

# Profiles of three companies

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Fraser & Neave Holdings Bhd, Talam Corporation Bhd, and Yeo Hiap Seng (Malaysia) Bhd are among the companies listed in the Malaysian Stock Market. As such, shares of these three companies have been offered to the public for ownership and are presently traded in the bourse. To be able to make a wise decision as to which of the three companies an investor should buy into, sufficient information regarding the financial condition and operational well-being of the companies will have to be available.

With the shares of the holding company being traded in the bourse, present and prospective investors therefore have to monitor the state of things, the rate of growth and the progress of both the holding company and the subsidiaries that it partly owns and in a way, manages. As stated in the Directors' Report for the fiscal year ended September 30, 2006, Fraser & Neave Holdings Bhd, or F & N for short, is the investment holding company of the Fraser & Neave Group of Companies which are primarily engaged in the manufacture and sale of glass containers, soft drinks and dairy products, and also are into property development activities.

On the other hand, Talam Corporation is a Kuala Lumpur-based property development company that is into the construction of urban housing units. Their current projects available for sale include Summer Ville and Blossom Ville in Ukay Perdana, Casa Avila Condominium and Town Centre shops in Taman Puncak Jalil, Single-Storey Link House in Bandar Pinggiran Cyber, and a lot others. The third company, Yeo Hiap Seng (Malaysia) Berhad, is involved in the production, marketing and sale of food, beverages and sweetened condensed milk under the brand names of " Yeo's", " Fizzi", " Cintan" and " SoyRich.

In the company website, the management claims that their product range is such a favorite of the customers due to their commitment to anticipate their needs and to provide satisfaction. The company's wide distribution network is one reason why reputable manufacturers trust the distribution strength of their trading arm. One very important thing that investors look into before buying shares of a company is capacity of the company to generate profits, which would be translated as returns for the investment of the shareholders in the form of dividends – whether cash or stock.

To evaluate the profitability of a company, the following rates or ratios are computed and given a lot of consideration in deciding to invest or not to invest: the net income ratio, the earnings per share (EPS), and the price-earnings ratio. The current ratio is a tool to test the company's liquidity. Liquidity refers to the company's ability to pay its short-term liabilities as they fall due. No company can avail of long-term loans for expansion if it is proven that the company cannot even settle those with terms that are shorter than a year.

The debt-equity ratio shows how much of the total assets of the company are provided by the stockholders' investments and how much of them are provided by creditors. The bigger this ratio is, the less attractive the company becomes for banks and lending institutions. The net income ratio is widely used as a measure of the overall profitability of operations. It is computed as net income over or divided by net sales. For the year 2006, Fraser & Neave Holdings Bhd's net income ratio is 7.35% while Yeo Hiap Seng (Malaysia) Bhd's is 4.71%.

Talam Corporation Bhd incurred losses amounting to over RM 771, 796, 000, so there is no net income ratio to speak of. Based on these ratios, it would seem that Fraser & Neave Holdings Bhd has the highest level of profitability of the three subject companies. The earnings per share (EPS) of a company is one of the most important indications of its profitability. It can easily be compared to the EPS figures of other companies, then it is a handy means for investors and stockholders to see the amount they have earned for a single share of stock.

The EPS can be computed by dividing the net income by the number of shares of the company. In 2006, the EPS of the three companies are as follows: RM 0. 40 for Fraser & Neave Holdings Bhd; RM 0 for Talam Corporation Bhd given its negative profitability results for that year; and, RM 0. 19 for Yeo Hiap Seng (Malaysia) Bhd. Thus, consistent with the net income ratios generated, it is Fraser & Neave Holdings that rounded up the highest EPS of the three subject companies. The price-earnings ratio is the ratio of the current price per share to the earnings per share (EPS) of stocks.

In formula form, it is calculated as the price per share divided by earnings per share (EPS). With the calculation of the price-earnings ratio, financial analysts may overcome the difficulty of comparing different-priced shares of stocks. By comparing the price-earnings ratio, one can easily see which stocks cost less for each invested unit of currency. In other words, the price-earnings ratio indicates how many units of currency are required to buy a unit's worth of earnings.

Of the three subject companies, we can compute the price-earnings ratio of the two that yielded positive income figures as reflected in their 2006

financial statements, as follows (based on the closing prices of the Malaysian bourse on November 13, 2007): RM 19. 50 for Fraser & Neave Holdings Bhd, and, RM 9. 47 for Yeo Hiap Seng (Malaysia) Bhd. So it does turn out that the cheaper stock to buy would be that of the Yeo Hiap Seng; this is if the basis were the price-earnings ratio.

However, it is also to be noted that on November 13, 2007, no shares of Yeo Hiap Seng (Malaysia) Bhd changed hands – no such company shares were traded in the bourse that day. If one is to invest in the stock market, one must choose to buy shares of companies that are regularly sold and bought in the daily course of the stock market. This is to avoid ending up with shares that you cannot dispose of even when you already want to. On that same day, 5940 and 8400 shares of the Talam Corporation (Group shares and Company shares) were traded.

There are other ratios to as well consider to be better-informed before making a decision on where to invest: the current ratio and the debt-equity ratio. The current ratios of the three companies are as follows: 2. 49 for Fraser & Neave Holdings Bhd; 0. 64 for Talam Corporation Bhd; and 2. 18 for Yeo Hiap Seng (Malaysia) Bhd. These ratios show that Fraser & Neave Holdings is the company that is in the best position to easily take care of its current liabilities using its current assets.

In short, it is the company with the highest level of liquidity. Meanwhile, the debt-equity ratios of the three companies are as follows: 0. 40 for Fraser & Neave Holdings Bhd; 8. 42 for Talam Corporation Bhd; and 0. 50 for Yeo Hiap Seng (Malaysia) Bhd. These ratios show that Talam Corporation is heavily in debt. Its total liabilities is over eight times as much as the total investments

of its stockholders or owners. This paints a risky picture for the creditors of the company.

The debt-equity ratios of Fraser & Neave Holdings and of Yeo Hiap Seng Bhd, on the other hand, depict them as companies whose total debts are at most just half of their respective stockholders' equities. While this paper aims to recommend one of the three subject companies for purposes of investing, it is to be given a thought that the entire investment arena is composed of numerous channels, products and ventures. The stock or equity market is just a part of the entire package. In the same manner, the Malaysian bourse is just one of the many, many bourses worldwide.

Investing funds, whether your personal funds or other people's, will always involve risk. The higher the risk, the higher is the expected rates of return. While it is one thing to just gamble away funds in the bourse by just buying an random shares of any company that one takes fancy in, it remains the prudent and worthwhile thing to first research and gather as much data as there can be accessed before starting the buying spree. Thus, based on these computations, the recommendation arrived at is to choose Fraser & Neave Holdings Bhd.

It has the highest net profit rate and its current ratio and debt-equity ratio are no cause for investors - creditors and stockholders alike - to worry about, thereby making the purchase of its shares a conservative and an informed move.

REFERENCES: Published Audited Financial Statements of Fraser & Neave Holdings Bhd as of September 30, 2006 Company website of Talam

Corporation Bhd Company website of Yeo Hiap Seng (Malaysia) Bhd Reilly, F. and K. Brown. Investment Analysis and Portfolio Management. Orlando, Florida: The Dryden Press, 1997.