



## Hua Yang Berhad

### On Acquisition Mode

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#### Acquiring land in Selayang for RM120mn (RM341psf)

Hua Yang announced that it had entered into a sale and purchase agreement with Nation Holdings S/B for the proposed acquisition of a piece of leasehold land in Selayang, measuring approximately 8.1 acres for RM120mn (or RM 341psf).

The land is located along Middle Ring Road II (MRR2), which is easy accessible via various highways that links the Land to Petaling Jaya, Selayang, Kepong, Ampang and the Kuala Lumpur city centre, with nearby amenities including wholesale markets such as NSK Selayang and KL wholesale Market, a hospital as well as other recreational areas (see **Figure 1**).

#### The land is slated for high-rise mix-development worth RM800mn GDV

Based on preliminary plans, the land will be developed into a high-rise mix-development, which will comprise 4 blocks of serviced apartments and 2 levels of retail lots. To be developed over a span of between 5 to 7 years, the proposed development is expected to generate a potential GDV of RM800mn. Targeted for launch in 4QCY16 (3QFY17), Hua Yang intends to offer affordable properties within this development, targeting the younger generation of the surrounding residential areas of Selayang, Kepong and Gombak.

#### Land cost is 15% of GDV

The price tag of RM120mn is at a slight discount to the Independent Valuer's indicative market value of RM121mn. Meanwhile, the land cost makes up 15% of the total GDV of RM800mn, which we deem reasonable. Based on our estimates, assuming the purchase consideration to be financed via 80% borrowings, the recent land purchases (including Bukit Mertajam Lands) would increase the group's FY16 net gearing to 0.48x from 0.28x, which is below the group's target gearing level of 0.6x.

#### Positive on the acquisition

Overall, we are positive on the acquisition, as it will further strengthen the group's presence in the Klang Valley. The group has replenished landbanks with GDV potential of RM1.1bn within a week (see **Figure 2**). With this, Hua Yang's outstanding GDV will be boosted by 26% to RM3.9bn (see **Figure 3**), which could last the group for another 7-9 years (based on annual sales of RM500-700mn). According to management, the new land deal will put the group one step closer towards its goal in achieving a total undeveloped GDV of RM5bn.

#### Forecast

We leave our FY15-17 earnings forecasts unchanged as we expect meaningful contribution to commence in FY18, assuming the project will only be launched in FY17. However, we raise our FY17 sales assumptions higher to RM707mn from RM550mn previously, after factoring sales contribution from new projects in Bukit Mertajam and Selayang.

**TP: RM2.86 (+32.8%)**

*Last traded: RM2.15*

**BUY**

#### Share Information

Bloomberg Code	HYB MK
Stock Name	HUAYANG
Stock Code	5062
Listing	Main Market
Share Cap (mn)	264.0
Market Cap (RMmn)	567.6
Par Value	1.00
52-wk Hi/Lo (RM)	2.52/1.71
12-mth Avg Daily Vol ('000 shrs)	441.5
Estimated Free Float (%)	46.8
Beta	1.2

#### Major Shareholders (%)

Heng Holdings - 30.9  
Cham Poh Meng - 6.5

#### Forecast Revision

	FY15	FY16
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	102.7	109.4
Consensus	105.0	115.3
TA's / Consensus (%)	97.8	94.9
Previous Rating	Buy (Maintained)	

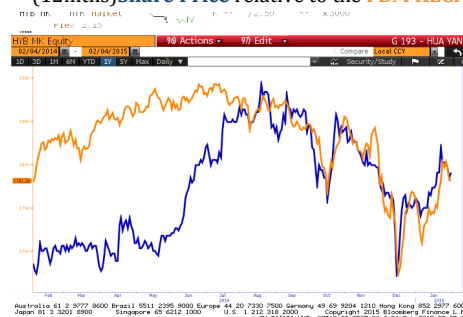
#### Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	40.0	48.4
FCFPS (sen)	25.2	(13.7)
Price / CFPS (x)	8.5	(15.7)
ROE (%)	24.4	22.3
ROA (%)	12.2	11.7
NTA/Share (RM)	1.7	2.0
Price/NTA (x)	1.3	1.1

#### Share Performance (%)

Price Change	HUAYANG	FBM KLCI
1 mth	5.4	1.6
3 mth	(5.3)	(3.9)
6 mth	(10.4)	(4.4)
12 mth	20.1	(1.3)

#### (12mths) Share Price relative to the FBM KLCI

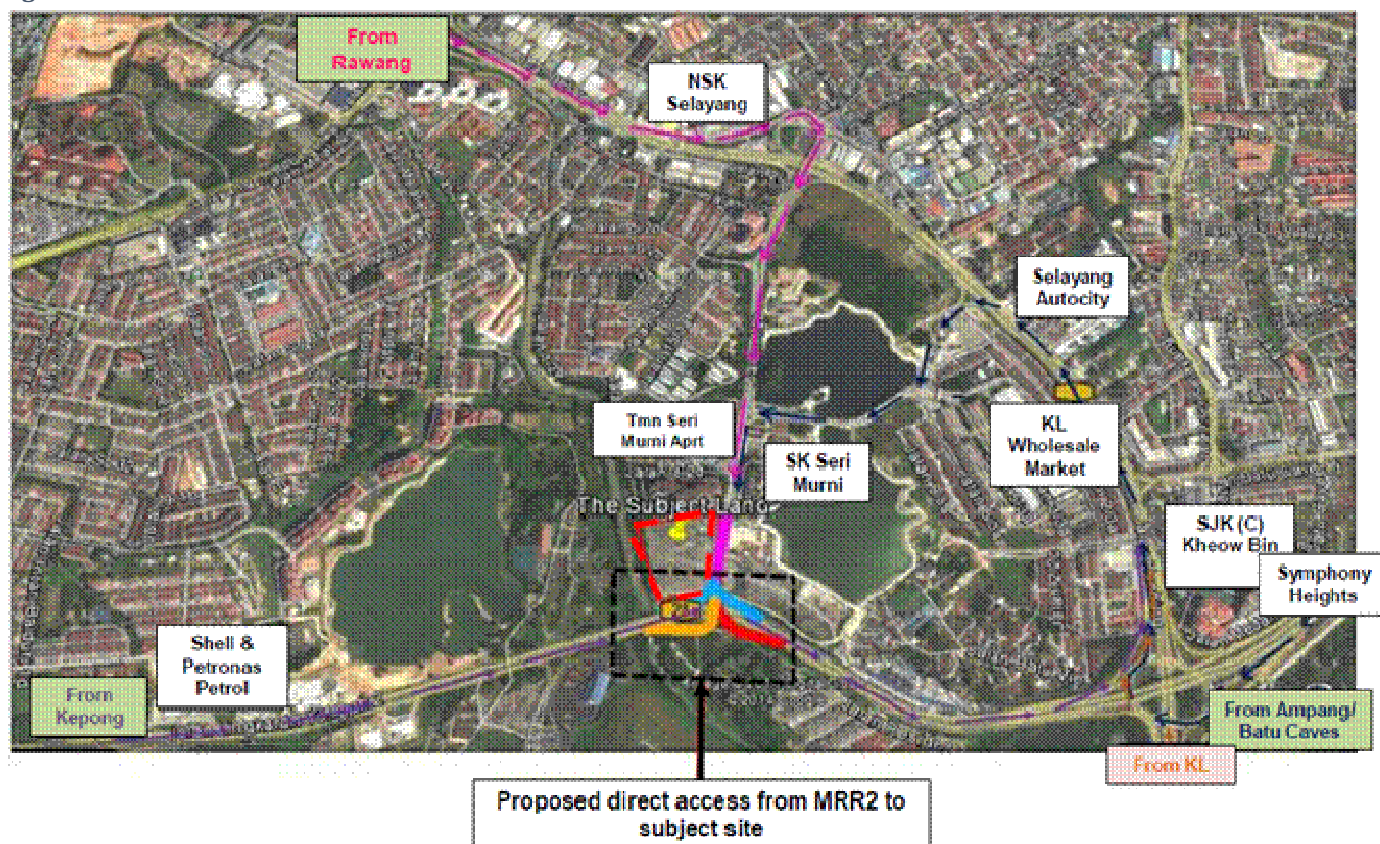


Source: Bloomberg

## Maintain Buy

We maintain our Buy recommendation on Hua Yang with an unchanged target price of RM2.86/share, based on 7x CY15 EPS.

Figure 1: Location of the land



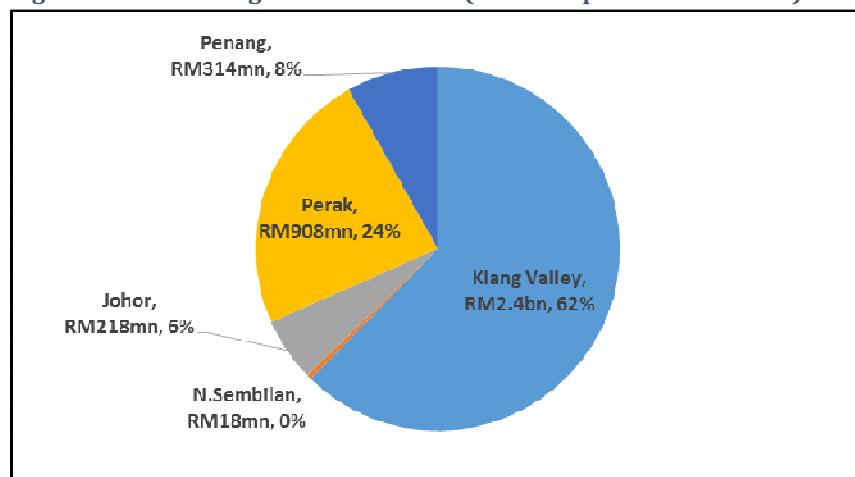
Source: Hua Yang, TA Research

Figure 2: Hua Yang's Land Acquisition in 2015

Date	Location	Size (acres)	Land Cost (RM mn)	Land Cost (RM psf)	Est. GDV (RM mn)	Land Cost/GDV (%)	Type of development
26/1/2015	Bukit Mertajam	4.90	21.98	103	242.8	9.1	Serviced Apartments with Retail Lots
26/1/2015	Bukit Mertajam	3.14	9.02	66	70.7	12.8	Residential Condominium
30/1/2015	Selayang	8.09	120.0	341	800	15.0	Serviced Apartments with Retail Lots

Source: Hua Yang, TA Research

Figure 3: Outstanding GDV Breakdown (undeveloped GDV RM3.9bn)



Source: Hua Yang, TA Research

## Earnings Summary (RM mn)

### Profit & Loss (RMm)

YE Mar 31		2013	2014	2015f	2016f	2017f
Revenue		408.7	509.9	590.4	625.4	621.5
EBITDA		96.5	114.1	139.7	149.0	155.6
Dep. & amortisation		(1.0)	(0.8)	(1.1)	(1.7)	(2.3)
Net finance cost		(0.1)	(1.0)	(1.7)	(1.4)	(1.1)
PBT		95.3	112.4	136.9	145.8	152.1
Taxation		(24.8)	(30.2)	(34.2)	(36.5)	(38.0)
MI		-	-	-	-	-
Net profit		70.5	82.2	102.7	109.4	114.1
Core net profit		70.5	82.2	102.7	109.4	114.1
Reported EPS (diluted)	(sen)	26.7	31.1	38.9	41.4	43.2
Core EPS (diluted)	(sen)	26.7	31.1	38.9	41.4	43.2
PER	(x)	8.1	6.9	5.5	5.2	5.0
GDPS	(sen)	9.9	12.0	13.0	14.0	14.0
Div Yield	(%)	4.6	5.6	6.0	6.5	6.5
EV/EBITDA	(x)	3.3	3.9	3.0	3.3	2.9

### Cash Flow (RMm)

YE Mar 31	2013	2014	2015f	2016f	2017f
PBT	95.3	112.4	136.9	145.8	152.1
Adjustments	(29.6)	(32.1)	(34.2)	(36.5)	(38.0)
Dep. & amortisation	1.0	0.8	1.1	1.7	2.3
Changes in WC	120.3	(126.5)	2.7	2.8	2.9
<b>Operational cash flow</b>	<b>187.0</b>	<b>(45.5)</b>	<b>106.4</b>	<b>113.9</b>	<b>119.3</b>
Capex	(197.6)	(86.9)	(30.0)	(140.0)	(30.0)
Others	(2.2)	(10.0)	(10.0)	(10.0)	(10.0)
<b>Investment cash flow</b>	<b>(199.8)</b>	<b>(96.9)</b>	<b>(40.0)</b>	<b>(150.0)</b>	<b>(40.0)</b>
Debt raised/(repaid)	35.7	95.1	(35.0)	60.0	(35.0)
Equity raised(repaid)	26.2	-	-	-	-
Dividend	(25.2)	(31.7)	(34.3)	(37.0)	(37.0)
Others	(19.4)	-	-	-	-
<b>Financial cash flow</b>	<b>17.2</b>	<b>63.4</b>	<b>(69.3)</b>	<b>23.0</b>	<b>(72.0)</b>
<b>Net cash flow</b>	<b>4.4</b>	<b>(79.0)</b>	<b>(2.9)</b>	<b>(13.1)</b>	<b>7.3</b>

### Assumptions

YE Mar 31	2013	2014	2015f	2016f	2017f
New Sales (RM mn)	402.0	735.0	493.4	512.3	707.3
Property Development Margins (%)	24.1	22.2	23.6	23.6	24.8

### Balance Sheet (RMm)

YE Mar 31	2013	2014	2015f	2016f	2017f
Fixed assets	381.2	385.6	425.2	574.1	612.4
Others	30.0	17.8	17.2	16.6	15.9
<b>Total</b>	<b>411.1</b>	<b>403.5</b>	<b>442.4</b>	<b>590.7</b>	<b>628.3</b>
Cash	29.5	34.1	31.2	18.1	25.4
Others	193.0	386.7	389.0	391.4	393.9
<b>CA</b>	<b>222.5</b>	<b>420.8</b>	<b>420.2</b>	<b>409.5</b>	<b>419.3</b>
<b>Total assets</b>	<b>633.7</b>	<b>824.2</b>	<b>862.6</b>	<b>1,000.2</b>	<b>1,047.6</b>
ST debt	2.4	60.7	61.9	67.9	69.2
Other liabilities	166.5	175.9	180.9	186.1	191.4
<b>CL</b>	<b>168.9</b>	<b>236.5</b>	<b>242.8</b>	<b>254.0</b>	<b>260.5</b>
Shareholders' funds	334.5	387.0	455.3	527.7	604.8
LT borrowings	112.8	188.7	152.4	206.4	170.2
LT liabilities	17.5	12.0	12.0	12.0	12.0
Total long term Liabilities	<b>130.3</b>	<b>200.7</b>	<b>164.5</b>	<b>218.5</b>	<b>182.2</b>
<b>Total Equity and Liabilities</b>	<b>633.7</b>	<b>824.2</b>	<b>862.6</b>	<b>1,000.2</b>	<b>1,047.6</b>

### Ratio

YE Mar 31	2013	2014	2015f	2016f	2017f
<b>Profitability ratios</b>					
ROE (%)	23.5	22.8	24.4	22.3	20.1
ROA (%)	13.0	11.3	12.2	11.7	11.1
EBITDA Margins (%)	23.6	22.4	23.7	23.8	25.0
PBT Margins (%)	23.3	22.0	23.2	23.3	24.5
<b>Liquidity ratios</b>					
Current ratio (x)	1.3	1.8	1.7	1.6	1.6
Quick ratio (x)	1.1	1.6	1.6	1.5	1.5
<b>Leverage ratios</b>					
Total liabilities / equity (x)	0.9	1.1	0.9	0.9	0.7
Net debt / Equity (x)	0.3	0.6	0.4	0.5	0.4
<b>Growth ratios</b>					
Revenue (%)	33.4	24.8	15.8	5.9	-0.6
Pretax Profit (%)	31.4	17.9	21.8	6.6	4.3
Core net earnings (%)	33.1	16.6	24.9	6.6	4.3
Total assets (%)	41.7	30.1	4.7	16.0	4.7

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