


Publication : **The Malaysian Reserve**
 Date : 19 November 2012
 Section : Money
 Page : 10
 Headline : Hua Yang's Renewal Of Earnings Growth

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Hua Yang's renewal of earnings growth

► HUA YANG BHD				
	2011	2012	2013F	2014F
REVENUE (RM mil)	188.9	306.4	398.3	458.1
GROSS PROFIT (RM mil)	55.7	107.9	134.3	157.1
PATMI (RM mil)	25.2	53.0	57.5	74.0
EPS (sen)	25.5	36.8	29.0	37.4

► **Recommendation:
Overweight**

FAIR Value: RM2.24

by SJ Securities Sdn Bhd
(Nov 12)

Investment Highlights

HUA Yang Bhd 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 RM1.5b. 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 and expects strong double-digit growth 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 Acquisition

For the Puchong development, the purchase was for 29.2 acres of land at RM158m (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 RM920m.

The Puchong acquisition is more than just a replacement for One South as it has a potential GDV of RM1,520m 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.

Mixed Development Content

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 four 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.

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.

Slight Downside

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 as Hua Yang normally targets to launch mid affordable ranged homes instead of high-end developments.