

Results Update

Wednesday, 28 Feb 2007

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SJ Securities Sdn. Bhd.
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FSBM Holdings Bhd

OVERWEIGHT

Fair Value:

4Q FY06 : Within expectation

RM1.96 (+28.1%)

Stock Data

Price (RM)	1.53
Stock code	9377
Bloomberg Ticker	FSBM MK
Listing	Second Board
Share outstanding (RM mn)	54.83
Market Cap (RM mn)	83.89
Par value (RM)	1.00
52-wk high (RM)	1.65
52-wk low (RM)	1.00
Major Shareholders	Dato' Tan Hock San @ Tan Hock Ming (35.45%) Phang Hong Yee (35.45%)

Financial Data

PER (x)	6.42
BV per share (RM)	1.438
P/BV (x)	1.06
ROE (%)	16.42
Beta (x)	0.301
Altman Z Score	1.99
Dividend yield (%)	-

Relative Performance

1-month (%)	9.3
3-month (%)	4.8
6-month (%)	15.0
YTD (%)	2.0
12-month (%)	39.1

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FY06 Result Highlights:

- **Within expectation.** The Group reported PBT and net profit of RM13.2mn and RM13.1mn for the full FY06 which are only 4.5% and 4.3% variances from our targets.
- **Solution and Education divisions remain as mainstay.** The Group's core divisions – Solution and Education remain the major contributors to its earning as illustrated in the Figure 1.
- **Coming up... UNOS service.** The Group is positioning itself to launch a new communication service – UNOS. UNOS is a software for mobile phones which would enable its user to enjoy globally connection via mobile phone at a competitive price.
- **Maintain OVERWEIGHT.** We are maintaining our **OVERWEIGHT** recommendation on FSBM with a target price of **RM1.96**, applying a forecasted FY07 EPS of 32.6sen, pegging it at PER of 6x.

Quarter results comparison

Quarterly Results	4Q	3Q	4Q	Change	Change
	FY05	FY06	FY06		
	RMmn	RMmn	RMmn	QoQ %	YoY %
Revenue	18.6	17.2	32.1	86.9	72.5
Operating Profit	2.9	2.7	4.7	74.0	63.9
Interest Expenses	(0.3)	(0.3)	(0.4)	(30.6)	(34.6)
Pre-tax Profit	2.6	2.4	4.3	79.4	68.9
Net Profit	2.4	2.4	4.2	72.1	74.4
Operating Profit Margin (%)	15.6	15.9	14.8	(6.9)	(5.0)
Pre-tax Margin (%)	13.8	14.1	13.5	(4.0)	(2.1)
Net Margin (%)	12.9	14.1	13.0	(7.9)	1.1
EPS (basic)	4.7	4.4	7.6	72.0	62.8

Cumulative results comparison

Cumulative Quarterly Results	4Q FY05	4Q FY06	Change
	RMmn	RMmn	
			YTD %
Revenue	72.7	102.2	40.6
Operating Profit	10.4	14.2	36.1
Interest Expenses	(0.9)	(1.0)	(14.2)
Pre-tax Profit	9.5	13.2	39.4
Net Profit	9.4	13.1	39.5
Operating Margin (%)	14.4	13.9	(3.2)
Pre-tax Margin (%)	13.0	12.9	(0.8)
Net Margin (%)	12.9	12.8	(0.8)
EPS (basic)	18.3	23.8	30.1

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Financial Analysis				
P & L (RM mn)	2004	2005	2006A	2007F
Revenue	64.9	72.7	102.2	162.0
EBIT	6.7	10.4	14.2	18.3
Interest expenses	(1.3)	(0.9)	(1.0)	(1.5)
Share results of associates	0.3	(0.1)	0.0	0.1
Profit before Tax	5.7	9.5	13.2	16.9
Taxation	(0.1)	(0.0)	(0.2)	(0.1)
Minority interest	(2.5)	(0.1)	0.0	(0.1)
Net Profit	3.1	9.4	13.1	16.7
EBIT margin (%)	10.4	14.4	13.9	11.3
EBITDA margin (%)	15.9	19.2	12.9	14.0
PBT margin (%)	8.8	13.0	12.9	10.4
PAT margin (%)	4.8	12.9	12.8	10.3
Revenue growth (%)	32.5	12.1	40.6	46.6
EBIT growth (%)	138.0	(55.4)	(36.1)	(34.5)
EBITDA growth (%)	(168.7)	35.5	(5.6)	27.7
PBT growth (%)	(129.4)	66.2	39.4	34.0
PAT growth (%)	(116.1)	202.3	39.5	33.3

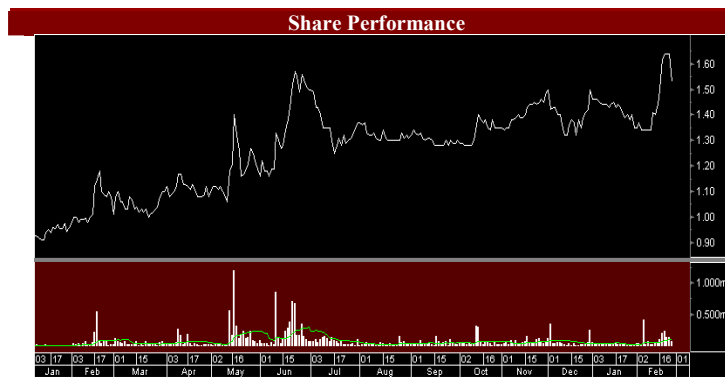


Figure 1: Divisional breakdown & comments

<u>Revenue and operating profit breakdown</u>	<u>Revenue</u>		<u>Change</u>	<u>EBIT</u>		<u>Change</u>	<u>Comment</u>
	FY06	FY05	%	FY06	FY05	%	
Solution	47.4	11.8	300.5	16.5	11.5	43.4	Higher level of supplies and integration services
Smart Community	-	-	n/a	(0.0)	0.6	n/a	
Communication & Multimedia	15.6	22.4	61.3	(1.9)	(0.9)	(108.3)	Investment for the launch of UNOS service
Education	36.1	35.4	2.1	3.8	5.6	(32.5)	Continuously contribution from the Teacher Training Program
Investment holdings	3.0	2.7	13.4	(4.2)	3.9	207.2	
Elimination	-	-	n/a	(0.1)	(10.4)	99.3	
Total	102.2	72.3	41.3	14.2	10.4	36.1	

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