

DYNAQUEST SDN BHD

4Q2005 RESULTS

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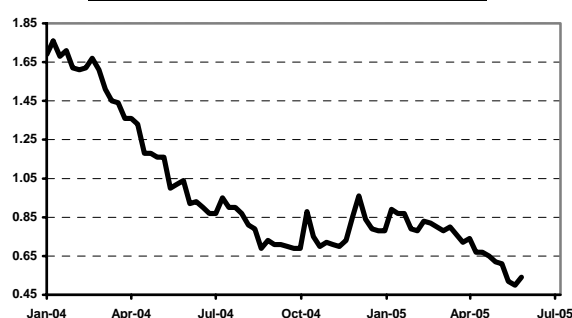
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DATAPREP HOLDINGS BHD (DATAPRP)		Price:	RM0.54
		Market Capitalisation:	RM34.59 m
		Board:	Second Board
		Sector:	Technology
Stock Code:	8338	Recommendation:	HOLD

<u>Key Stock Statistics</u>	<u>2005</u>	<u>2006F</u>
EPS (sen)	3.69	6.31
P/E (x)	14.63	8.56
Dividend/Share	0.00 sen	
NTA/Share	RM0.17	
Book Value/Share	RM0.22	
Issued Capital (m shares)	64.06	
52-weeks Share Price Range	RM0.48 - 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	0.28
Cash Flow (sen)	-19.60	-27.25	3.32	7.00
Earnings (sen)	-26.00	-36.01	3.69	6.31
Net Dividend (sen)	0.00	0.00	0.00	0.00
Payout Ratio	0.00	0.00	0.00	0.00
PER (x)	-2.08	-1.50	14.63	8.56
P/Cash Flow (x)	-2.76	-1.98	16.24	7.71
P/Book Value (x)	0.65	2.94	2.45	1.93
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	-60.51	-334.02	16.76	22.54
Net Gearing (%)	-51.23	-97.14	-57.53	-50.00

1. 4Q2005 Result Highlights:

<u>(RM m)</u>	<u>4Q04</u>	<u>3Q05</u>	<u>4Q05</u>	<u>% Change</u>	
				<u>Y-o-Y</u>	<u>Q-o-Q</u>
Revenue	23.32	16.18	23.09	-1.0	42.8%
Operating Profit	-18.76	0.72	0.93	NM	29.7%
Depreciation	NA	NA	NA	NA	NA
Interest Expenses	0.35	0.61	0.11	-67.2%	-81.3%
Pre-tax Profit	-19.11	0.11	0.82	NM	>100%
Net Profit	-19.10	0.53	0.15	NM	-71.1%
Operating Margin	-80.42	4.45	4.04	NM	-9.1%
Pre-tax Margin	-81.92	0.68	3.55	NM	>100%
Net-Margin	-81.88	3.25	0.66	NM	-79.8%

<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	100.00
Operating Profit	-33.37	-37.52	3.46	6.08
Depreciation	4.53	5.60	2.29	3.00
Interest Expenses	0.36	0.99	1.41	0.66
Pre-tax Profit	-33.73	-38.17	2.05	4.91
Effective Tax Rate	1.32	-1.01	-12.65	-2.04
Net Profit	-30.84	-39.28	2.37	4.05
Operating Margin	-34.37	-43.85	4.86	6.08
Pre-tax Margin	-34.74	-44.62	2.87	4.91
Net-Margin	-31.76	-45.91	3.32	4.05

Dataprep remained profitable in 4Q05 ended 31.3.05 with a net profit of RM0.2 m and revenue of RM23.1 m. Its net profit in 4Q05 marks the group's fourth consecutive profitable quarter and its return to the black after two years of substantial losses. For the whole of FY05 ended 31.3.05, Dataprep registered RM2.4 m in net profit as compared to an adjusted net loss of RM23.1 m for FY04. The loss in FY04 was adjusted for exceptional charges such as the RM9.8 m allowance made for the doubtful debts due from a former director and a foreign company formerly related to a director, RM2.0 m compensation paid to employees in relation to its voluntary separation scheme, and RM7.5 m write-off of computer software and development expenditure as well as the RM3.1 m gain from the deconsolidation of a subsidiary. Dataprep's preliminary EPS for FY05 amounted to 3.7 sen. Despite the lower revenue, the group's ability to return to profitability is a positive reflection of the initiatives undertaken by its new management to improve its costs structure and efficiency.

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Although its earnings for FY3/05 was below our earnings forecast by RM0.5 m, Dataprep's promising earning growth prospect remains intact. Its 70%-owned subsidiary Solsis had secured an e-court project from the Malaysian government in late 2004. Earnings contribution from this project would only kick in Dataprep's 1Q06 results as the billing was only recognised beginning April this year.

The e-court project involves equipping courts with computer hardware, relevant software, data retrieval processors and on-line communications, to be accessed by judges, prosecutors and administrators.

The e-court system would result in case registration, judicial administration and record keeping being digitalised and made available on-line. Hence, the system would improve the efficiency of the court system, bringing about quicker disposal of cases and reduction of bureaucracy.

The pilot project has been introduced at 11 High Courts in the Klang Valley at a cost of approximately RM40 m. With the additional earnings from this project, Dataprep is on track to register much higher profits in the upcoming financial year.

For FY06, we are projecting its net profit to grow by a substantial RM1.6 m y-o-y to RM4.0 m. However, we do not foresee the group making any dividend payout in the foreseeable future as Dataprep is conserving its cash for merger and acquisition possibilities.

2. Recommendation

The pilot project would be evaluated before the system is extended to the other courts nationwide. On the likely assumption that the project would extend to all 410 courts considering the virtues of its system, the recurring earning flow from this contract is expected to gradually increase over time.

With its improved cost structure coupled with the additional contribution of the e-court project as the group continues to pursue a few multi-million dollar projects, we think Dataprep is finally on track to register good earnings growth. Nevertheless, we will maintain the **HOLD** recommendation on its shares for now. We would consider upgrading our recommendation should its financial results meet or, better still, exceed our optimistic expectations for the group.

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