

21 Mar 2006

Goldis

GOLD MK

RM1.21

BUY

Venturing into aquaculture

Goldis has entered into a shareholders agreement to take up a 70% stake in Protech Yu (Asia) S/B (Protech) with EPAQ S/B and Fish Protech Malaysia S/B holding the remaining stake. Protech, which will have a share capital of RM1m, will provide supporting services such as hatchery, feed, technical support, construction, marketing, development for aquaculture farms developed under Fish Protech's license, utilising its system to produce chemical and pollution free fishes.

- **About the aquaculture system.** EPAQ is the master licensor for the system, which was developed by Johan Don, an Australian entrepreneur and inventor of land-based aquaculture techniques. This system, which is more cost-efficient than conventional methods such as sea-based or pond aquaculture, has lower stock losses, labour and maintenance losses as well as better feed conversion. Using treated water, the organically farmed fish is guaranteed free of chemicals, antibiotics and pollutants.

Investment by fish farmers could be as low as RM3m with payback around 3-6 years. For Goldis, the investment could generate return on investment of up to 15%.

- **Slight impact to net gearing of 0.1x**, which has a net debt of RM109m as at 31 Oct 2005. Also, we expect Goldis' equity portion to be gradually raised to RM0.7m as the business expands.
- **Neutral on this JV** as this is not expected to generate any significant earnings contributions to the group over the next 2-3 years.
- **Maintain BUY call.** The stock trades at an undemanding FY07 P/E of 7.1x and at a deep 40% discount to our RNAV valuation of RM2.00. Our target price of RM1.50 is pegged to a 25% discount to RNAV, which implies a FY07 P/E of 8.8x.

Goldis (RM1.21)

Y/E Jan (RM'm)	Pretax Profit	Net Profit	EPS (sen)	EPS Chg (%)	P/E (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2003	50.7	35.4	11.0	na *	11.0	27.9	-	-
2004	81.4	60.9	19.0	72	6.4	35.0	2.0	1.7
2005 **	59.6	44.4	13.9	(27)	8.7	17.7	2.5	2.1
2006E	60.5	45.0	14.0	1	8.6	19.8	2.5	2.1
2007E	72.7	54.7	17.1	22	7.1	15.1	3.0	2.5

* - the merger between IGB and Tan & Tan was completed on 31 Jan 02

** - drop in earnings due to sale of IJM Corporation shares by associate IGB and China property developments in FY04.

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