



Hua Yang Berhad

Strong Sales Momentum to Continue

TP: RM1.68 (43.6%)

Last traded: RM 1.17

BUY

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Scaling new high

Hua Yang's sales have scaled new heights thanks to the overwhelming response for the One South development in Seri Kembangan. For 8-months ended November 2011, it has raked in RM410mn, surpassing its internal target of RM350mn as well as our estimates of RM380mn for FY12. During this period, we understand the group has only converted 50% bookings on the Gardenz series (GDV: RM150mn) into real purchases, which means the sales could potentially go higher if the company can convert the remaining 50% bookings before the end of FY12. Note that the group has fully sold all units under the Parc (GDV: RM154mn) and Gardenz series (GDV: RM150mn).

Besides that, we were made to understand that there could be an upward revision to One South's total GDV to RM920-950mn from RM830mn. This is mainly due to the potential increase in selling prices on future launches within One South project. Having said that, the company still has a balance GDV of RM414mn from One South for future development of SOHO and office towers.

All eyes on Desa Pandan

In term of new launches, the management has guided that SOHO units within the One South development and serviced suites at Desa Pandan are slated for launch by March 2012. In addition, another serviced apartment project in Shah Alam is targeted for launch by June 2012.

Project	Type	GDV (RM'mn)	Average selling price (RM)	Expected launch date
One South	424 SOHO & 44 retail units	154	330k	Mar-12
Desa Pandan	430 serviced apartments	160	370k	Mar-12
Shah Alam	370 serviced apartments	175	470k	Jun-12

Source: Hua Yang & TA Research

Of this, we expect Desa Pandan development to be another star performer with decent take up rate given its prime location right behind the Royal Selangor Golf Club. According to management, Desa Pandan development is designed to house small units ranging from 600-1000sf. Based on the estimated GDV of RM160mn, the average selling price per unit works out to be RM370k/unit which is well within a context of affordable range. Note that the online registration has started in November and the company has accumulated >200 registered interests from prospective buyers.

Landbanking exercise is on-going

Hua Yang will continue looking for landbanks to support future earnings growth. As guided, the company is currently in negotiations with a several parties for land purchases targeting the Klang Valley and Kota Kinabalu. From past records, we expect these potential land purchases to cost no more than RM20mn/transaction. Based on the group's total net debt of RM95mn or a net gearing level of 0.4x as at Sep-11, the group may want to tap on equity financing for any land purchase in the future to avoid overstretching its balance sheet.

Share Information

Bloomberg Code	HYB MK
Stock Name	HUAYANG
Stock Code	5062
Listing	Main Market
Share Cap (mn)	144.0
Market Cap (RMmn)	168.5
Par Value	1.00
52-wk Hi/Lo (RM)	1.365/0.735
12-mth Avg Daily Vol ('000 shrs)	577.6
Estimated Free Float (%)	54.52
Beta	1.2

Major Shareholders (%)

Heng Holdings	- 30.65
Cham Poh Meng	- 14.83

Forecast Revision

	FY12	FY13
Forecast Revision (%)	13.3	4.8
Net profit (RMm)	56.1	62.1
Consensus	46.9	64.1
TA's / Consensus (%)	119.6	96.9
Previous Rating	BUY (Maintained)	

Financial Indicators

	FY12	FY13
Net Debt / Equity (%)	32.08	22.26
FCFPS (sen)	(8.83)	24.80
Price / CFPS (x)	nm	4.70
ROE (%)	23.13	21.36
ROA (%)	14.03	13.22
NTA/Share (RM)	1.78	2.14
Price/NTA (x)	0.66	0.55

Share Performance (%)

Price Change	HUAYANG	FBM KLCI
1 mth	5.4	4.1
3 mth	17.2	8.4
6 mth	0.0	(4.5)
12 mth	57.5	(1.3)

Share Price relative to the FBM KLCI



Source: Bloomberg

Forecast

We raise our FY12-14 earnings projections higher by 13.3%, 4.8% and 0.6% respectively after revising our sales projections to RM450mn (from RM380mn previously) for FY12. Also, we have raised our estimated GDV on One South to RM920mn from RM830mn previously.

Valuation

We continue to like Hua Yang despite the current negative market sentiment on the industry outlook. We believe Hua Yang's sales are insulated from rising external macro risk factors as demand for affordable properties are less prone to economic shocks. Note that residential properties offered by Hua Yang in Perak and Johor are generally priced in the range between RM130k/unit to RM280k/unit. The demand for this property is expected to increase due to low entry cost requirement after the launch of "My First Home Scheme". We raise the fair value of Hua Yang to RM1.68/share from RM1.57/share previously, based on an unchanged PE of 4x CY12 earnings. Given the total upside of 44%, we reiterate our **Buy** recommendation on Hua Yang.

Earnings Summary (RMmn)

FYEMar 31	FY10	FY11	FY12F	FY13	FY14
Revenue	103.5	188.9	321.9	390.3	476.2
EBITDA	16.8	36.1	76.0	87.3	102.9
EBITDA margin (%)	16.2	19.1	23.6	22.4	21.6
Pretax profit	15.8	34.4	73.0	83.9	98.8
Net profit	11.6	25.3	56.1	62.1	73.1
Core net profit	11.6	25.3	56.1	62.1	73.1
EPS* (sen)	8.0	17.6	39.0	43.1	50.8
EPS growth (%)	32.3	118.6	121.9	10.7	17.7
PER (x)	14.6	6.7	3.0	2.7	2.3
GDPS* (sen)	1.9	5.6	6.8	8.3	9.0
Div yield (%)	1.6	4.8	5.8	7.1	7.7
Core ROE (%)	6.1	12.2	23.1	21.4	21.1

* Adjusted for the first 1:5 bonus issue completed in FY11

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