

DYNAQUEST SDN BHD

1Q2006 RESULTS

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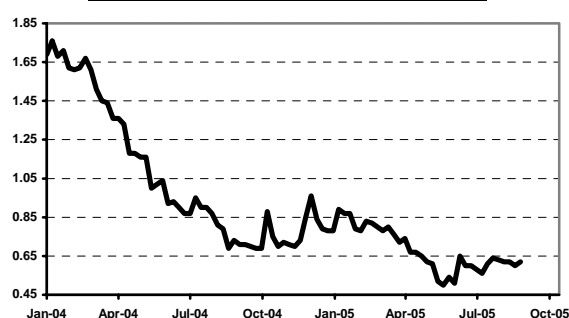
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DATAPREP HOLDINGS BHD (DATAPRP)		Price:	RM0.59
		Market Capitalisation:	RM44.53 m
		Board:	Second Board
		Sector:	Technology
Stock Code:	8338	Recommendation:	HOLD

<u>Key Stock Statistics</u>	<u>2005</u>	<u>2006F</u>
EPS (sen)	3.69	4.00
P/E (x)	15.85	14.63
Dividend/Share (RM)	0.00	
NTA/Share (RM)	0.15	
Book Value/Share (RM)	0.19	
Issued Capital (m shares)	76.12	
52-weeks Share Price Range	RM0.43 - RM1.06	
<u>Major Shareholders:</u>	<u>% Held</u>	
VXL Holdings Sdn Bhd	45.40%	
Sabit Sdn Bhd	11.33%	

Weekly Share Price Chart of DATAPRP.



<u>Per Share Data</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006F</u>
Book Value (RM)	0.83	0.18	0.22	0.19
Cash Flow (sen)	-19.60	-27.25	3.32	4.50
Earnings (sen)	-26.00	-36.01	3.69	4.00
Net Dividend (sen)	0.00	0.00	0.00	0.00
Payout Ratio (x)	0.00	0.00	0.00	0.00
PER (x)	-2.25	-1.62	15.85	14.63
P/Cash Flow (x)	-2.98	-2.15	17.62	13.00
P/Book Value (x)	0.71	3.18	2.65	3.15
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	-60.51	-334.02	16.76	21.52
Net Gearing (%)	-51.23	-97.14	-57.53	-50.00

1. 1Q2006 Result Highlights:

<u>(RM m)</u>	<u>1Q05</u>	<u>4Q05</u>	<u>1Q06</u>	<u>% Change</u>	
				<u>Y-o-Y</u>	<u>Q-o-Q</u>
Revenue	20.63	23.09	18.11	-12.2%	-21.6%
Operating Profit	0.76	0.93	1.12	+47.8%	+20.1%
Depreciation	0.57	0.57	0.50	-12.3%	-12.0%
Interest Expenses	0.31	0.11	0.18	-41.5%	+57.0%
Pre-tax Profit	0.45	0.82	0.94	+108.2%	+15.0%
Net Profit	0.14	0.15	0.03	-79.9%	-81.6%
Operat Margin (%)	3.68	4.04	6.19	+68.3%	+53.2%
PBT Margin (%)	2.20	3.55	5.21	+137.0%	+46.6%
Net-Margin (%)	0.67	0.66	0.15	-77.1%	-76.5%

<u>P&L Analysis (RM m)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006F</u>
Year-end: Mar				
Revenue	97.09	85.55	71.28	80.00
Operating Profit	-33.37	-37.52	3.46	4.90
Depreciation	4.53	5.60	2.29	2.00
Interest Expenses	0.75	0.99	1.76	1.01
Pre-tax Profit	-33.73	-38.17	2.05	4.24
Effective Tax Rate (%)	1.32	-1.01	-12.65	28.00
Net Profit	-30.84	-39.28	2.37	3.05
Operating Margin (%)	-34.37	-43.85	4.86	6.13
Pre-tax Margin (%)	-34.74	-44.62	2.87	5.30
Net-Margin (%)	-31.76	-45.91	3.32	3.81

For the first quarter ended 30.6.05 (1Q06), Dataprep registered a 12.2% y-o-y fall in revenue to RM18.1 m due to lower progress billings arising from the delay of the e-court project. Lower operating expense resulted in the RM0.5 m y-o-y rise in PBT to RM0.9 m but higher taxation and minority interest deductions resulted in the RM0.1 m decline in net profit to RM28,000.

The effective income tax rate of 37.8% was higher than the statutory rate as certain expenses were not deductible for tax purpose and the non-availability of group relief for losses incurred by the company and certain subsidiaries. We think its taxation rate for the whole of FY06 may revert back to 28%.

Q-o-q, Dataprep posted a 15.0% increase in PBT on the back of a 21.6% decrease in revenue. Its bottom-line weakened by RM0.1 m due to increased deduction for minority interests.

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Dataprep's financial results for 1Q06 mark its fifth consecutive profitable quarter and support our belief that the worse is over for the group. While its cost structure has shown improvement, its top-line remains sluggish. Due to lower than expected progress billings coupled with higher than projected taxation, its 1Q06 results turned out disappointing.

Nevertheless, we remain optimistic of a strong recovery in its earnings over time. Despite the competitive and volatile environment, the outlook for ICT industry is improving with the gradual rise in private spending. The group recently secured multi-million ringgit contracts from two multinationals - Citibank and Shell Sarawak. Dataprep's prospect is further enhanced by the recognition of the earnings flow of the e-court project expected later in the current financial year.

In addition, Dataprep plans to expand its market share of the growing secured payment business. Supported by 25 service centres located throughout Malaysia and operating 24 hours 7 days a week, the group is currently servicing 10,000 of the 60,000 payment terminals nationwide. The contribution from this segment is anticipated to be meaningful from next financial year.

Following the conversion of its 18.09 m units of 4% 3-year Irredeemable Convertible Unsecured Loan Stocks (ICULS) at the conversion price of RM1.50 on 5 August 2005, the group's share capital has enlarged to 76.1 m shares. Meanwhile, Dataprep has aborted plans for a proposed private placement of up to 6.4 m shares.

2. Recommendation

Based on our lowered earnings projection of RM3.0 m (previously: RM4.1m) and its enlarged share capital, Dataprep is currently trading at a fairly high prospective PE multiple of 14.6 times. Nevertheless, we are inclined to still maintain the **HOLD** recommendation on Dataprep's shares in line with its promising double-digit earnings prospects, the background of its major shareholder as well as the latter's higher entry cost.

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