



Hua Yang Bhd

Renewal of Earnings growth!

Overweight

Fair Value

RM2.24 (+38.2%)

Stock Data

Price (RM)	1.62
Stock code	5062
Bloomberg Ticker	HYB
	MK
Listing	Main
Share Cap (RM mn)	144.00
Market Cap (RM mn)	320.76
No. of shares outstanding (mn)	198.00
Par value (RM)	1.00
52-wk high (RM)	1.75
52-wk low (RM)	0.87
Major shareholders:-	

Heng Holdings Sdn Bhd	27.87%
Poh Meng Cham	11.69%

Financial Data

Trailing PER (x)	4.83
BV per share (RM)	1.55
P/BV (x)	1.04
ROE (%)	22.41
Beta (x)	1.58
Altman Z Score	3.14
Dividend yield (%)	7.41

Relative Performance (%)

1-month	-1.08
3-month	-4.68
6-month	35.76
12-month	57.60
YTD	60.07

Investment Highlights

Hua Yang is much on track and has been one of the best performing property counters in the past few years. The growth engine has been renewed with the acquisition of its Puchong land with a GDV of RM1.5bil. Recent quarters have been very strong without disappointing expectations. However, we do note that the more macro industry perception remains cautious.

Strong growth ahead. We see strong earnings growth for Hua Yang in 2015. We are expecting strong double digit growth then with catalysts from Hua Yang Desa Pandan, Hua Yang's Section 13's Service apartments and perhaps Hua Yang's Puchong development takes off fast.

Puchong Development. The purchase was for 29.2 acres of land at RM158mil (RM124psf). This is a major catalyst as the previous overhang for Hua Yang was the lack of a replacement for One South which has a total GDV of RM920mil. The Puchong acquisition is more than just a replacement for One South as it has a potential GDV of RM1,520mil which is 65% larger than One South. Moreover, this excludes higher potential revision of GDVs which we see as very likely.

The acquisition sees a long term continuity of Hua Yang's strong operations and strong financial track record. The project is likely to propel Hua Yang to greater heights and potentially joining the ranks of mid-large developers.

Development content of Puchong Development. The Puchong development will be a mixed development but will likely have a high residential component, similarly to One South. However we note, a strong commercial component is potentially feasible as well due to the high visibility of the development. The plot ratio is 4 giving the development ample room to be developed in a large scale. Moreover this development is right next to the LDP with the large catchment of the Puchong and Subang Jaya population.

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It is also noted that the development is very close to the LRT alignment and stations. It is located less than 1km from one of the proposed stations which could be a major catalyst for future demand of the development. The only key downside is that the development is close to a Kampung and some low cost apartments. However we believe that this will not be a major obstacle for the development. This is because Hua Yang normally targets to launch mid affordable ranged homes instead of high end developments.



Financials. Hua Yang's revenue recently surged 36.2% Y-o-Y and continued to grow by 5.8% Q-o-Q. Net profit followed by an increase of 22.3% Y-o-Y and 3% Q-o-Q.

Earnings sustainability. Upon recent developments, analysis and forecasts show that Hua Yang's strong performance is foreseeably strong for the next 5 to 6 years. This is an enhancement from the strong visibility of 2 to 3 years previously. This is testament to the strong land banking, leadership and market savvy of Hua Yang.

Strong Visibility. The remaining GDV now stands at an admirable RM4bil with a very comfortable unbilled sales of RM471.3mil. The unbilled sales is 1.5x 2012's revenue while the GDV is 13x 2012's revenue.

Recommendation. We have a target price for Hua Yang is RM2.24 post bonus exercise based on a conservative forward PER of 6.0x and 2012F's EPS of 37.4 sen. Hua Yang is on track to grow strongly on the back of growing unbilled sales, building reputation and strong landbank replenishment. We like Hua Yang for its generous dividends as well.

Financials highlight							
FYE 31 Mar	Unit	2009	2010	2011	2012	2013F	2014F
Revenue	RM mn	100.0	103.5	188.9	306.4	398.3	458.1
Cost of sales	RM mn	(75.1)	(73.6)	(133.2)	(198.5)	(264.0)	(301.0)
Gross profit	RM mn	25.0	29.9	55.7	107.9	134.3	157.1
Other income	RM mn	2.1	1.4	1.4	1.8	3.5	2.2
Administrative and general expenses	RM mn	(8.6)	(8.4)	(9.8)	(19.6)	(38.0)	(32.0)
Selling and marketing expenses	RM mn	(5.2)	(6.7)	(11.9)	(17.1)	(21.0)	(25.0)
Operating profit	RM mn	13.3	16.3	35.5	73.1	78.8	102.3
Finance costs	RM mn	(0.7)	(0.5)	(1.1)	(0.6)	(2.0)	(3.0)
Profit before taxation	RM mn	12.6	15.8	34.4	72.5	76.8	99.3
Taxation	RM mn	(3.8)	(4.2)	(9.2)	(19.0)	(19.2)	(24.8)
Net Income	RM mn	8.7	11.6	25.2	53.5	57.6	74.5
Minority interests	RM mn	(0.0)	(0.0)	0.0	(0.5)	(0.1)	(0.5)
PATMI	RM mn	8.7	11.5	25.2	53.0	57.5	74.0
EPS	sen	9.7	12.9	25.5	36.8	29.0	37.4
Growth							
Revenue	%	67	3	82	62	30	15
Gross profit	%	32	20	86	94	24	17
Operating profit	%	34	22	118	106	8	30
Profit before taxation	%	41	26	118	111	6	29
Net income	%	31	33	118	112	8	29
Margins							
Gross margins	%	25	29	29	35	34	34
Operating margins	%	13	16	19	24	20	22
PBT margins	%	13	15	18	24	19	22
Net margins	%	9	11	13	17	14	16

Source: Annual Reports, Analyst Estimates



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.