

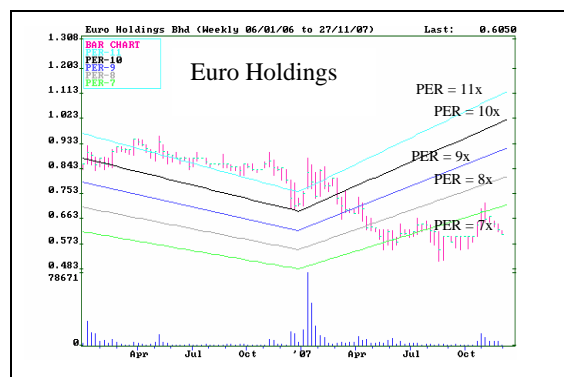
Date: 28 November 2007

Euro Holdings		Price:	RM0.61
<i>Strong Topline Growth</i>		Market Capitalisation:	RM49.4m
		Board:	Second Board
		Sector:	Consumer Products
Stock Code:	7208	Recommendation:	BUY

(latest figures)

<u>Key Stock Statistics</u>	2006	2007F
EPS (sen)	6.9	10.1
P/E (x)	8.9	6.0
Dividend/Share (sen)	2.8	2.8
NTA/Share (sen)	0.8	0.8
Book Value/Share (sen)	0.8	0.8
Issued Capital (mil shares)	81.0	
52-weeks Share Price Range	0.51 – 0.88	
<u>Major Shareholders:</u>		
Liew Fatt Sin	22.3	
Dato' Mohd Haniff Abd Aziz	15.0	
Law Sim Shee	13.3	

PE Band Chart



<u>Per Share Data</u>	2005	2006	2007F	2008F
Book Value (sen)	0.7	0.8	0.8	0.9
Cash Flow (sen)	6.5	6.7	9.2	14.8
EPS (sen)	8.9	6.9	10.1	11.4
Dividend (sen)	3.5	2.8	2.8	2.8
Payout Ratio (%)	39.1	40.7	28.0	24.9
PER (x)	6.9	8.9	6.0	5.3
P/Cash Flow (x)	9.4	9.1	6.7	4.1
P/Book Value (x)	0.9	0.8	0.7	0.7
Dividend Yield (%)	5.7	4.6	4.7	4.7
ROE (%)	12.5	9.1	12.1	12.2
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash

<u>P&L Analysis (RM mil)</u>	2005	2006	2007F	2008F
Year-end: Dec				
Revenue	88.0	94.5	119.2	126.0
EBITDA	9.4	7.4	11.2	12.3
Depreciation	(2.8)	(3.9)	(4.0)	(4.1)
Net int exp and other inc	(0.6)	(0.5)	(0.8)	(0.8)
Pre-tax profit	8.8	6.9	10.4	11.6
Effective tax rate (%)	(1.6)	(1.4)	(2.2)	(2.3)
Net profit	7.2	5.6	8.2	9.2
EBITDA margin (%)	10.7	7.9	9.4	9.8
Pre-tax margin (%)	10.0	7.3	8.7	9.2
Net margin (%)	8.2	5.9	6.9	7.3

1. Highlights:

Above expectation. Euro reported stronger-than-expected results with 9M07 revenue of RM90.4m (+36.2% yoy) which accounted for 86.5% of our full-year revenue forecast. As a result, 9M07 net profit recorded 98.2% yoy increase to RM6.6m, which has already surpassed our full-year FY07 net profit forecast by 1.5%. The resilient growth was driven by: a) 35% qoq increase in export sales particularly to Godrej (India) for workstations in 3Q07; b) increase in higher-margin project-based contracts from 75% of total contracts in 2Q07 to 90% in 3Q07; and c) late-2Q07 orders which contributed in 3Q07.

FY07-09 earnings forecasts upgraded. Given the strong results, we are upgrading our FY07-09 net profit forecasts by 16.8-26.2%. Our forecasts also assume stronger earnings growth in the final quarter of the year, as well as of further increase in export sales particularly to the Indian market (currently accounting for 40% of all exports) and from the Rosemount contract that is expected to begin contributing in FY08.

2. Recommendation:

Maintain Buy. Following the earnings upgrade, our indicative fair value has been raised to RM0.89, implying 45.9% upside, based on unchanged 7.8x CY08 EPS, or a 50% discount to our target market PER of 15.6x to reflect the volatile earnings track record and intense competitive pressure.

Table 1 : Earnings Review

FYE Mar (RMm)	3Q06	2Q07	3Q07	% qoq	% yoy
Revenue	26.6	28.0	35.8	27.5	34.5
EBIT	1.3	3.2	3.8	21.0	203.3
Interest Expense	(0.1)	(0.2)	(0.2)	3.0	65.1
Associates	0.0	0.0	0.0	0.0	0.0
Pretax Profit	1.1	3.0	3.6	22.2	218.6
Taxation	(0.3)	(0.4)	(0.7)	67.7	139.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	0.8	2.5	2.9	14.4	247.2

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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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