Higher contributions from IGB Corp were partially offset by losses from Hoe Pharmaceuticals.

Looking forward…

- **Hoe Pharmaceuticals registered lower than expected earnings**. Although dermatological sales rose 39% q-o-q, this segment is still expected to come in below our sales forecast of RM98m for FY06. This is mainly due to the poor response to the group's marketing strategy coupled with the discontinuance of some products which require regulatory approvals. Hence, we have downgraded our sales for FY06 by 18%. Also, the European operations incurred additional marketing costs of up to EUR1m (RM4m) this year. As such, we have downgraded our pretax forecasts of RM13m to RM4m for FY06.

  For FY07, we expect higher marketing costs to continue to pressure margins to 12% from 14% in FY05. Coupled with lower sales expectations, we have lowered this segment's pretax forecast by 30% for FY07.

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- **No surprises from IGB Corp (IGB)**. IGB's 9M FY05 net profit came in line with our forecasts, achieving 80% of our full year FY12/05 forecast. 4Q FY05 may be weaker due to slower progress billings during the festive months and monsoon season. IGB experienced slower sales in July to September this year, resulting in a drop for the group's unbilled sales from 300m to RM270m as at 30 September 2005.

  Progress of IGB's developments -

  ✓ **Sales for Cendana condominiums slowed down**. IGB's Cendana condominiums, located next to the Renaissance Hotel along Jalan Sultan Ismail in KL, has not sold any units since June this year. However, since its launch early this year, the project has already sold a decent 100 units or 70% of 144 units priced at RM550 psf or almost RM2m per unit.

  ✓ **New commercial space in the pipeline at Mid-Valley**. Recall, Mid Valley North Point launched 204 office suites at RM450 psf in October last year and 228 serviced apartments priced at RM390-RM400 psf in November 2004. The total GDV of the North Point project is RM311m. To date, all the office units have been sold out but the response for the service apartments are still disappointing due to the traffic congestion in the area. The residential sales, currently at a low take-up rate of 20%, are expected to improve when some infrastructure works have been completed towards the year-end.

  IGB has already started to build a new office block called Centrepoint Towers, with a net rentable space of 210,000sq ft similar to Menara IGB. Management plans to keep the building for investment rentals, which should come in by mid-2007.

  ✓ **On track for Jalan Madge project but delayed for Stonor**. The RM110m GDV Jalan Madge project, near Jalan U-Thant, comprising 58 apartment units worth RM2m/unit is expected to be launched in mid-Dec as scheduled. This is a JV project where IGB will give up 24 units to the landowner.

  The earlier plans to the RM230m GDV Jalan Stonor project, formerly on the Bon Ton restaurant land, has been delayed as the group plans to add another 2 floors to the original 28 floors due to the higher foundation costs. As approval is needed for the new building plans, the launching of the project has been re-scheduled to 1H06.

- **Listing of Kris Component shares may be next year**. The listing of Kris shares is likely to happen in 2006, still pending approval from the authorities. As IGB plans to distribute 77.7m Kris Component shares, Goldis could potentially get up to 21.7m Kris shares. Assuming a 20% discount to NTA of RM2.50, Goldis could reap investment gains of around RM40m. This is not incorporated into our forecasts for FY06.

- **LA Residence project seems on track for next year**. The 2-acre LA Residence project in Jalan Tun Razak is still expected to be launched in September 2006. The GDV of the 31 storey office-cum-apartment, to be called Goldis Tower, is expected to be worth RM350m with a built up of 1m sq ft. We understand that the group plans to rent out the building first as an investment. However, the group may later dispose it to Mid-Valley City, which could be potentially turned into a REIT later.