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 Headline : Hua Yang Expands GDV To RM3.8 Billion

Hua Yang expands GDV to RM3.8 billion

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Hua Yang Bhd has expanded its pipeline of projects significantly to a total gross development value (GDV) of RM3.8 billion, an increase of 67%, with the purchase of a 29.2-acre parcel in Puchong expected to be wrapped up soon.

The Puchong land, situated between USJ and Puchong (see map), marks the group's biggest land acquisition at a cost of RM158 million or RM124.2 psf.

The site will be turned into a mixed development and will have a GDV of RM1.52 billion, with an expected gross margin of about RM300 million, the group states in its circular to shareholders.

To be launched in 2014, the project is to be developed over six to eight years.

Analysts are upbeat on the development as it caters to the affordable segment within the RM400,000 price range, where buyers with household income of RM6,000 and below can obtain up to 100% financing under the government's My First Home Scheme.

Valuation-wise, the units are expected to be priced at about RM400 psf, with the site being just about 1km away from the Kelana Jaya LRT extension.

Management says the latest project in Puchong will add growth momentum to Hua Yang's revenue and earnings, which have increased over 300% and 500% respectively from its financial year ended March 31, 2010, to FY2012.

For the nine months of FY2013, Hua Yang's revenue grew to RM306.7 million while net profit amounted to RM53.46 million. Those figures equal FY2012's full-year results.

Meanwhile, unbilled sales reached a record at about RM506.2 million as at end-December 2012, thus ensuring strong cash flow in the immediate financial years.

Group chief financial officer May Chan tells The Edge that Hua Yang is still looking to acquire land even as the latest buy in Puchong, to be funded by a fresh loan of RM118.5 million, will push up its net gearing to about RM149.73 million or 0.46 times its shareholders' funds of RM327.39 million. Hua Yang has a market capitalisation of RM318.8 million.

"We can gear up to 0.6 times. There is still a lot of space to gear as our shareholders' funds are also growing as a result of strong earnings," says Chan, adding that the acquisition of more land is in line with the group's internal target of growing its revenue to RM800 million by FY2018.

TA Securities wrote recently that Hua Yang aims to seal land deals that could yield a GDV of at least RM600 million in FY2014.

"In terms of landbanking strategies, Hua Yang has identified Klang Valley, Johor and Ipoh as its key focus for development growth. According to management, the group is currently negotiating on the acquisitions of two pieces of land in the Klang Valley," TA writes in a recent report.

As it continues to expand, Hua Yang has however maintained a dividend policy of paying out 25% of net profit. In fact, it has been paying more than 25% over the last two financial years — from three sen per share or 23% payout in FY2010, to 7.5 sen or 32% payout in FY2011 and 15 sen or 41% payout in FY2012.

The FY2012 payout of 15 sen gross per share translates into a yield of about 9.3% based on the stock's closing price of RM1.61 last Wednesday. For FY2013, which will conclude at the end of this month, the group had thus far paid an interim

dividend of five sen per share.

According to Chan, there will continue to be a balance between investing for growth and rewarding shareholders with good dividends at the same time.

With minimal unsold units or inventory, Hua Yang's positioning as an affordable home developer serves it well through a period of economic volatility.

Of its unbilled sales of RM506.2 million as at end-December, the bulk, or RM378.1 million, were derived from its flagship One South integrated development in Serdang, where 89% of the units launched have been sold.

However, being an affordable home developer doesn't mean Hua Yang's margin is crimped. According to management's presentation to investors, gross profit margins have improved from 28.9% in FY2010 to 29.5% in FY2011, 35.2% in FY2012 and 37.9% in the nine months of FY2013.

Going forward, the group's single largest project will be the Puchong development with a GDV of RM1.52 billion, followed by Bandar Seri University Iskandar in Perak (RM697 million), Taman Pulau Hijauan in Johor Baru (RM284 million), One South in Serdang, Selangor (remaining GDV of RM248 million), Desa Pandan Kuala Lumpur (RM213 million) and Jalan Ab-



dul Samad in Johor Baru (RM208 million).

The Bandar Seri University Iskandar development is a township project with remaining undeveloped land of 456.8 acres. As Hua Yang acquired the tract many years ago, the holding cost for this project is low, with the net book value of the land being only RM25.3 million, according to its presentation to investors.

Kenanga Research recently initiated coverage on Hua Yang with an "outperform" rating and a target price of RM2.10. TA Securities, meanwhile, is calling a "buy" with a target price of RM2.20 for the stock.

Hua Yang's major shareholder is chief executive Ho Wen Yan and family, who hold about 33% equity stake.

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