



18 June 2013

Hua Yang Berhad

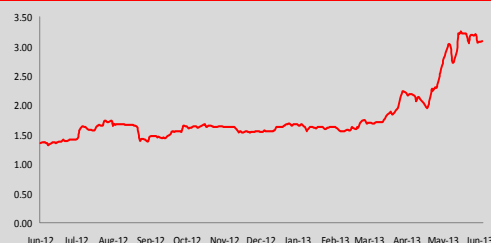
1st Landbanking in FY14

- News**
- Proposed acquisition of 3.73ac in Sri Kembangan for RM56.9m or RM250psf. The land is opposite The Heritage Service Apartment (part of the Mines Resort City area), which is c. 300m walking distance to Serdang KTM commuter station and 120m to the Mines Shopping Fair via a tunnel.
- Comments**
- This comes as no surprise to us as we expected them to landbank and had factored in a GDV replenishment assumption of RM250m into our RNAV earlier. Our assumption is just slightly lower than the Sri Kembangan's project GDV of RM285m.
 - We are positive on the acquisition as we believe this development, which includes 2 blocks of service apartment and retail units, has good catchment being in matured residential areas near The Mines Resort City, which would appeal to upgraders or even first home owners. Land cost is considered fair, given that it makes up 20% of GDV (refer overleaf).
 - We believe the service apartment units will likely be ranged between 500sf and 1000sf per unit and the prices will still be considered affordable at the range of RM300k up to RM700k. Based on the historical track records, the group should be able to reap 25% gross margins.
 - The acquisition will likely be completed by Mar 2014 and take around 12-18 months for approvals before launch it around Jun 2015 or FY16. Thus, we expect its FY14 net gearing to increase from 0.26x to 0.40x, which is still within our comfort zone.
- Outlook**
- We remain positive on Hua Yang as we understand the management is still actively looking for pocket landbanks in Klang Valley. Moreover, its FY14E sales target of RM613m will be mainly driven by on-going projects OneSouth, Taman Pulai Hijauan and new projects such as Section 13 (Shah Alam), etc. Sales from the newly acquired project will only be felt towards end FY16E onwards.
- Forecast**
- We expect significant project earnings to contributions from FY17E onwards. As a result, there are no changes to our FY14-15E earnings.
- Rating**
- Maintain OUTPERFORM**
- We continue to like affordable housing developers. Note that Hua Yang does not employ any DIBS scheme on its projects.
- Valuation**
- Maintain our TP of RM3.52 as the acquisition has already been factored for (refer overleaf). Our TP is on parity with our DCF-driven RNAV @ 10% WACC.
- Risks**
- Unable to meet sales targets or replenish landbank. Sector risks, including negative policies.

OUTPERFORM ↔

Price: RM3.09
Target Price: RM3.52 ↔

Share Price Performance



KLCI	1772.17
YTD KLCI chg	4.9%
YTD stock price chg	89.6%

Stock Information

Bloomberg Ticker	HYB MK Equity
Market Cap (RM m)	611.8
Issued shares	198.0
52-week range (H)	3.28
52-week range (L)	1.32
3-mth avg daily vol:	1,164,883
Free Float	64%
Beta	1.4

Major Shareholders

HENG HOLDINGS SDN BH	27.9%
POH MENG CHAM	6.7%
MOOK LEONG HO	1.1%

Summary Earnings Table

FYE Dec (RM'm)	2013A	2014E	2015E
Turnover	408.7	532.4	677.8
EBIT	95.4	120.2	142.4
PBT	95.4	120.2	142.4
Net Profit (NP)	70.5	88.8	105.2
Core NP	70.5	88.8	105.2
Consensus (NP)	-	71.1	89.8
Earnings Revision	-	-	-
Core EPS (sen)	35.6	44.8	53.1
Core EPS growth (%)	30.0	26.0	18.5
NDPS (sen)	13.2	13.5	15.9
BV/Share (RM)	1.69	2.04	2.45
Core PER (x)	8.7	6.9	5.8
Price/BV (x)	1.8	1.5	1.3
Net Gearing (x)	0.26	0.40	0.18
Dividend Yield (%)	4.3	4.4	5.2

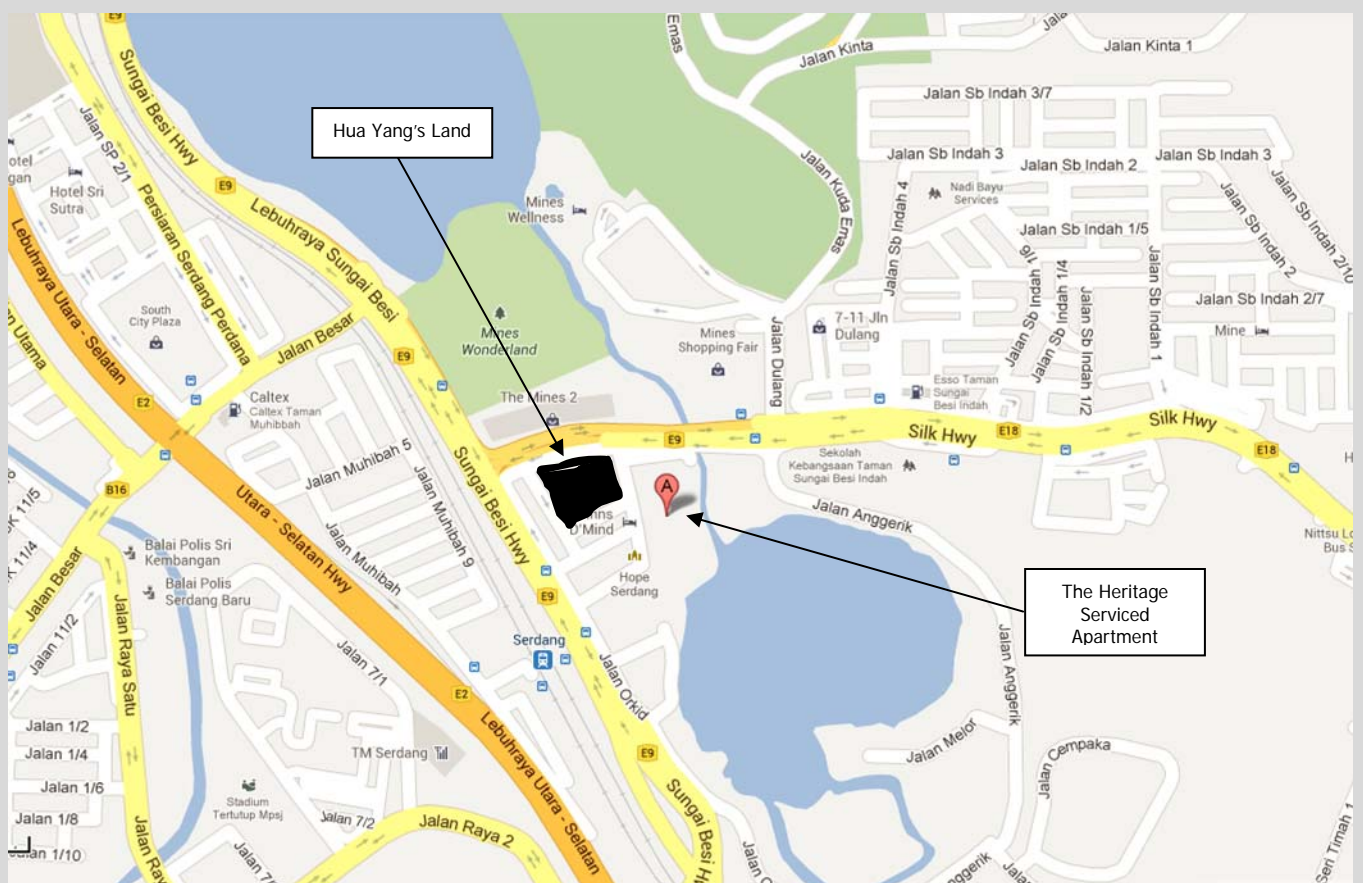
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Other Points

Positive on the land with reasonable pricing. We are positive on the acquisition as we believe this development, which includes 2 blocks of service apartments and retail units, enjoys good population catchment around the matured towns of Serdang, Kajang and Bangi. This will appeal to the upgraders in the area and new home owners. Moreover, this land is accessible through two major highways namely SILK highway and BESRAYA highway, as well as, public transportations via the KTM commuter stations. The land is also located nearby notable landmarks such as Mines Shopping Fair, Palace of Golden Horses, South City Plaza, Jusco Balakong, University Putra Malaysia and etc. Based on a 4x plot ratio of the land and a 75% utilisation rate, we are convinced by their GDV, which carries an ASP of RM584 psf and is comparable to the neighbouring area – the Heritage Serviced Apartment (last transacted price was RM586psf in Jun 2013). As the acquisition will be completed by Mar 2014 and allowing 12-18 months to obtain the development approvals, the project should be launched in Jun 2015 or in FY16. Note that the land is currently occupied by a night bazaar called Mines Downtown and it will be at vendor's cost of removing all tenants.

Maintain RNAV and TP. We have replaced the GDV of RM250m (which we factored in the potential GDV earlier) by the newly acquired project in Sri Kembangan with GDV of RM285m. Despite slightly higher GDV, there are no changes to our RNAV of RM3.52 as we have lowered the gross margin from 30% to 25% as the land cost to total GDV for this project is relatively higher than the other projects such as OneSouth and it's too preliminary to justify higher margin. As a result of this, we have maintained our TP at RM3.52.

Location map

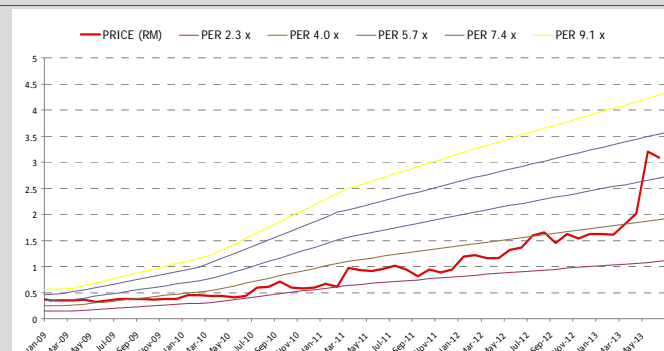


Source: Kenanga Research

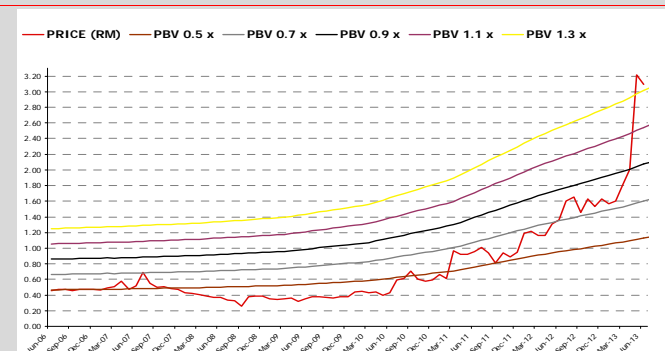
Income Statement						Financial Data & Ratios					
FY Mar (RM m)	2011A	2012A	2013A	2014E	2015E	FY Mar (RM m)	2011A	2012A	2013A	2014E	2015E
Turnover	188.9	306.4	408.7	532.4	677.8	Growth (%)					
EBITDA	36.1	74.2	94.4	119.6	141.7	Turnover	82.4	62.2	33.4	30.3	27.3
Depreciation	0.4	0.3	1.0	0.6	0.7	EBITDA	114.4	105.8	27.2	26.7	18.5
Operating Profit	36.4	74.5	95.4	120.2	142.4	Operating Profit	111.1	104.5	28.1	25.9	18.5
Interest Income	-1.1	-0.8	-0.1	-0.1	-0.1	PBT	110.9	108.5	29.2	26.0	18.5
Interest Expense	0.0	0.0	0.0	0.0	0.0	Net Profit	109.1	106.4	30.0	26.0	18.5
Associate	0.0	0.0	0.0	0.0	0.0						
Exep. Items	0.0	0.0	0.0	0.0	0.0						
PBT	35.4	73.8	95.3	120.1	142.3	Profitability (%)					
Taxation	-9.2	-19.1	-24.8	-31.3	-37.1	EBITDA Margin	19.1	24.2	23.1	22.5	20.9
Minority Interest	0.1	-0.5	0.0	0.0	0.0	Operating Margin	19.3	24.3	23.4	22.6	21.0
Net Profit	26.3	54.2	70.5	88.8	105.2	PBT Margin	18.7	24.1	23.3	22.6	21.0
						Core Net Margin	13.9	17.7	17.2	16.7	15.5
						Effective Tax Rate	-26.8	-26.3	-26.1	-26.1	-26.1
						ROE	12.7	22.3	23.5	24.1	23.7
						ROA	7.9	13.5	13.0	12.7	13.2
						DuPont Analysis					
						Net Margin (%)	13.9	17.7	17.2	16.7	15.5
						Assets Turnover (x)	0.6	0.8	0.8	0.8	0.8
						Leverage Factor (x)	1.6	1.7	1.8	1.9	1.8
						ROE (%)	12.7	22.3	23.5	24.1	23.7
						Leverage					
						Debt/Asset (x)	0.20	0.22	0.18	0.25	0.21
						Debt/Equity (x)	0.33	0.37	0.34	0.47	0.36
						Net Cash/(Debt)	67	72	86	163	87
						Net Debt/Equity (x)	0.30	0.27	0.26	0.40	0.18
						Valuations					
						EPS (sen)	13.3	27.4	35.6	44.8	53.1
						NDPS (sen)	3.1	9.0	13.2	13.5	15.9
						NTA (RM)	1.11	1.34	1.69	2.04	2.45
						PER (x)	23.3	11.3	8.7	6.9	5.8
						Net Div. Yield (%)	1.0	2.9	4.3	4.4	5.2
						P/NTA (x)	2.8	2.3	1.8	1.5	1.3
						EV/EBITDA (x)	18.8	9.2	7.4	6.5	4.9

Source: Kenanga Research

Fwd Core PER Band



Fwd PBV Band



Source: Kenanga Research

NAME	Price (17/6/13)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV	Net Profit (RMm)			FY12/13 NP Growth (%)	FY13/14 NP Growth (%)	Target Price	Rating
	(RM)	(RMm)				(%)	(%)	(x)						(RM)	
			FY12/13	FY13/14	FY14/15				FY12/13	FY13/14	FY14/15				
DEVELOPERS UNDER COVERAGE															
UEM Sunrise	3.26	14,150	31.5	25.7	21.5	0.8%	8.8%	2.4	448.4	549.6	656.3	22.6%	19.4%	4.62	OUTPERFORM
SP Setia	3.40	8,360	20.1	17.3	14.7	2.5%	10.5%	1.5	393.8	456.5	539.8	15.9%	18.3%	3.80	MARKET PERFORM
IJM Land	2.89	4,177	19.0	14.4	11.8	1.7%	8.5%	1.4	215.1	283.6	346.1	31.9%	22.1%	3.50	OUTPERFORM
UOA Development*	2.48	3,152	10.5	9.6	7.5	4.8%	15.5%	1.4	301.3	327.0	422.1	8.5%	29.1%	2.60	OUTPERFORM
Mah Sing Group	2.86	3,222	13.9	11.6	9.6	3.3%	16.9%	2.2	230.6	275.1	335.5	19.3%	22.0%	3.65**	OUTPERFORM
Tropicana Corp*	1.88	1,760	25.3	9.0	7.7	3.3%	13.1%	0.7	59.0	166.3	193.5	181.9%	16.3%	2.15	OUTPERFORM
Crescendo	3.30	644	11.5	8.7	6.5	4.4%	9.7%	1.0	55.7	73.5	98.6	31.8%	34.2%	3.56	OUTPERFORM
Hua Yang	3.09	612	11.3	8.5	6.9	3.5%	22.3%	1.6	54.2	72.0	88.7	32.9%	23.1%	3.52	OUTPERFORM
Hunza Properties*	2.09	380	11.2	20.6	24.4	1.1%	20.3%	0.7	32.5	17.7	15.0	-45.6%	-15.3%	2.40	MARKET PERFORM
* Core NP and Core PER															
** RM3.65 is a pre bonus TP. Post-bonus TP is RM3.17.															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.89	4,429	58.9	178.0	89.0	1.1%	1.5%	0.9	75.1	24.9	49.8	-66.9%	100.0%	0.93	BUY
SUNWAY BHD	3.71	4,795	8.6	13.3	11.7	1.8%	16.6%	1.3	558.5	360.6	408.4	-35.4%	13.3%	4.32	BUY
IGB CORPORATION BHD	2.41	3,370	20.3	15.5	15.3	2.8%	4.5%	0.8	165.7	216.7	220.9	30.8%	1.9%	3.07	NEUTRAL
YNH PROPERTY BHD	2.07	876	16.4	13.8	15.0	2.9%	6.3%	1.0	53.6	63.5	58.4	18.5%	-8.0%	2.05	SELL
YTL LAND & DEVELOPMENT BHD	1.13	937	66.5	125.6	86.9	N.A.	1.3%	1.0	14.1	7.5	10.8	-47.1%	44.4%	1.60	NEUTRAL
GLOMAC BHD	1.29	914	8.8	9.2	7.2	4.0%	13.1%	1.2	103.7	99.2	126.1	-4.3%	27.1%	1.30	BUY
KSL HOLDINGS BHD	2.20	850	5.5	5.8	5.5	3.2%	14.5%	0.7	154.2	146.8	153.8	-4.8%	4.7%	2.81	NEUTRAL
PARAMOUNT CORP BHD	1.61	544	9.4	8.5	7.7	5.6%	8.3%	0.8	57.8	64.2	70.9	11.0%	10.5%	1.90	BUY
Source: Kenanga Research															

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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Published and printed by:

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