

# RESULTS-4QFY08



Mercury Securities Sdn Bhd

30 May 2008

For the period Jan – Mar 2008

<b>DATAPREP HOLDINGS</b>	<b>Price:</b>	RM0.37	
	<b>Market Capitalisation:</b>	RM131.72m	
	<b>Board:</b>	Second Board	
	<b>Sector:</b>	Technology	
<b>Stock Code:</b>	8338	<b>Recommendation:</b>	SELL

Key Stock Statistics	2008
EPS (sen)	(0.8)
P/E (x)	(48.8)
GDPS (sen)	0.0
NTA/share (RM)	0.15
Book Value/share (RM)	0.16
Issued Capital (m)	356.20
52-weeks Price Range(RM)	0.13-0.855
Major Shareholders:	%
VXL Holdings	57.1

P&L Analysis (RM mil)	2006	2007	2008	2009F
<b>Year-end: Mar</b>				
Revenue	74.7	112.2	74.3	96.2
Operating Profit	1.5	-2.8	-2.0	4.8
Depreciation	-1.6	-0.8	-1.1	-1.1
Interest Expenses	(0.8)	(1.1)	(1.2)	0.3
Pre-tax Profit	0.4	1.4	(3.2)	4.0
Effective Tax Rate	484.0%	n/m	0.0%	20.0%
Net Profit	(1.8)	1.9	(2.7)	2.5
Operating Margin	2.0%	-2.5%	-2.7%	5.0%
Pre-tax Margin	0.5%	1.2%	-4.3%	4.2%
Net-Margin	-2.4%	1.7%	-3.6%	2.6%

Per Share Data	2006	2007	2008	2009F
Book Value (RM)	0.16	0.19	0.16	0.17
Earnings (sen)	-0.5	0.5	-0.8	0.7
Dividend (sen)	0.0	0.0	0.0	0.0
Payout Ratio	0%	0%	0%	0%
PER (x)	-73.2	69.3	-48.8	52.7
P/Book Value (x)	2.31	1.95	2.27	2.18
Dividend Yield	0.0%	0.0%	0.0%	0.0%
ROE	-3.2%	2.8%	-4.7%	4.1%
Net Gearing	0.0%	35.1%	0.0%	0.0%

Quarter (RM m)	4Q 08	4Q 07	y-y
Revenue	22.0	28.3	-22.3%
EBIT	1.2	0.4	221.7%
PAT	1.1	0.5	126.3%
EPS (sen)	0.3	0.1	126.3%
YTD (RM m)	FY08	FY07	y-y
Revenue	74.3	112.2	-33.8%
EBIT	(2.0)	2.8	-171.4%
PAT	(2.7)	1.9	-239.2%
EPS (sen)	(0.8)	0.5	-239.2%

Below expectations – 4Q08 revenue fell by 22% y-y, as a result FY08 revenues are 19% below our estimates while the company continues to be loss-making due to (i) provision for accrued costs of RM15.6m of an overseas contract for the supply of IT equipment (ii) provision of doubtful debts of RM21.4m comprising of initial billings of RM18.4m for the specified project and RM3m in advances extended to the project due to serious doubts as to the continuation of this project.

Sales decline mostly contributed by reduced sales from its outsourced and managed services, which continues to contribute in excess of 95% of group revenue. FY08 revenues fell by 34% y-y, caused by reduced government projects and limited sales from private sector especially on its outsourced and managed services.

#### Valuation

We expect revenues to rebound by 29% in FY09 coming from existing orders and anticipated government projects. Balance sheet is expected to improve as the company covers its accumulated losses using proceeds from right issues. The stock trades at 53x estimate earnings, which we believe is rather high given its poor earnings visibility. Moreover, competition in the IT industry remains intense. SELL.

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