



Hua Yang Berhad

Strong 1QFY12 Earnings

TP: RM2.97 (82%)

Last traded: RM 1.63

BUY

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Results preview

Hua Yang will release its 1QFY12 results this Thursday and we expect 1Q net profit to range between RM7mn and RM10mn, representing 17-22% of our full-year projections. YoY, we expect 1Q12 earnings to grow by 43-83% on the back of RM279.1mn unbilled sales as at March-2011. We project 2HFY12 to grow higher as One South is expected to contribute significantly to the bottomline.

New sales likely to come from One South

Note that the entire 2 blocks 418-units served apartments at One South (with a GDV of RM154mn) have been fully been booked in March-11. We expect some of these bookings have turned into sales by now and the remaining will be recorded as sales in 2Q-3Q11. Given the overwhelming response, we expect Hua Yang to fast-track the launching of phase 4, comprising 2 blocks of serviced apartment with an estimated GDV of RM160mn. All in, we maintain our sales projections of RM379mn for FY12 and RM409mn for FY13.

Land acquisitions

YTD, Hua Yang has announced 2 major land acquisitions in the Klang Valley, ie: 1) a leasehold land measuring 1.55 acres in Desa Pandan for RM32mn; and 2) a leasehold vacant commercial land in Shah Alam, measuring 3.74 acres, for RM13mn. These 2 pieces of lands are earmarked for residential development with estimated GDV of RM160mn and RM175mn respectively. We understand that the development in Desa Pandan would begin in 3QCY11 while the development in Shah Alam would begin 2HCY12.

PR1MA effects

We believe it is premature to assess the implications of the PR1MA scheme on the existing or upcoming development of affordable housing in the Klang Valley. We expect PR1MA to garner strong buying interest given the attractiveness of the financing package of up to 105% of property price. However, it could be compromised by the long holding period of 10 years and the uncertainty of product quality may deter buying interest. As such, prices for those low- to mid-end segments may not be adversely affected eventually.

Forecast

No change to our FY12-14 earnings projections.

Valuation

We roll forward our valuation base year to CY12 and arrive at a new target price of RM2.97/share (from RM2.04 previously) based on an unchanged 6x CY12EPS. Hua Yang remained our top value pick for our low market-cap property stocks given its undemanding valuation of 4x PE vs. earnings growth of 20-60% over the next 3 years.

Share Information

Bloomberg Code	HYB MK
Stock Name	HUAYANG
Stock Code	5062
Listing	Main Market
Share Cap (mn)	108.0
Market Cap (RMmn)	176.0
Par Value	1.00
52-wk Hi/Lo (RM)	1.71/0.75
12-mth Avg Daily Vol ('000 shrs)	627.8
Estimated Free Float (%)	54.44
Beta	1.13

Major Shareholders (%)

Heng Holdings -	30.65
Cham Poh Meng -	14.91

Forecast Revision

	FY12	FY13
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	40.6	57.7
Consensus	-	-
TA's / Consensus (%)	-	-
Previous Rating	BUY (Maintained)	

Financial Indicators

	FY12	FY13
Net Debt / Equity (%)	40.24	30.49
FCPS (sen)	(23.15)	20.68
Price / CFPS (x)	nm	0.00
ROE (%)	17.31	21.11
ROA (%)	10.36	12.75
NTA/Share (RM)	2.24	2.66
Price/NTA (x)	0.73	0.61

Share Performance (%)

Price Change	HUAYANG	FBM KLCI
1 mth	8.7	2.5
3 mth	7.2	3.3
6 mth	52.3	2.0
12 mth	127.3	20.4

Share Price relative to the FBM KLCI



Source: Bloomberg

Earnings Summary (RMmn)

FYEMar 31	FY10	FY11	FY12F	FY13	FY14
Revenue	103.5	188.9	276.8	383.2	457.5
EBITDA	16.8	36.1	57.9	81.3	97.5
EBITDA margin (%)	16.2	19.1	20.9	21.2	21.3
Pretax profit	15.8	34.4	54.9	77.9	93.4
Net profit	11.6	25.3	40.6	57.7	69.1
Core net profit	11.6	25.3	40.6	57.7	69.1
EPS* (sen)	10.7	23.4	37.6	53.4	64.0
EPS growth (%)	32.3	118.6	60.7	41.9	19.9
PER (x)	15.2	7.0	4.3	3.1	2.5
GDPS* (sen)	2.5	7.5	9.0	11.0	12.0
Div yield (%)	1.5	4.6	5.5	6.7	7.4
Core ROE (%)	6.1	12.2	17.3	21.1	21.3
* Adjusted for 1:5 bonus issue					

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