

DYNAQUEST SDN BHD

3Q2007 RESULTS

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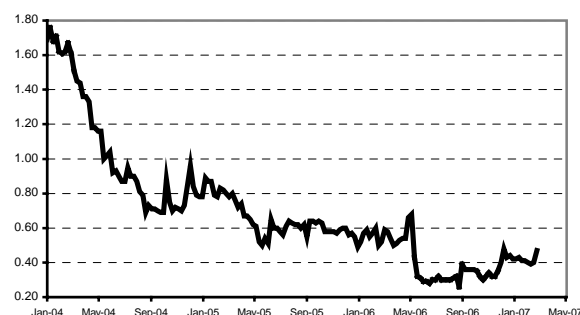
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DATAPREP HOLDINGS BHD (DATAPRP)		Price:	RM0.48
		Market Capitalisation:	RM36.53 m
		Board:	Second Board
		Sector:	Technology
Stock Code:	8338	Recommendation:	SELL

<u>Key Stock Statistics</u>	2006	2007F
EPS (sen)	-2.38	2.40
P/E (x)	NM	20.00
Dividend/Share (RM)	0.00	0.00
NTA/Share (RM)	0.12	0.14
Book Value/Share (RM)	0.16	0.19
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. 3Q2007 Result Highlights:

<u>Per Share Data</u>	2004	2005	2006	2007F
Book Value (RM)	0.18	0.22	0.16	0.19
Cash Flow (sen)	-27.25	3.32	3.56	4.45
Earnings (sen)	-51.34	3.69	-2.38	2.40
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	13.01	NM	20.00
P/Cash Flow (x)	NM	14.44	13.50	10.78
P/Book Value (x)	2.61	2.18	2.97	2.58
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	-334.02	16.76	-14.72	12.91
Net Gearing (%)	-56.51	-41.63	-10.38	-6.70

Note: F – Forecast.

<u>(RM m)</u>	<u>3Q06</u>	<u>2Q07</u>	<u>3Q07</u>	<u>% Change</u>	
				<u>Y-o-Y</u>	<u>Q-o-Q</u>
Revenue	22.55	26.74	39.61	75.6%	48.1%
Operating Profit	0.97	0.64	0.88	-8.7%	38.5%
Depreciation	0.50	0.33	0.32	-36.0%	-2.4%
Interest Expenses	0.24	0.25	0.39	63.1%	>100%
Pre-tax Profit	0.73	0.46	0.50	-32.0%	8.5%
Net Profit	0.21	0.56	0.60	>100%	6.0%
Oper'g M'gin (%)	4.28%	2.38%	2.22%	-48.0%	-6.5%
PBT Margin	3.23%	1.71%	1.25%	-61.3%	-26.7%
Net-Margin	0.93%	2.11%	1.51%	62.6%	-28.4%

For 3Q07 ended 31 December 2006, Dataprep registered a substantial RM17.1 m y-o-y rise in revenue to RM39.6 m thanks to higher contribution of its outsourcing and managed services division. Meanwhile, the group's net profit increased by RM0.4 m to RM0.6 m, aided partly by the RM0.2 m y-o-y fall in taxation. Q-o-q, Dataprep's net profit improved by RM34,000 while revenue rose by 48.1%.

For the cumulative 9M07, Dataprep recorded a net profit of RM1.5 m compared to a net loss of RM2.0 m in the corresponding period of the preceding year. The return to profitability was mainly due to the RM1.3 m y-o-y reduction in taxation and the 58.8% y-o-y rise in revenue to RM83.9 m. The group had incurred a high level of taxation in 9M06 as certain expenses were not deductible for tax purpose and there was deferred taxation for its prior year's under-provision. In 9M07, Dataprep benefited from the RM0.4 m depreciation and amortisation savings following the adoption of new financial reporting standard.

<u>P&L Analysis (RM m)</u>	2004	2005	2006	2007F
Year-end: Mar				
Revenue	85.55	71.28	74.66	110.00
Operating Profit	-37.52	3.46	1.18	2.85
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	1.95
Effective Tax Rate (%)	-1.01	-12.65	484.02	25.00
Net Profit	-39.28	2.37	-1.81	1.83
Operating Margin (%)	-43.85	4.86	1.57	2.59
Pre-tax Margin (%)	-44.62	2.87	0.52	1.77
Net-Margin (%)	-45.91	3.32	-2.43	1.66

Note: F – Forecast.

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On the 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. As such, we have raised our net profit forecast for the group by RM145,000 to RM1.8 m or an EPS of 2.4 sen for FY07.

2. Recent Development:

In relation to its proposal to regularise its financial condition, Dataprep has fixed the price of its rights issue at RM0.25 per share. Meanwhile, the exercise price for the free warrants that are attached to the rights issue has also been fixed at RM0.25. In addition, the conversion price of the ICULS to be issued has been fixed at RM0.33 nominal value of ICULS for every 1 new share.

To recap, Dataprep has proposed a restructuring exercise which essentially involves:- (a) reduction of its par value through cancellation of RM0.75 of the par value of each existing ordinary share of RM1.00; (b) rights issue on the basis of 36 rights shares and 9 free warrants for every 32 shares after the proposed par value reduction; and (c) issuance of up to RM10.0 m nominal value of ICULS at 100% of the nominal amount of RM0.25 each.

3. Recommendation:

Although investor interest for penny stocks has significantly improved recently, our call on its shares is strictly from a fundamental perspective. Dataprep's recent financial performance has shown improvement. However, its earnings is still at a low level. Based on its current share base and our EPS forecast of 2.4 sen for FY07, its forward PE multiple is at 19.5 times. Furthermore, its shares offer no dividend. As such, we are maintaining the "**SELL**" recommendation on Dataprep's shares at the current price of 48 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.*