



Nexgram Holdings Berhad

Sweeteners: Bonus Issue and Dividends

TP: RM0.10 (-31%)

Last Traded: RM0.15

SELL

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

TA Research Team Coverage

+(603) 2167 9601

kylichan@ta.com.my

www.taonline.com.my

- Nexgram Holdings Berhad (NHB) proposed a bonus issue of up to 167.4mn new shares on the basis of 1 share for every 3 shares held.
- Upon its targeted completion date by 2QCY14, NHB's share capital will expand by 33%-95% to 1.69bn-2.47bn shares from 1.27bn shares previously (Figure 1).

Figure 1: Impact of Bonus Issue on Share Cap

Scenario	Minimum	Maximum	Exercise Price (sen)
Existing No. of Shares (mn)	1,269.08	1,269.08	n.a.
No. of Warrants A (mn)	0	251.56	10
No. of Warrants B (mn)	0	120.00	35
No. of Warrants C (mn)	0	211.51	11
Fully Diluted Share Cap (mn)	1,269.08	1,852.15	
Bonus Issue (1 for 3) (mn)	423.03	617.38	
Enlarged Share Cap after Bonus Issue	1,692.11	2,469.54	
	Minimum	Maximum	Notes
FY14 Core Net Profit (RM mn)	4.22	n.a.	
FY14 Enlarged FD* Core Net Profit	n.a.	5.95	* Fully Diluted for interest income from warrants proceeds
FY14 Core EPS before Bonus Issue (sen)	0.33	n.a.	
FY14 Core EPS after Bonus Issue (sen)	0.25	n.a.	
FY14 Enlarged FD* Core EPS before Bonus (sen)	n.a.	0.32	
FY14 Core EPS after Bonus Issue (sen)	n.a.	0.24	

- NHB's bonus issue is a positive surprise as we reckon this exercise would enhance liquidity and render the stock more appealing to retail investors.
- In addition, the group also announced its intention to payout dividends to shareholders in FY14-17. The actual quantum for FY14's dividend will be determined at a later stage. Whereas payouts for the next 3 years are subject to the group's financial performance and investment needs.
- We are somewhat apprehensive that NHB is paying out dividends during its transitional growth phase. To recap, NHB is diversifying from its core business of IT solutions to property development, coal trading in Indonesia, data centre management, investment management, and real estate investment.
- We anticipate high working capital and liquidity requirements for NHB's new ventures which will likely require extended gestation periods. Therefore, we believe it is more prudent for the group to conserve cash at this crucial stage instead of paying out dividends.

Share Information

Bloomberg Code	NNCB MK
Stock Code	0096
Listing	ACE Market
Share Cap (mn)	1,269.1
Market Cap (RMmn)	190.4
Par Value (RM)	0.10
52-wk Hi/Lo (RM)	0.08/0.16
12-mth Avg Daily Vol ('000 shrs)	6,466
Estimated Free Float (%)	29
Beta	2.30
Major Shareholders (%)	
	Tey Por Yee - 16.7%
	Kock Aun Ooi - 15.7%
	Bidang Lagenda - 15.1%

Forecast Revision (%)

	FY13	FY14
Forecast Revision (%)	0%	0%
Core Net Profit (RMm)	5.8	7.5
Consensus	n.a	n.a
TA/Consensus (%)	n.a	n.a
Previous Rating	Sell (Maintained)	

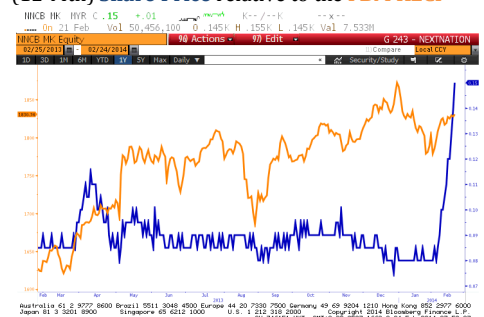
Financial Indicators

	FY13	FY14
Net Debt/Equity (%)	0.1	0.2
CF/Share (RM)	0.50	(0.60)
P/CF (RM)	0.30	(0.25)
ROE (%)	4.2	4.2
NTA/Share (RM)	0.17	0.18
P/NTA (x)	0.87	0.82

Share Performance

Price Change (%)	NNCB	FBMKLCI
1 mth	87.5	1.6
3 mth	66.7	2.0
6 mth	66.7	6.4
12 mth	66.7	12.9

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Impact

- We maintain our earnings estimates but adjust our forecasts to incorporate NCB's enlarged share capital and asset base following completion of its rights issue with free warrants exercise in January 2014. The exercise results in an increase to NCB's CY14 book value per share (BVPS) to RM0.21 (previous: RM0.14).

Valuation

- Following the revision to FY14 BVPS, our target price (TP) for NNCB is raised higher to RM0.10 (previous: RM0.07) based on unchanged 0.5x CY14 P/B.
- Maintain Sell on NCB. We are cautious that the group may encounter execution risks in its new diversified ventures. In addition, these new ventures may also necessitate the need for dilutive equity fund raising exercises to raise capital.

Earnings Summary (RM'mn)

FYE 30 Apr		2012	2013	2014F	2015F	2016F
Revenue		62.9	79.7	90.1	100.4	111.1
EBITDA		5.1	13.0	15.9	19.6	23.2
EBITDA margin	(%)	8.1	16.3	17.6	19.5	20.9
Pretax Profit		6.9	6.9	5.0	6.9	9.1
Net Profit		5.8	6.7	4.2	7.9	7.5
Core Net Profit		0.4	3.7	4.2	5.7	7.5
FD* Core NP		0.4	4.1	5.8	7.5	9.4
Core EPS	(sen)	0.1	0.6	0.3	0.4	0.6
FD* Core EPS	(sen)	0.1	0.5	0.3	0.4	0.5
Core EPS growth	(%)	(79.0)	581.0	(46.4)	34.1	33.0
FD* Core EPS growth	(%)	(0.8)	4.3	(0.3)	0.3	0.2
FD* Core PER	(x)	164.5	24.2	45.1	33.6	25.3
Gross Dividend	(sen)	0	0	0	0	0

*Diluted for all warrants except for warrants with exercise price of 35 sen

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

This report has been prepared by TA SECURITIES HOLDINGS BERHAD for purposes of CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia Berhad and will be compensated to undertake the scheme. TA SECURITIES HOLDINGS BERHAD has produced this report independent of any influence from the CBRS or the subject company.

For more information about CBRS and other research reports, please visit Bursa Malaysia's website at:
http://www.bursamalaysia.com/website/bm/listed_companies/cmdf_bursa_research_scheme/eResearch.jsp

for TA SECURITIES HOLDINGS BERHAD^(14948-M)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)
 Kaladher Govindan – Head of Research