

Investors may re-rate FSBM



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PETALING JAYA: Shares of second board-listed FSBM Holdings Bhd seem to have fallen under the radar of investors despite being backed by strong fundamentals and buoyant prospects.

Year-to-date, the counter has depreciated 4% against 23.7% gains on the benchmark index.

FSBM's business is divided into four divisions – systems and solutions, education and training, multimedia and communications, and smart community.

In a statement on Tuesday, chairman and managing director Datuk Tan Hock San noted that the audited results for fiscal year ended Dec 31, 2006 (FY06) showed

This is based on its rosy prospects and relatively cheap valuation

a 48% jump in after-tax profit to RM14mil from RM9.4mil in FY05.

Revenue surged 40% to RM101.7mil from RM72.7mil a year ago. Earnings per share (EPS) stood at 26.8 sen.

Given the improvement, the company has proposed a final dividend of 5 sen per share, bringing the year's total to 8 sen and representing a yield of 5.6% based on yesterday's closing price of RM1.44.

The shares are also trading at almost 5% discount to FSBM's net tangible asset of RM1.51 per share as at end-2006.

Tan said future earnings would be buoyed by the solutions, health-care and education segments

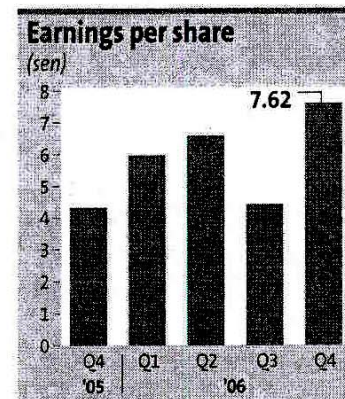
"To date, FSBM has submitted project bids worth RM275mil. The group currently has about

RM125mil worth of contracts and expects the multimedia and communications division to contribute approximately RM30mil in recurring revenue in the current year," Tan said, adding that it intended to move to the main board "in the near future."

Last month, the company launched UNOS Voice, a mobile software that provides substantial savings on call roaming and short-messaging service (SMS) at no monthly or minimum fee, and can be used across all networks.

The product is currently available in Malaysia, Singapore, Hong Kong, Australia and Britain.

FSBM was anticipated to roll out UNOS Voice to more countries in Asia, the Middle East, Europe, the US and Canada by the middle of the year, Tan added.



Source: Company

In a filing with Bursa Malaysia yesterday, FSBM said the group signed an agreement with Beijing Telecom NTT Engineering Co Ltd for the latter to offer UNOS Voice to corporates and individuals in Beijing on a profit-sharing basis.

The company also has 9.8 million shares of Nasdaq-listed Amaru Inc at a cost of RM2.7mil.

Based on Amaru's closing price of 40 US cents on Wednesday, FSBM's investment is estimated to worth some RM13.3mil.

If FSBM were to sell all its shares, it would rake in a whopping profit of RM10.6mil or EPS of 19.3 sen.

SJ Securities in a report forecast the company's EPS to improve to 32.6 sen for FY07, which translates the stock's price-to-earnings (PE) ratio into 4.4 times, based on the closing price of RM1.44.

This is relatively cheap when compared with peers like Mesiniaga Bhd and HeiTech Padu Bhd, which are trading at PE of 7.1 and 9.3 times respectively, based on their closing prices yesterday of RM2.66 and 94.5 sen.

According to Bloomberg, the consensus EPS estimate for Mesiniaga and HeiTech in FY07 is 37.6 sen and 10.2 sen respectively.

Given the relatively cheap valuation and rosy earnings growth prospects, FSBM should see a re-rating by investors.

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