

Jadi Imaging looks at M & A route to growth

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KUALALUMPUR: Jadi Imaging Holdings Bhd is looking at inorganic growth via acquisitions of other toner companies to beef up its business and expects to make a strategic buy this year, said its executive chairman and group chief executive officer Liew Kim Siong.

Liew said the way forward for the group to remain sustainable is to opt for inorganic growth through potential partnership or merger and acquisition (M&A) of complementary business that will "bring market, product, technical and operational synergy".

"The business environment has been challenging for us. We fell into the red in the financial year ended Dec 31, 2012 (FY12) [with a net loss of RM 111,000] and returned to profitability last year [with a net profit of RM2.23 million]. While we expect to remain in the black for a considerable period, we are assessing potential partnerships and M&As in which we hope to close (a deal) by the end of this year," he told The Edge Financial Daily after the group's annual general meeting last week.

"The market is seeing several players phasing out their toner business, while we are constantly on the lookout to expand our business," he said, adding the group will make the necessary disclosure to Bursa Malaysia once its plan is finalised.

As at March 31, 2014, the group's cash and cash equivalents stood at RM3.76 million.

Meanwhile, Liew said it is "cautiously optimistic" about its future growth prospects, given the proliferation of mobile devices that has resulted in a decline in consumer printing demand, which in turn led to a dip in the group's revenue. Jadi Imaging makes toners for laser printers, photocopiers and facsimile machines.

To offset the fall in consumer printing demand, the group is currently reviewing and formulating strategies to penetrate new market segments that are able to offer growth and better profit margin.

For FY14, Liew expects Jadi Imaging's revenues to grow in line with the country's gross domestic product (GDP) of 4.5% to 5.5%.

"Overall growth is expected to be steady, growing by the same rate as the GDP. The main driver of our growth will be from the export market, which currently contributes 98% to the group's revenue," he said, adding that a depreciation of the ringgit against the US dollar will help improve its revenue as all of its export sales are quoted in US dollars.

Liew also said the group has a smaller capital expenditure (capex) this year, noting that it is "not significant" compared with last year's RM9.09 million capex that was invested in its 2.4ha resin manufacturing plant in the Klang Industrial Area, Selangor.

"The manufacturing plant that we built last year produces palmotone, the world's first palm-oil based toner resin. In terms of utilisation rate, the plant is running at 60% capacity and we are targeting it to reach 85% by this year," he said, adding that Jadi Imaging's overall toner manufacturing output is about 4,000 tonnes per year.

The group's current gearing ratio stands at 18%, lower than the manufacturing sector's gearing of 30%. As at March 31, 2014, the group had total borrowings of RM21.1 million.

"We have been paring down our debt to a much sustainable level and last year, we made net repayment of RM5.5 million on bank loans. Our gearing ratio is at 18%, which is still manageable," said Liew.

"We would like to reward our shareholders with better and consistent dividend payout once our topline and cash flow are improved," he added.

For the three months ended March 31, 2014, Jadi Imaging registered net profit of RM170,000, down 39% from RM279,000 a year ago. Revenue dipped 7% to RM17.83 million from RM19.17 million previously.

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