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KUALA LUMPUR: Information technology service provider EA Holdings Bhd (EAH), which saw its earnings in the financial year ended Dec 31, 2014 (FY14) contract by 44% to RM5.6 million from RM9.99 million in FY13 due to fewer projects, expects that its bottom line will improve by at least 25% to RM7 million in FY15.

Besides the acquisition of a new associate — Cepak Air Sdn Bhd — which comes with a profit guarantee of RM5.6 million for the next two years, it also expects to recognise earnings from projects that were brought forward to this year.

“It (the decline in FY14 earnings) is because many companies were busy implementing the GST (goods and services tax) system in the second half of 2014, so many new projects were brought forward to 2015,” said EAH chief executive officer Mohammad Sobri Saad in an interview with The Edge Financial Daily recently.

EAH, he said, is a projects-based company that provides software solutions mainly in business intelligence and data warehousing solutions. It is not involved in the provision of GST-compliance software, added Mohammad Sobri, who is confident EAH’s income will improve significantly in FY15.

“We will at least have RM60 million revenue and profit after tax of RM7 million this year.

“Our revenue for the first quarter ended March 31, 2014 is RM4 million. We have RM25 million worth of projects at hand, so that is already RM29 million. So, there is another RM31 million to meet our target, which is achievable,” Mohammad Sobri said.

EAH also conducts research and development, and sales and distribution of radio-frequency identification (RFID)-based tracking systems and provides access control systems (ACS).

Currently, EAH’s main revenue is from three segments — the ICT services segment, software solutions segment, and RFID, ACS and building automation system (BAS) segment.

He said among the three segments, the RFID, ACS and BAS segment recorded a year-on-year (y-o-y) growth of 74.36% to RM6.8 million in FY14 from RM3.9 million in FY13.

“We are confident that the number will be higher this year, because a lot of buildings need automation. Year to date, we have done about RM4.5 million [sales] just for the BAS segment. I’m looking at doubling the number last year — it will be a major contribution,” Mohammad Sobri said.

Meanwhile, EAH’s acquisition of a 20% stake in Cepak Air for RM47.04 million — to be fully satisfied via the issuance of new EAH shares at the issue price of RM0.10 per EAH share — is expected to be

completed in mid-July. This means it should start seeing profit contribution from the new associate in its FY15 accounts.

“Hopefully the acquisition would be completed in mid-July. They have given us a profit guarantee of RM11.2 million for the next two years for our 20% equity, so one year is RM5.6 million. From mid-July until the end of this year, we can probably recognise about RM2.5 million of their profit,” said Mohammad Sobri.

Cekap provides mechanical and electronic (M&E) engineering services to the water and waste water treatment industry; it also undertakes M&E engineering works for other industries, such as, the oil and gas industry.

In other words, the stake acquisition in Cekap will see EAH venturing into uncharted waters.

“This is a totally new investment. This is the first time we are venturing out of our comfort zone. It is a water industry; Cekap is involved in providing engineering services to the water industry and they also have a subsidiary company called WY Consultancy & Development Bhd (WY Consultancy) on project management consultation,” Mohammad Sobri said.

To date, Cekap’s order book stands at RM52.08 million, according to Mohammad Sobri.

Among the projects that Cekap has secured are a water treatment plant and water reticulation system in Hulu Langat for the supply, delivery and installation of lime service tanks worth RM588,000 (start: March 2015; end July 2015) as well as a similar project to provide fabrication of filter slabs worth RM803,000, to be completed in December 2015.

EAH shares closed unchanged at 11.5 sen last Friday, with a market capitalisation of RM97.79 million.

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