

Results Report

20 June 2012

SJ Securities Sdn. Bhd.

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Hua Yang Bhd

Bonus and placement. Growth Ahead!

Buy

Fair Value

RM2.60 (+27.5%)

Stock Data

Price (RM)	2.04
Stock code	5062
Bloomberg Ticker	HYB MK
Listing	Main
Share Cap (RM mn)	144.00
Market Cap (RM mn)	293.76
Par value (RM)	1.00
52-wk high (RM)	2.06
52-wk low (RM)	0.95
Major shareholders:-	
Heng Holdings Sdn Bhd	30.65%
Cham Poh Meng	13.39%

Financial Data

Trailing PER (x)	5.07
BV per share (RM)	1.76
P/BV (x)	1.16
ROE (%)	21.85
Beta (x)	1.34
Altman Z Score	2.52
Dividend yield (%)	2.76

Relative Performance (%)

1-month	17.88
3-month	30.04
6-month	41.10
12-month	53.08
YTD	61.08

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Investment Highlights

Hua Yang ended the financial year on a high note with a 62% revenue growth and a net profit growth of 111%. This was 105% and 106% of full year revenue and net profit forecasts respectively.

CAGR 69%. Over the last 4 years, Hua yang has recorded an amazing compounded annual growth rate (CAGR) of 69%. FY2009 net profits were 6.6mil while FY2012 ended with a net profit of 53.2mil.

Contribution breakdown. Hua Yang has pushed Klang Valley to be its significant contributor. This is important as the majority of transactions in terms of value takes place in the Klang Valley. The break downs in terms of percentage is 65% in Selangor, 22% in Johor Bahru, 11% in Ipoh and 2% in Negeri Sembilan.

Excellent visibility ahead. Hua Yang has an unbilled sales of RM488mil. Total remaining GDV is estimated at RM2.5bil.

Large pipeline of upcoming launches. In FY13, Hua Yang plans to launch a total of RM815mil worth of projects. Substantial contributors includes phase 4 of One South (RM200mil), Desa Pandan (RM160mil), Shah Alam (RM175mil), Taman Pulai Hijauan Johor (RM83mil), Bandar Univesiti Seri Iskandar Perak (RM105mil). Do note that some of the values are only a portion of the full GDV.

High earnings visibility. Hua Yang's unbilled sales is currently RM476mil. This is very substantial as it will ensure earnings visibility over the next 3 years. This on top of the RM815mil launch pipeline in FY13 will ensure earnings growth over the next few years.

Market outlook. The current market overhangs include the elections and European crisis. However, the elections is likely to be soon and be over with after. It is possible that demand will be very strong after as there has not been many launches over the year. Supply may be limited for the year, which will benefit Hua Yang's upcoming launches substantially.



Bonus and share placement. Hua Yang has proposed to have a 1 for 4 bonus for shares. At the same time, Hua Yang will be undergoing a private placement of 10% of issued and paid-up capital, comprising a maximum of 14,400,000 new shares. The purpose of the placement is the finance acquisitions of land banks. Based on the size of the placement and Hua Yang's comfortable gearing levels, Hua Yang could potentially acquire a very large piece of land from the proceeds. This in turn will further Hua Yang's growth prospects.

Recommendation. We have increased our target price for Hua Yang to RM2.60 based on a conservative forward PER of 6x and 2013F's EPS of 43.3 sen.

Quarterly Results						
FYE 31 March		1Q2011	4Q2012	1Q2013	Q-o-Q %	Y-o-Y %
	Units					
Revenue	RM mn	61.8	84.3	98.0	16.2	58.6
Cost of Sales	RM mn	(39.6)	(54.7)	(61.4)	12.3	55.0
Gross Profit	RM mn	22.1	29.6	36.6	23.5	65.2
Other Income	RM mn	0.2	0.4	1.0	166.0	316.7
Selling and Marketing Expenses	RM mn	(3.5)	(5.8)	(10.6)	81.8	198.8
Admin and General Expenses	RM mn	(3.3)	(5.6)	(4.5)	-19.1	36.6
Operating Profit	RM mn	15.5	18.6	22.5	20.9	44.7
Finance Costs	RM mn	(0.3)	(0.0)	(0.1)	1014.3	-71.4
Profit Before Taxation	RM mn	15.3	18.6	22.4	20.5	46.8
Tax Expenses	RM mn	(3.7)	(5.1)	(5.9)	17.0	58.3
Profit for the Period	RM mn	11.5	13.5	16.5	21.9	43.1
Minority Interest	RM mn	0.0	(0.4)	0.0	na	na
PATMI	RM mn	11.5	13.1	16.5	25.8	42.7
EPS	Sen	8.0	9.1	11.4	25.9	43.5
Margins						
Gross Profit	%	35.9	35.1	37.3	6.2	4.1
Operating Profit	%	25.2	22.1	22.9	4.0	-8.8
Profit Before Taxation	%	24.7	22.0	22.9	3.7	-7.5
Net Income	%	18.7	15.5	16.8	8.2	-10.1

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Financials highlight						
FYE 31 Mar	Unit	2009	2010	2011	2012	2013F
Revenue	RM mn	100.0	103.5	188.9	306.4	352.4
Cost of sales	RM mn	(75.1)	(73.6)	(133.2)	(198.5)	(226.3)
Gross profit	RM mn	25.0	29.9	55.7	107.9	126.1
Other income	RM mn	2.1	1.4	1.4	1.8	2.2
Administrative and general expenses	RM mn	(8.6)	(8.4)	(9.8)	(19.6)	(22.0)
Selling and marketing expenses	RM mn	(5.2)	(6.7)	(11.9)	(17.1)	(21.0)
Operating profit	RM mn	13.3	16.3	35.5	73.1	85.3
Finance costs	RM mn	(0.7)	(0.5)	(1.1)	(0.6)	(2.0)
Profit before taxation	RM mn	12.6	15.8	34.4	72.5	83.3
Taxation	RM mn	(3.8)	(4.2)	(9.2)	(19.0)	(20.8)
Net Income	RM mn	8.7	11.6	25.2	53.5	62.4
Minority interests	RM mn	(0.0)	(0.0)	0.0	(0.5)	(0.1)
PATMI	RM mn	8.7	11.5	25.2	53.0	62.3
EPS	sen	9.7	12.9	25.5	36.8	43.3
Growth						
Revenue	%	67	3	82	62	15
Gross profit	%	32	20	86	94	17
Operating profit	%	34	22	118	106	17
Profit before taxation	%	41	26	118	111	15
Net income	%	31	33	118	112	17
Margins						
Gross margins	%	25	29	29	35	36
Operating margins	%	13	16	19	24	24
PBT margins	%	13	15	18	24	24
Net margins	%	9	11	13	17	18



Source: Bloomberg

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Stock rating definitions

Overweight – The stock is expected to perform positively. Expected return including both capital appreciation and dividends is expected to exceed 15% over 12 months.

Neutral – The stock is expected to stay sidelined. Expected return including both capital appreciation and dividends is expected to range between negative 5% to positive 15% over 12 months.

Underweight – The stock is expected to perform negatively. Expected return including both capital appreciation and dividends is expected to be negative 5% or lower over 12 months.

Not Rated – The stock is not under research coverage and the reports serves for purely informational purposes only.

Trading Idea – The stock is expected to be volatile while providing for near term positive trading opportunities. This is under the high risk category with near term catalysts.