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KUCHING: Hua Yang Bhd's (Hua Yang) first half 2016 (1H16) core net profit of RM58.6 million is within expectations accounting for 50 per cent of streets' full-year estimates.

Kenanga Investment Bank Bhd's research division (Kenanga Research) noted that in terms of sales, 1H16 sales of RM174.8 million is still slower than expected as it only makes up 36 per cent of analysts' full-year estimates due to the lack of new launches coupled with home buyers' wait-and-see attitude especially for high rises.

In an on year basis, its 1H16 core net profit improved by 17 per cent to RM58.6 million underpinned by six per cent growth in revenue coupled with improvements in earnings before interest, tax, depreciation and amortisation (EBITDA) margins to 27 per cent.

"The growth in revenue was driven by a steady recognition of progressive billings from all of its on-going projects across Malaysia. The improvement in margins was mainly due to lower operating costs driven by management's on-going effort in enhancing its workforce efficiency," said the research house.

On a quarterly basis, the 2Q16 core net profit was marginally down by four per cent to RM28.7 million, albeit a six per cent improvement in its revenue of RM150.6 million.

The research house explained that the group enjoyed a better margin previously as they have successfully handed over one of its projects namely Flexis @ One South back in 1Q16.

"On a positive note, its net gearing saw a major improvement as it came down significantly from 0.4 times to 0.3 times," said Kenanga Research.

"While its 1H16 sales growth appear to be slower-than-expected at only RM174.8 million, management is still maintaining its FY16 sales target of RM500 million by clearing off its 'inventories' from previous launches, coupled with its planned new launches of RM648 million.

"As such, we are also maintaining our FY16 estimated sales of RM482 million as we are banking on launches being skewed to 2H16.

"We also expect Hua Yang to benefit from the upcoming Budget 2016 in the event the government decides to assist first time home buyers."