

<b>Malaysian AE Models Holdings Bhd (MAEMODE)</b>		<b>Price:</b>	RM1.35 @ 25 <sup>th</sup> April 2007
		<b>Market capitalisation:</b>	RM130.2mn
		<b>Board:</b>	Main
		<b>Sector:</b>	Industrial Automation
<b>Stock Code:</b>	7075	<b>Recommendation:</b>	<b>OVERWEIGHT</b>

<u>Key Stock Statistics</u>	<u>2005</u>	<u>2006</u>
EPS (sen)	9.42	12.95
P/E (x)	7.75	7.18
Dividend/Share (RM)	0.05	0.15
NTA/Share (RM)	1.47	1.59
Book Value/Share (RM)	1.47	1.59
Issued Capital (mn shares)	95.12	95.12
52-wks Share Price Range	RM0.86-RM1.42	
<u>Major Shareholders:</u>		
Government		
<u>Others (specify)</u>	: Datuk Dr Lim Kee Sinn (32.3%)	

<u>Per Share Data</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007E</u>
Book Value (RM)	1.60	2.01	1.59	1.75
Cash Flow (sen)	(12.94)	(14.93)	(14.09)	(16.19)
Earnings (sen)	13.30	12.91	12.95	17.92
Dividend (sen)	0.50	0.50	1.50	3.00
Payout ratio (%)	3.76	3.87	11.58	16.74
PER (x)	8.50	5.65	7.18	7.31
P/Cash Flow (sen)	(8.73)	(4.89)	(6.60)	(8.09)
P/Book Value (sen)	0.71	0.36	0.58	0.75
Dividend yield (%)	0.44	0.68	1.61	2.29
ROE (%)	8.84	8.83	11.27	21.42
Net Gearing (%)	117.50	84.93	92.50	95.32

<u>P&amp;L Analysis (RMmn)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007E</u>
Year-end: 31 <sup>st</sup> May				
Revenue	159.46	186.04	286.78	329.80
EBITDA	52.06	29.76	39.05	45.82
Depreciation	(7.09)	(7.48)	(6.73)	(7.07)
Interest Expenses	(6.77)	(9.68)	(8.71)	(9.14)
Profit before Tax	38.20	12.60	18.81	22.15
Taxation	(3.42)	(3.36)	(6.25)	(4.85)
Minority Interest	0.26	(0.28)	(0.25)	(0.25)
Net Profit	8.31	8.96	12.32	17.04
EBITDA Margin (%)	32.6	16.0	13.6	13.9
Pre-tax Margin (%)	21.8	5.0	4.4	5.2
Net-Margin (%)	5.2	4.8	4.3	5.2

<u>MAEMODE 3QFY07</u>	<u>3Q 2006</u>	<u>2Q 2007</u>	<u>3Q 2007</u>	<u>Change QoQ %</u>	<u>Change YoY %</u>
Revenue	67.34	77.44	105.64	36.41	56.87
Profit from Operations	5.30	8.94	11.82	32.26	123.16
Finance Costs	(1.69)	(3.83)	(2.67)	30.31	(58.28)
Share of profit/(loss) of assoc. Companies	0.10	0.02	0.01	(44.44)	(89.80)
Pre-Tax Profit	3.71	5.13	9.16	78.67	147.01
Taxation	(1.03)	(1.18)	(2.19)	(85.05)	113.76
Minority Interest	(0.39)	0.23	0.23	2.22	158.97
Net Profit	3.08	3.72	6.74	81.26	119.28
Operating Margin (%)	7.87	11.54	11.19	(3.05)	42.26
Pre-tax Margin (%)	5.51	6.62	8.67	30.98	57.46
Net Margin (%)	4.57	4.80	6.38	32.88	39.79
Basic EPS (sen)	3.20	3.89	7.01	80.21	119.06

<u>MAEMODE 3QFY07 Cumulative</u>	<u>3Q06 RMmn</u>	<u>3Q07 RMmn</u>	<u>Change YTD %</u>
Revenue	172.77	252.54	46.17
Profit from Operations	16.92	27.69	63.65
Finance Costs	(6.79)	(9.00)	(32.47)
Share of profit/(loss) of assoc. Companies	0.18	0.05	(72.13)
Pre-Tax Profit	10.31	18.74	81.78
Taxation	(2.78)	(4.50)	61.79
Minority Interest	(0.37)	0.37	200.27
Net Profit	7.90	13.87	75.53
Operating Margin (%)	9.79	10.96	11.96
Pre-tax Margin (%)	5.97	7.42	24.36
Net Margin (%)	4.57	5.49	20.09
Basic EPS (sen)	8.21	14.42	75.64

## 1. Results Review

- Maemode's earnings were above our expectation. The Group's revenue for 3QFY07 increased by 56.9% to RM105.6mn. Net earnings more than double to RM6.7mn compared with RM3.1mn in the previous corresponding period. Year to date earnings constitute to about 80% of our full year earnings estimates. The stronger than expected earnings was mainly due to better overseas sales.

On a q-o-q basis, the Group's revenue and earnings grew by 36.4% and 81.3% respectively resulted from higher contributions from bulk handling and other overseas projects.

For the cumulative nine months, Maemode's net earnings surged by 75.5% to RM13.9mn from RM7.9mn previously. Revenue rose 46.2% from RM172.8mn a year ago to RM252.5mn. Basic earning per share increased from 8.21sen to 14.42sen.

## **2. Earnings Outlook**

Maemode has tendered for approximately RM700mn projects with more than 42% of them in Indonesia and China. We believe that the Group is well positioned to bid for upcoming overseas contract given its well established foothold in the overseas market. Going forward, we expect the rising per capita incomes and growth in manufacturing output to boost the equipment demand in Asia particularly China and India, which in turn benefits material handling demand.

The Group is currently operating at about 60-82% capacity utilisation rate. As such, we believe the Group will have ample room to grow without incurring additional capital expenditure.

## **Valuation and Recommendation**

The Group is currently trading below its NTA and at a low PER. We believe that its current low valuation is unjustifiable in view of its strong earnings growth going forward. We maintaining our target price for the Group to **RM2.15** based on a prospective basic EPS for FY07 of 17.9sen pegging at a PER of 12x. Maintain **OVERWEIGHT**.

## **3. Technical Analysis**



### **MAEMODE (Stock code: 7075) – Targeting 1.70**

Resistance : 1.70

Support : 1.25

Share price is at 1.44 on 25/4/07. As expected, the overhead trendline at 1.36 was breached in late April 2007. With a small pullback support at 1.25, it is targeting the April 2002 high at 1.68.