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Corporate News Flash

Hai-O

Fundamentally Intact

CONSUMER

BUY ↔
Target
Previous
Price

RM8.95
~~RM8.95~~
RM6.58

THE BUZZ

Hai-O's share price came under selling pressure recently, falling by 22.3% since the start of the month and 12.8% after the share went ex-dividend on 19 November. The sharp decline has given rise to concerns among investors that there is a significant fundamental change in the company.

OUR TAKE

Not a cause for concern. A check with management indicates that there has not been any change in the company's fundamentals and/or business outlook (including the recent venture into thermal heat transfer technology) that would explain the sell-down on the stock. We note the company is on track to deliver another promising set of results (2QFY10) next month. We believe the sharp share price retracement could be attributed to profit taking activities after the stock went ex-final dividend of 32sen/share on 19 November.

Record turnout at its 17th anniversary. Hai-O recently celebrated its 17th MLM Anniversary which was graced by a strong force of 12,000 agency members. We believe the record turnout (highest ever in the history of the many corporate events organized) lends testimony to the favorable prospects of its MLM business. To recap, Hai-O's earnings have been growing at CAGR of 56% over the past two years and posted a 35.7% y-o-y earnings jump in 1QFY10.

Reiterate BUY based on TP of RM8.95 (11x CY10 EPS). We believe the fundamentals of the company remain intact and advise investors to accumulate on further weakness. The sharp pull back in the share price provides a more compelling entry level for investors further supported by its dividend yield of 6.4%.

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated (NR):** Stock is not within regular research coverage

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