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Hua Yang Bhd (July 17, RM2.36)

Take profit with target price of RM1.79: Hua Yang's first quarter ended June 30 of financial year 2015 (1QFY15) net profit of RM24 million came in within our and market expectations, making up 23% of our and consensus' forecasts. Sales in 1QFY15 improved markedly by 94% year-on-year (y-o-y), driven by progress billings from One South, Metia Residence and Sentrío Suites which were launched in FY14. Overall net margins improved to 17.5% from FY14's average net margins of 15.3%.

The company clinched total sales of RM82 million in 1QFY15, which came to 18% of our forecast. We expect sales to pick up with new launches rolling out over the remaining quarters, specifically from Greenz @One South (gross development value [GDV]: RM280 million) which has achieved 100% sales, Sentrío Suites (GDV:RM146 million) with a take-up rate of 62%

and Metia Residences, Shah Alam (GDV:RM160 million) which is 88% sold.

We expect the current unbilled sales of RM757 million to increase further on the back of RM1.1 billion worth of new launches in FY15.

In line with our house view, we envisage slower growth momentum on the sector. Hence, we maintain our FY15 earnings estimate of RM102 million.

Our target price of RM1.79 is based on a blended historical price-to-book value of 1.0 times and price-earnings ratio of 5.5 times.

We are positive on the approved issuance of its sukuk Murabahah totalling RM250 million which could be drawn down over the two-year period for future potential land acquisitions. Given the run-up on its current share price, there is limited upside potential, hence our "take profit" recommendation. — *BIMB Securities Research, July 17*

Hua Yang Bhd

FYE March 31 (RM mil)	2012	2013	2014	2015E	2016E
Turnover	306.4	408.7	509.9	661.6	813.7
Ebit	73.3	95.4	113.4	136.5	173.3
Pre-tax profit	72.5	95.3	112.4	135.9	172.9
Net profit	53.0	70.5	82.2	102.0	129.6
EPS (sen)	20.1	26.7	31.1	38.6	49.1
PER (x)	11.9	8.9	7.6	6.2	4.8
DPS (sen)	15.0	13.3	12.0	14.9	18.9
Div yield (%)	6.3	5.6	5.0	6.3	8.0
NTA/share (RM)	0.92	1.56	1.53	1.44	1.70
Margins					
Ebit margin (%)	23.9	23.4	22.2	20.6	21.3
Pre-tax margin (%)	23.7	23.3	22.0	20.5	21.2
Effective tax rate (%)	26.3	26.1	26.9	25.0	25.0
ROE (%)	20	21	21	27	31
ROA (%)	12	11	10	12	14
Net gearing (x)	0.3	0.3	0.6	0.6	0.6
Growth ratios					
Turnover (%)	62	33	25	30	23
Ebit (%)	107	30	19	20	27
Pre-tax profit (%)	112	31	18	21	27
Net profit (%)	112	33	17	24	27

Source: BIMB Securities Research