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EA Holdings set for explosive growth



KUALA LUMPUR: EA Holdings Bhd (EAH) is set for an explosive growth due to its strong clients base which will lead to an explosive earnings growth with more jobs at the bidding process.

MIDF Research said the earnings growth of EA ever since its listing had been spectacular, of which between 2010-2013, its earnings grew at a cumulated average growth earnings of 32 per cent.

"The growth is sustainable as EA's clientele base is strong as it services the government, government-linked companies (GLCs), corporate and retail enterprises as well as financial sectors primarily banking institutions, it said in a research note to investors giving the stock a fair value of 26 sen from 17 sen last Thursday.

Its jobs-in-hand amount is currently RM103.6 million including a RM71.1 million job obtained from the Inland Revenue Board in 2013.

This year, EA will be bidding for at least RM90 million in new jobs.

The prospect is good as information technology (IT) spending is expected to grow 6.5 per cent in 2014 compared with an estimated 5.9 per cent in 2013.

In its entitled "EAH: Explosive growth", MIDF said the fair value price is based on its belief that EAH is worth at least RM0.26, pegging its earnings per share of 2.8 sen for 2014 to price to earnings ratio of 9.1 times for 2014. It is a clean company with very little borrowing.

The research house's said EAH has already been identified by Forbes as one of the most promising small-cap companies in Malaysia.

It was listed on Forbes Asia's 200 Best Under A Billion List of companies within the Asia-Pacific region for 2011 and 2012.

Its market capitalisation is only RM70.2 million which is low for an IT growth company focusing on ICT services, software solutions and Radio Frequency Identification (RFID), access control systems and building automation system.

EAH had last month announced to Bursa Malaysia about its plans to undertake

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a rights issue with free warrants to further reward shareholders while strengthening the company's mergers and acquisitions activities.

Under the exercise, up to 635.9 million shares would be issued fixed at a par value of EAH shares of RM0.10 each.

In the same announcement, EAH is also proposing to increase its authorised share capital to RM250 million from RM100 million as it moves into its next level of growth after a stellar year in 2013, which saw EAH posting record revenue and profits following four consecutive quarters of solid profits and securing two significant nation-building projects from a major government agency.

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