



Hua Yang Berhad

Earnings Growth Prospects Remain Strong

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Thiam Chiann Wen

+603-2072-1277 ext:1664

cwthiam@ta.com.my

www.taonline.com.my

We believe Hua Yang's strong bottom-line growth helped its share price rallied 11.4% since its 4QFY12 results were released in May. At current market prices, the stock is trading at 3.0x CY13 EPS and yielding >8% based on its proposed dividend per share of 15sen. We remain upbeat on the group's earnings growth this year underpinned by RM815mn worth of new launches and solid unbilled sales of RM488mn. We now project the group's FY13 EPS to grow 35% YoY vs. 24% previously. Based on 4xCY13 EPS, we arrive at a new target price of RM2.42/share for Hua Yang, which will remain as one of our top picks for 2H12.

Results to remain strong

Hua Yang will announce its 1QFY13 results on 18th July. Recall, Hua Yang's FY12 earnings grew 110% to RM53.0mn. We have previously projected FY13 earnings growth to normalize due to higher base effect. However, we understand from the management that the progress billing for 1QFY13 remained strong on the back of solid unbilled sales of RM488mn as at Mar-12. We believe the strong earnings momentum could be coming from One South Phase 1 (retail and boutique office units), which has reached significant billing stage and on track for completion in end-12.

Project update

To recap, Hua Yang secured new sales of RM520mn in FY12, representing an increase of 67% YoY. For FY13, we expect the group to secure RM590mn worth of new sales, driven by RM815mn worth of new launches. Note that it has officially launched Flexis @ One South (Phase 4, GDV: RM200mn) in June. The first block of 266 typical units is fully booked, with prices starting from RM250k/unit. The group has also recently opened up the second block of 158 duplex units for bookings, with an average selling price of RM500psf.

Potential GDV revision for Desa Pandan

According to management, Desa Pandan project (GDV: RM160mn) is slated for launch in Jan-13 and we expect it to be one of the key contributors to Hua Yang's FY13 new sales. We are bullish on the take-up rate for this project as we gather that it has received more than 2,000 bookings for the 400 units of serviced apartments. In addition, we believe the estimated GDV of RM160mn is too conservative as it was derived based an average selling price of RM400psf. Benchmarking it to the development nearby, i.e G Residence's average selling price of RM650psf, the total GDV of Desa Pandan project could potentially revised upwards by 25% to RM200mn and provide further upside to our FY14 earnings projections.

Landbank replenishment

To recap, the group has replenished its landbank with a potential GDV of RM465m in FY12. Assuming a similar GDV replenishment target for FY13, we expect the group to acquire lands which could yield at least RM400mn worth of GDV to support future earnings growth. In Apr, the group has acquired land in Ipoh for the developments of gated and guarded residential township which has an estimated GDV of RM84mn.

TP: RM2.42(+37.5%)

Last traded: RM 1.76

Buy

Share Information

Bloomberg Code	HYB MK
Stock Name	HUAYANG
Stock Code	5062
Listing	Main Market
Share Cap (mn)	144.0
Market Cap (RMmn)	253.4
Par Value	1.00
52-wk Hi/Lo (RM)	1.79/0.945
12-mth Avg Daily Vol ('000 shrs)	349.7
Estimated Free Float (%)	50.5
Beta	1.4

Major Shareholders (%)

Heng Holdings - 30.7
Cham Poh Meng - 13.8

Forecast Revision

	FY13	FY14
Forecast Revision (%)	9.8	7.0
Net profit (RMm)	71.8	92.3
Consensus	74.1	93.1
TA's / Consensus (%)	96.9	99.1
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY13	FY14
Net Debt / Equity (%)	17.5	5.7
FCFPS (sen)	30.2	49.8
Price / CFPS (x)	5.8	3.5
ROE (%)	24.5	25.9
ROA (%)	15.3	17.4
NTA/Share (RM)	2.2	2.7
Price/NTA (x)	0.8	0.7

Share Performance (%)

Price Change	HUAYANG	FBM KLCI
1 mth	4.1	3.0
3 mth	17.3	1.8
6 mth	35.4	7.8
12 mth	38.8	3.1

(12mths)Share Price relative to the FBM KLCI



Source: Bloomberg

Forecast

We raise our FY13-14 earnings estimates by 7-10% to account for higher progress billing and blended EBIT margins assumptions.

Valuation

At current market prices, the stock is trading at 3.0x CY13 and yielding >8% based on its proposed dividend per share of 15sen. We value Hua Yang at 4x CY13 EPS, which we think is not excessive given the company's strong earnings growth potential going forward. Following our earnings revision, we arrive at a new target price of RM2.42/share. Maintain **Buy**. Note that any significant landbanking activities by the group in the near run would likely trigger an upward re-rating on the stock.

Earnings Summary (RM mn)

FYEMar 31	FY10	FY11	FY12	FY13F	FY14F
Revenue	103.5	188.9	306.4	399.6	523.4
EBITDA	16.8	36.1	73.5	98.7	127.0
EBITDA margin (%)	16.2	19.1	24.0	24.7	24.3
Pretax profit	15.8	34.4	72.5	97.1	124.7
Net profit	11.6	25.3	53.0	71.8	92.3
Core net profit	11.6	25.3	53.0	71.8	92.3
EPS* (sen)	8.0	17.6	36.8	49.9	64.1
EPS growth (%)	32.3	118.6	109.8	35.4	28.4
PER (x)	21.9	10.0	4.8	3.5	2.7
GDPS* (sen)	1.9	5.6	15.0	16.0	18.5
Div yield (%)	1.1	3.2	8.5	9.1	10.5
Core ROE (%)	6.1	12.2	21.9	24.5	25.9

* Adjusted for the 1:5 bonus issue completed in FY11 & 1:3 bonus issue completed in FY12

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for TA SECURITIES HOLDINGS BERHAD^(14948-M)

MENARA TA ONE, 22 JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA TEL: +603-20721277 / FAX: +603-20325048

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Kaladher Govindan – Head of Research