



CONSUMER

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FY07 Results Review

Private Circulation Only

Hai-O Enterprise

BUY **Maintain**
Price **RM2.85**
Target **RM3.25**

Stock Profile/Statistics

Bloomberg Ticker	HAIO MK Equity
KLCI	1360.65
Issued Share Capital (m)	68.89
Market Capitalisation (RMm)	196.34
52 week H L Price (RM)	2.86 1.29
Average Volume (3m) '000	130.13
YTD Returns (%)	1.10
Net gearing (x)	(0.17)
Altman Z-Score	4.08
ROCE/WACC	1.24
Beta (x)	1.03
Book Value/share (RM)	1.36

Major Shareholders (%)

Tan Kai Hee & Family	22.9
Excellent Communication SB	5.3

Share Performance (%)

Month	Absolute	Relative
1m	25.00	19.92
3m	54.89	36.06
6m	81.23	38.14
12m	121.11	29.07

6-month Share Price Performance



What a Brilliant Year!

Hai-O's 4QFY07 earnings have broken our forecast again, for the third consecutive time since we initiate coverage on the company in December 2006. This set brilliant of figures were mainly contributed by strong performances in the MLM and Retail division. With more focus in MLM division plus the boost from pay rise of civil servant, we are positive on the company's future outlook. Maintain BUY with revised target price of RM3.25

Way above expectation! Hai-O registered a very strong 4QFY07 earnings of RM7.8m and its full year FY07 earnings of RM21.4m, is 27% above our forecast. Full year revenue grew by 31.2% while earnings were up 110%. The strong set of figures was generated by higher contributions from the multi-level marketing (MLM) division, and successful sales promotions held by the retail business division. MLM and Retail division's revenue grew by 84% and 12% respectively. Meanwhile wholesale division stays flat.

Stronger EBITDA margin. Full year EBITDA margin increase from 11.8% in previous year to 17.3%. The higher margin was attributed to stronger contribution from MLM; the disposal of its non-core businesses which improved operational efficiency; and better selling price in the wholesale division particularly the Pu-Er tea. We believe the strengthening of the Ringgit against the US\$ have contributed in reducing imported costs hence improving overall profit margin of the Group. Based on our estimates, every 1% appreciation in Ringgit; Hai-O's gross profit margin will increase by 0.3%-0.4%.

Earnings forecast revised. ROE is all time high at 21.9%. Backed by strong result in FY07, together with the boost from higher salary from civil servant and potential earnings from the distributorship of Tri E (Vitamin E capsule) in China, we are increasing our FY08 earnings forecast from RM17.2m to RM24.1m.

Dividend. Hai-O recommended a final dividend of 13 sen per share which totalled to 18 sen for FY07; translating into yield of 6.3%. Balance sheet is strong with net cash position of RM20.3m.

Maintain BUY. We are revising our fair value from RM2.86 to RM3.25 by applying the composite average of 10x PER over FY08 EPS of 34.9 sen, P/BV of 2.0x and Gordon Growth model. We reiterate our **BUY** recommendation on the stock.

FYE Apr (RMm)	FY05	FY06	FY07	FY08f	FY09f
Total revenue	139.3	144.3	189.3	202.3	213.5
EBITDA	12.8	17.1	32.8	33.2	37.1
Pretax profit	10.3	15.1	30.6	34.1	38.1
Net Profit	5.5	10.2	21.4	24.1	26.9
% chg YoY	41.6	84.9	110.0	12.5	11.8
EPS (sen)	8.0	14.8	31.1	34.9	39.1
Gross DPS (sen)	2.5	8.0	18.0	20.0	22.0
Gross Div Yield (%)	0.9	2.8	6.3	7.0	7.7
PER (x)	35.6	19.3	9.2	8.2	7.3
BV/ share	1.2	1.3	1.5	1.7	2.0
P/BV	2.4	2.2	1.9	1.6	1.4

KEY HIGHLIGHTS**Quarter Results Table**

FYE Apr (RMm)	4QFY07	3QFY07	% chg	YTD FY07	YTD FY06	% chg
Turnover	56.7	51.4	10.3%	189.3	144.3	31.2%
EBITDA	8.9	7.4	19.0%	29.2	13.8	111.7%
Depreciation	(0.6)	(0.6)	0.0%	(2.2)	(2.2)	0.0%
Net interest expense	0.1	0.0	4466.7%	0.1	0.1	-30.2%
Associates	0.0	0.0	n.a.	0.0	0.2	n.a.
PBT	10.2	7.5	35.8%	30.6	15.1	102.4%
Tax	(2.4)	(2.3)	6.7%	(8.5)	(4.3)	95.3%
MI	0.0	(0.1)	-116.5%	(0.7)	(0.6)	22.9%
Net Profit	7.8	5.1	52.3%	21.4	10.2	110.0%
EPS (sen)	11.3	7.4		31.1	14.8	
Gross DPS (sen)						
EBITDA margin	15.6%	14.5%		15.4%	9.6%	

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DPS (sen)	2.5	8.0	18.0	20.0	22.0
Margin					
EBITDA	9.2%	11.8%	17.3%	16.4%	17.4%
PBT	7.4%	10.5%	16.2%	16.8%	17.8%
Net Profit	4.0%	7.1%	11.3%	11.9%	12.6%
ROE	6.8%	11.9%	21.9%	21.3%	21.0%
ROA	4.8%	8.4%	15.6%	15.3%	15.4%
Balance Sheet					
Fixed Assets	53.2	54.6	53.8	53.7	53.9
Current Assets	64.5	70.6	95.2	111.9	130.5
Total Assets	117.7	125.2	149.0	165.6	184.4
Current Liabilities	31.0	31.1	38.0	40.9	43.6
Net Current Assets	33.6	39.4	57.2	71.0	86.9
LT Liabilities	0.2	0.0	0.1	0.1	0.1
Shareholders Funds	81.9	89.4	105.7	119.8	135.8
Net Cash/(debt)	11.8	8.7	20.3	33.6	46.0

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