

Corporate Highlights

News Update

Hai-O Enterprise

Acquire Land And Buildings In Klang For RM45m



RHB Research Institute Sdn Bhd
A member of the RHB Group
Company No: 233327 -M

31 October 2007

Share Price : RM3.08
Fair Value : RM3.31
Recom : **Outperform**
(maintained)

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- ◆ Hai-O is buying a piece of land measuring 28 acres, together with attached factory buildings in Jalan Kapar, Klang, from Bata for RM45m. A portion of the property will be leased back to Bata for rental income to be determined at later stage. The RM45m purchase consideration will be financed via internally-generated funds and borrowings.
- ◆ We note that the acquisition is to cater for an increase in production capacity and warehousing, given Hai-O's strong business volume. Based on Hai-O's net cash level of RM20m as at end-July 2007 and estimated operating cash flow of RM19m in FY04/08, we project Hai-O to have to borrow an additional RM20m to finance the acquisition.
- ◆ We fine-tune our net profit forecasts downward by 2-3% for FY04/08-10 to reflect higher depreciation charges and borrowing costs going forward. Indicative fair value is tweaked down to RM3.31 from RM3.37 based on an unchanged 10x CY08 EPS, which is at a 40% discount to our CY08 target PE of 16x for the consumer sector, to reflect its smaller earnings base and market capitalisation. Maintain **Outperform**.

Table 1: Investment Statistics (HAIO ; Code: 7668) Bloomberg Ticker: HAIO MK

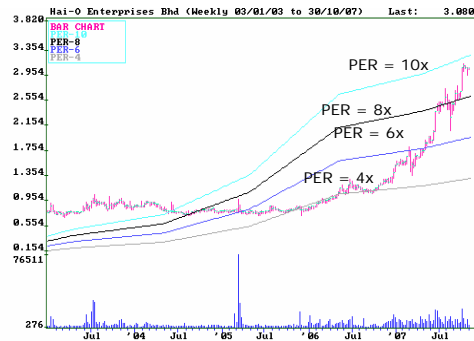
FYE Apr	Revenue (RMm)	Net Profit (RMm)	EPS (sen)	EPS gwth (%)	PER (x)	C.EPS* (sen)	NTA/share (x)	Net gearing (x)	ROE (%)	Net. Div. Yld. (%)
2007a	189.3	21.4	26.4*	105.3*	11.7		1.5	Net cash	11.0	3.6*
2008f	224.6	24.7	29.8	12.9	10.3	30.0	1.4	Net cash	10.9	3.9
2009f	254.7	28.9	34.8	16.7	8.9	33.0	1.7	Net cash	11.2	4.7
2010f	283.9	31.7	38.2	10.0	8.1	36.0	1.9	Net cash	10.8	5.1
Issued Capital (m shares)					83.0	Major Shareholders (%)				
Market Capitalisation (RMm)					255.7	Tan Family 25.0				
Daily Trading Volume (m shares)					0.1	Excellent Communication 5.2				
52-week Price Range (RM / s)					1.21-3.10					

Second Board Listing /Trustee Stock/non-Syariah Approved Stock By The SC

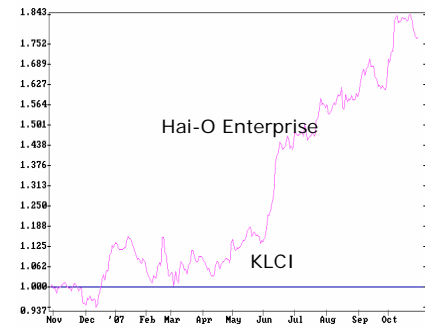
^ Consensus based on IBES Estimates

** Adjusted for bonus issue for light-to-light comparison*

PE Band Chart



Relative Performance To KLCI



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Stock Ratings

Outperform = The stock return is expected to exceed the KLCI benchmark by greater than five percentage points over the next 6-12 months.

Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

Market Perform = The stock return is expected to be in line with the KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the KLCI benchmark by more than five percentage points over the next 6-12 months.

Industry/Sector Ratings

Overweight = Industry expected to outperform the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Neutral = Industry expected to perform in line with the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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