

DYNAQUEST SDN BHD

2Q2007 RESULTS

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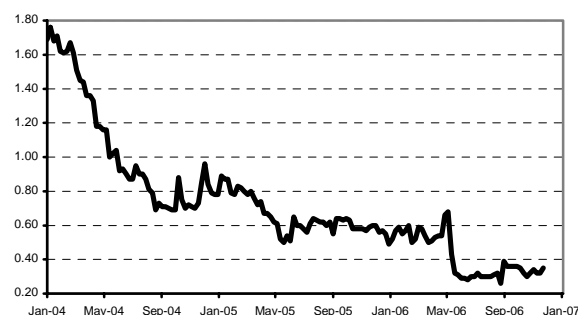
1 December 2006

DATAPREP HOLDINGS BHD (DATAPRP)		Price:	RM0.37
		Market Capitalisation:	RM28.16 m
		Board:	Second Board
		Sector:	Technology
Stock Code:	8338	Recommendation:	SELL

<u>Key Stock Statistics</u>	<u>2006</u>	<u>2007F</u>
EPS (sen)	-2.38	2.20
P/E (x)	NM	16.82
Dividend/Share (RM)	0.00	0.00
NTA/Share (RM)	0.12	0.13
Book Value/Share (RM)	0.16	0.18
Issued Capital (m shares)	76.12	76.12
52-weeks Share Price Range	RM0.20- RM0.75	
<u>Major Shareholders:</u>	<u>% Held</u>	
VXL Holdings Sdn Bhd	53.19%	
Seberang Jati Sdn Bhd	10.78%	

Note: F – Forecast.

Weekly Share Price Chart of DATAPRP.



1. 2Q2007 Result Highlights:

<u>Per Share Data</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007F</u>
Book Value (RM)	0.18	0.22	0.16	0.18
Cash Flow (sen)	-27.25	3.32	3.56	4.43
Earnings (sen)	-51.34	3.69	-2.38	2.20
Net Dividend (sen)	0.00	0.00	0.00	0.00
Payout Ratio (x)	0.00	0.00	0.00	0.00
PER (x)	NM	10.03	NM	16.82
P/Cash Flow (x)	NM	11.13	10.41	8.36
P/Book Value (x)	2.01	1.68	2.29	2.01
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	NM	16.76	-14.72	11.99
Net Gearing (%)	-56.51	-41.63	-10.38	-6.70

Note: F – Forecast.

<u>(RM m)</u>	<u>2Q06</u>	<u>1Q07</u>	<u>2Q07</u>	<u>% Change</u>	
				<u>Y-o-Y</u>	<u>Q-o-Q</u>
Revenue	12.14	17.50	26.74	>100%	52.8%
Operating Profit	-1.48	0.81	0.64	NM	-21.3%
Depreciation	0.50	0.35	0.33	-31.7%	-7.1%
Interest Expenses	0.24	0.30	0.18	-26.3%	-40.3%
Pre-tax Profit	-1.72	0.51	0.46	NM	-10.0%
Net Profit	-2.19	0.30	0.56	NM	89.6%
Oper'g M'gin (%)	-12.15%	4.62%	2.38%	NM	-48.5%
PBT Margin	-14.16%	2.90%	1.71%	NM	-41.1%
Net-Margin	-18.06%	1.70%	2.11%	NM	24.1%

For 2Q07 ended 30 September 2006, Dataprep registered a substantial RM14.6 m y-o-y rise in revenue to RM26.7 m thanks to higher contribution from its outsourcing and managed services division. The higher revenue coupled with lower operating expense, finance charges and taxation resulted in a small net profit of RM0.6 m compared to a net loss of RM2.2 m in 2Q06. Q-o-q, the group reported an increase in net profit of RM0.3 m and revenue improvement of RM9.2 m.

Dataprep's taxation rate for 2Q07 amounted to 14%. Despite incurring a pre-tax loss of RM1.7 m, the group reversed RM1.0 m in taxes in 2Q06 mainly due to the over-recognition of deferred tax assets of prior years.

Driven by the improved financial performance of 2Q07, Dataprep reported a net profit of RM0.9 m and revenue of RM44.2 m for 1H07. In comparison, the group incurred a net loss of RM2.2 m on the back of RM30.2 m in revenue. In 1H07, Dataprep benefited from the RM0.3 m depreciation and amortisation savings following the adoption of new financial reporting standard.

<u>P&L Analysis (RM m)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007F</u>
Year-end: Mar				
Revenue	85.55	71.28	74.66	90.00
Operating Profit	-37.52	3.46	1.18	2.70
Depreciation	5.60	2.29	1.95	1.32
Interest Expenses	0.99	1.76	1.14	1.00
Pre-tax Profit	-38.17	2.05	0.39	1.90
Effective Tax Rate (%)	-1.01	-12.65	NM	27.00
Net Profit	-39.28	2.37	-1.81	1.68
Operating Margin (%)	-43.85	4.86	1.57	3.00
Pre-tax Margin (%)	-44.62	2.87	0.52	2.11
Net-Margin (%)	-45.91	3.32	-2.43	1.87

Note: F – Forecast.

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On a whole, Dataprep reported earnings that exceeded our expectation due to higher than expected contribution of its outsourcing and managed services division as well as lower taxation. Therefore, we have raised our net profit forecast for the group by RM572,000 to RM1.7 m for FY07.

2. Recommendation:

While Dataprep's financial results for 2Q07 have shown improvement, its current valuation remains relatively demanding. Based on its current share base and our EPS forecast of 2.2 sen for FY07, its forward PE multiple is at 16.8 times. Furthermore, its shares offer no dividend. As such, we are maintaining the "**SELL**" recommendation on Dataprep's shares at the current price of 37 sen.

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*Our definitions of stock recommendations/ratings are as follows:- 1. **BUY** -- The total return from stocks of this category is expected to outperform the KLCI or the EMAS indices over the next 12 months. We would expect the stocks to provide a positive absolute return over the same time period. 2. **BUY ON WEAKNESS** -- While stocks of this category is expected to outperform the KLCI or the EMAS over the next 12 months; the margin of out-performance is expected to be of smaller magnitude than the first category. In order to provide a margin of safety, we would recommend the purchase of these stocks at a somewhat lower price level than prevailing currently. We would expect these stocks to provide a positive absolute return over the next 12 months. 3. **HOLD** -- The total return from stocks of this category is expected to be close to the total return provided by the KLCI or EMAS over the next 12 months. The expectation is that over the long run, this category of stocks is expected to provide a positive total return. 4. **SELL ON STRENGTH** -- While stocks of this category is expected to under-perform the KLCI or the EMAS over the next 12 months; the margin of under-performance is expected to be of smaller magnitude than the last category. Thus, the probability of a positive absolute return from this category of stocks is limited. Further price rise from the current level would further decrease the probability of a positive absolute return over the next 12 months. 5. **SELL** -- The total return from stocks of this category is expected to underperform the KLCI or the EMAS indices over the next 12 months. We believe that the stocks in this category will not be able to provide a positive absolute return over the same time period.*