

Results Report

Monday, 05 December 2005



Bloomberg : GOLD MK

KLCI : 885.14

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Goldis Berhad

3Q 2006 Results

Stock Code: Goldis (5606)

Price : 1.25

Market Capitalisation : RM 400.8m

Board : Main

Fair Value : RM1.45

Sector : Consumer

Recommendation : BUY

KEY STOCK STATISTICS

		2005	2006F
EPS (est.)	(sen)	13.9	14.1
P/E (est.)	(x)	9.0	8.9
Dividend/Share			2.5
NTA/Share	(RM)		2.62
Book Value/Share			0.48
Issued Capital	(mil shares)		320.9
52-weeks Share Price Range			1.50/1.25
Major Shareholders	:	Tan Chin Nam (36.7%) Wah Seong (17.9%) PNB (13.1%)	

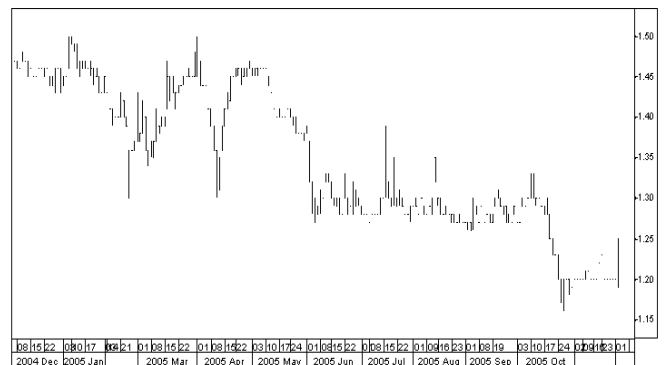
PER SHARE DATA

Year-end 31 Jan		2004	2005	2006F	2007F
Book Value	(RM)	2.50	2.62	2.75	2.92
Cash Flow	(sen)	6.4	7.4	7.6	4.8
Earnings	(sen)	19.0	13.9	14.1	18.8
Dividend	(sen)	2.0	2.5	2.5	3.4
Payout Ratio	(%)	7.6%	13.0%	13.0%	13.0%
PER	(x)	6.6	9.0	8.9	6.6
P/Cash Flow	(x)	19.5	16.8	16.4	26.2
P/Book value	(x)	0.5	0.48	0.46	0.43
Dividend Yield	(%)	1.6%	2.0%	2.0%	2.7%
ROE	(%)	7.9%	5.4%	5.2%	6.6%
Net Gearing	(%)	5.2%	11.5%	9.6%	10.8%

P&L ANALYSIS (RM mil)

Year-end 31 Jan		2004	2005	2006F	2007F
Revenue		106.0	157.5	197.1	250.2
Operating Profit		18.8	20.2	16.2	22.8
Depreciation		-4.1	-5.1	-5.7	-7.1
Interest Expenses		-3.1	-4.1	-5.5	-5.3
Pre-tax Profit		81.4	59.6	67.6	90.7
Effective Tax Rate	(%)	-22.5%	-19.0%	-28.0%	-28.2%
Net Profit		60.9	44.4	45.2	60.3
Operating Margin	(%)	17.7%	12.8%	8.2%	9.1%
Pre-tax Margin	(%)	76.8%	37.8%	34.3%	36.3%
Net-Margin	(%)	57.5%	28.2%	22.9%	24.1%

SHARE PRICE



Source: Bloomberg

3Q06 RESULTS HIGHLIGHTS (RMim)

	3Q 2005	3Q 2006	% Change	
Revenue	42.1	56.3	34.0	
Operating profit	3.9	2.1	-45.0	
Depreciation	NA	NA	NA	
Interest expenses	-708	-1.6	121.9	
Pre-tax profit	14.2	18.3	28.4	
Net profit	10.0	11.5	15.4	
Operating margin	(%)	9.2	3.8	NA
Pre-tax margin	(%)	33.9	32.4	NA
Net-margin	(%)	23.8	20.5	NA

Results Comments

Goldis Berhad registered a net profit of RM11.5m in the 3QFY06 on revenue of RM56.3m. Year-to-date net profit stood at RM22.0m or 46.6% of our full year forecast. The result was within our expectation as the last quarter would be its strongest quarter for the year. Comparing with market consensus was irrelevant as there is only one other research house covering this stock.

Overall, the earnings were driven by the contribution from its associate, which has grown by 70.1%YoY to RM16.3m in the 3QFY06. The healthcare division has shown a strong turnaround after reporting an operating profit of RM0.3 vs. an operating loss of RM3.5m in the

2QFY06. Contribution from paper business was strong at RM2.4m at operating level but the positive results from the above divisions were nullified by the RM0.6m and RM0.1 losses incurred by property development and ICT divisions.

Outlook

We envisage the last quarter of FY06 to be strong, primarily due to strong contribution from IGB, its associate. IGB's net profit for the 3QFY05 period has grown by 117.8% YoY to RM44.6m due to strong contribution from its property development and property investment and holding divisions. With a Gross Development Value of some RM4bn that is expected to last the group for the next three years, investment division in IGB would continue to be its main earnings driver for the next few years. Meanwhile, its own operating divisions like healthcare have turned around and we believe its performance in the last quarter would be very strong to erase the year-to-date losses. However, we have halved our FY06 operating profit assumption for this division to RM4.7m. Going forward, we expect the group to report better earnings in FY07 on revival in health care business' earnings as well as stronger contribution from its associate.

Earnings Revision

We have maintained the projected revenue for the healthcare division but adjusted downward the operating margin to reflect margin erosion due to stiffer competition. Meanwhile, we have revised upward operating profit contribution from the paper business to RM6.4m. The net impact of this adjustment was a slight downward earnings revision of 4.3% in FY06 to RM45.2m. Net profit for FY07 was adjusted lower as well by 6.3% to RM60.3m.

Recommendation

We are using an RNAV method to value Goldis by incorporating a fair value of RM1.58 for IGB. Besides, we apply a PER of 11x on healthcare division, 11x on ICT division, 8x for paper manufacturing and 10x on other divisions, to arrive at a fair value of RM1.45 for Goldis. In view of the potential upside of 16%, Buy call is reiterated on Goldis.

VALUATION TABLE FOR GOLDIS

IGB :-		
Number of shares acquired by Goldis		409
IGB's fair value		1.58
Total value	(RMm)	646.2
Healthcare:-		
Operating profit		9.4
Net profit	(RMm)	3.9
Retail PER	(x)	11
Total value	(RMm)	42.8
ICT		
Net profit	(RMm)	2.8
PER		11.0
Total value	(RMm)	30.8
Paper manufacturing		
Net profit		3.1
PER		8.0
Total value	(RMm)	24.8
Other divisions & JVs		
Net profit		1.7
PER		10.0
Total value	(RMm)	17.3
Others :-		
Total cash & Investments		20.1
Less: Liabilities		200.6
Total value of Goldis		581.4
Issued shares	(m)	320.6
Fair value after 20% holding company discount		1.45

Source: TA Securities

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