



Visdynamics Holdings Bhd

Company Briefing: R&D push

Hold
 Fair Value
 RM0.12 (+4.3%)

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Stock Data

Price (RM)	0.115
Stock code	0120
Bloomberg Ticker	VHB
	MK
Listing	Mesdaq
Share Cap (RM mn)	6.71
Market Cap (RM mn)	6.37
Par value (RM)	0.10
52-wk high (RM)	0.24
52-wk low (RM)	0.09
Major shareholders:-	
Choy Ngee Hoe	30.34%
Ong Hui Peng	4.53%
Lee Chong Leng	4.53%

Financial Data

12 month trailing PER (x)	Na
BV per share (RM)	0.24
P/BV (x)	0.39
ROE (%)	-8.62
Beta (x)	Na
Altman Z Score	7.02
Dividend yield (%)	0.00

Relative Performance (%)

1-month	-50.89
3-month	-37.82
6-month	-36.92
12-month	-35.83
YTD	-51.50

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Investment Highlights

Human resource shift to R&D. Visdynamics has allocated more of its human resources to research and development of products. This does not incur additional human resource cost as human resources are less tied up with production during the slowdown.

R&D push. Visdynamics has an R&D grant which will help fund its R&D activities. Moreover Visdynamics has a partnership with suppliers & the government to assist them with their R&D. Visdynamics expects to launch 2 new leading edge products in 2H09.

Design improvements. Recent designs in Visdynamics machinery enables substantially lower cost of production while improving performances.

Marketing push. Visdynamics continues to invest and push its sales and marketing activities. The push is despite a slowdown in the economy. We believe this is a positive development as Visdynamics products are superior to its competitors but require stronger marketing and promotion to have higher market penetration.

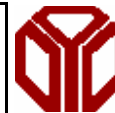
Orders. Visdynamics has been on talks for several machinery orders and marketing tie-ups with other companies. The orders seem more promising than the previous quarter. The tie-ups if successful, is expected to bring in more orders.

Recommendation. We have a hold recommendation on Visdynamics. We value VisDynamics at RM0.12 per share based on a 50% discount to VisDynamics's NA per share.



P&L Analysis						
FYE 31 Dec		2005	2006	2007	2008	2009F
	Units					
Revenue	RM (mn)	8.0	6.3	9.6	9.3	8.2
Cost of Sales	RM (mn)	(2.5)	(2.8)	(4.8)	(5.0)	(4.3)
Gross profit	RM (mn)	5.5	3.5	4.8	4.3	3.9
EBITDA	RM (mn)	3.4	0.5	0.7	(0.9)	0.3
Operation Profit	RM (mn)	3.3	0.3	0.3	(1.4)	(0.2)
Finance Cost	RM (mn)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pretax Profit	RM (mn)	3.3	0.3	0.3	(1.5)	(0.2)
Taxation	RM (mn)	-	0.0	0.0	(0.0)	0.0
Net Profit/(Loss)	RM (mn)	3.3	0.3	0.3	(1.5)	(0.2)
Operating margin	%	41.1	5.5	3.0	(15.3)	(2.4)
EBITDA margin	%	42.4	7.3	7.4	(9.7)	3.9
Pretax margin	%	41.0	5.0	2.6	(15.7)	(2.9)
Net margins	%	41.0	5.4	3.1	(15.7)	(2.9)
Revenue growth	%	(3.3)	(21.5)	52.4	(3.1)	(11.9)
EBITDA growth	%	16.3	(86.5)	54.7	(226.7)	(135.8)
Pre-tax profit growth	%	15.1	(90.5)	(19.7)	(679.4)	(83.9)
Net profit growth	%	15.1	(89.7)	(13.3)	(595.3)	(83.9)
Per Share Data		2005	2006	2007	2008	2009F
Book Value	RM	0.14	0.31	0.26	0.24	0.24
NTA	RM	0.11	0.28	0.24	0.20	0.21
Cash Flow	sen	3.7	(1.1)	(1.0)	1.3	0.3
Basic EPS	sen	6.6	0.6	0.4	(2.2)	(0.3)
Gross DPS	sen	-	-	-	-	-
Payout ratio	%	0.0	0.0	0.0	0.0	1.0
PER	x	0.0	101.7	95.3	na	na
P/Cash Flow	x	0.0	(58.7)	(42.5)	15.5	38.6
P/Book Value	x	0.0	2.0	1.6	0.8	0.5
Dividend yield	%	0.0	0.0	0.0	0.0	1.0
ROE	%	45.8	2.0	1.7	(9.0)	(1.4)
Net Gearing	%	net cash	net cash	net cash	net cash	net cash

Constituent of Indices	
Kuala Lumpur Composite Index	No
FTSE Bursa Malaysia Large 30 Index	No
FTSE Bursa Malaysia Mid 70 Index	No
FTSE Bursa Malaysia EMAS Shariah Index	No



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Stock rating definitions

Buy – The stock is expected to perform positively. Expected return including both capital appreciation and dividends is expected to exceed 15% over 12 months.

Hold – The stock is expected to stay sidelined. Expected return including both capital appreciation and dividends is expected to range between negative 5% to positive 15% over 12 months.

Sell – The stock is expected to perform negatively. Expected return including both capital appreciation and dividends is expected to be negative 5% or lower over 12 months.

Not Rated – The stock is not under research coverage and the reports serves for purely informational purposes only.

Trading Buy – The stock is expected to be volatile while providing for near term positive trading opportunities. This is under the high risk category with near term catalysts.
