

Hua Yang maintains RM500m sales target for FY17

Hua Yang Bhd
(July 22, RM1.79)

Maintain sell with an unchanged target price (TP) of RM1.87: Hua Yang Bhd's management has maintained its sales target of RM500 million for the financial year ending March 31, 2017 (FY17) despite only charting RM53.2 million of new sales in the first quarter ended June 30, 2017 (1QFY17) (11% and 14% of management's sales target and our sales assumption, respectively). To achieve the sales target, management has given assurance that new launches worth RM721 million will be rolled out as planned in the second half of calendar year 2016 (CY16). Specifically, management is confident about Astetica Residence in Selangor and Meritus Residensi in mainland Penang as these two projects have received encouraging registrations. Targeted for launch in September/October 2016, Astetica Residence and Meritus Residensi will feature serviced apartments priced from RM500,000 per unit and RM400,000 per unit respectively. This is in line with the group's strategy to offer affordable homes.

Meanwhile, the group also plans to concentrate on improving sales from ongoing projects and converting bookings to sales. According to management, the group has ongoing stocks worth RM333 million available for sale as at June 2016. Besides, management also shared that it has bookings worth RM50 million pending for loan approvals.

While management sees Bank Negara Malaysia's recent cut in interest rates a positive catalyst for the property market, it is still too early to call local property market's recovery. Judging from the slow sales performance in 1QFY17, manage-

Hua Yang Bhd

FYE MARCH 31 (RM MIL)	2015	2016	2017F	2018F	2019F
Revenue	583.6	575.7	499.2	423.1	422.5
Ebitda	155.9	153.1	128.5	110.6	107.8
Dep & amortisation	(1.0)	(2.5)	(1.2)	(2.3)	(3.3)
Net finance cost	(1.5)	(0.6)	(2.0)	(1.8)	(1.5)
PBT	153.4	144.8	125.3	106.5	103.0
Taxation	(42.9)	(34.6)	(32.6)	(27.7)	(26.8)
Net profit	110.6	110.1	92.8	78.8	76.2
Core net profit	110.6	110.1	92.8	78.8	76.2
Reported EPS (diluted) (sen)	31.4	31.3	26.4	22.4	21.7
Core EPS (diluted) (sen)	31.4	31.3	26.4	22.4	21.7
PER (x)	5.7	5.7	6.8	8.0	8.3
GDPS (sen)	9.8	3.8	4.0	4.0	4.0
Dividend yield (%)	5.4	2.1	2.2	2.2	2.2
EV/Ebitda (x)	2.4	2.1	2.5	2.6	2.4

Source: TA Securities

ment believes the overall market conditions remain challenging and it may take a while for confidence to come back. In our opinion, the 25-basis-point cut in overnight policy rate alone is unlikely to revive the overall housing market given that the weak consumer sentiment and stringent lending practice are the key dampeners to property sales. All in, we believe the target set by Hua Yang is rather ambitious and hence maintain our FY17 sales forecasts of RM374 million.

During the briefing, management emphasised the importance of conserving cash reserves for land bank opportunities in the current subdued market. We believe Hua Yang is close to securing some land deals in the near term, considering the decision to scale down dividend payments last year. The group's latest net gearing ratio has increased to 0.5 times from 0.34 times a quarter ago due to additional borrowings drawn down for the acquisition of Prai and Kota Masai land.

Nevertheless, we expect net gearing to drop below 0.3 times upon the completion of the Greenz @ One South, Metia Residence and Sentries Suites. We estimate Hua Yang can handle and replenish gross development value (GDV) up to RM1 billion at any point in time without additional equity funding. As such, we believe Hua Yang is on track to meet its goal in achieving a total undeveloped land bank with GDV of RM5 billion in the next one to two years. Currently, the company has an undeveloped GDV of RM4 billion.

No change to our FY17 to FY19 earnings forecasts. We continue to project the group to record new sales of RM374 million/RM471 million/RM630 million for FY17/FY18/FY19 respectively. We maintain our TP at RM1.87 (ex bonus: RM1.40), based on six times CY17 earnings per share. With limited earnings catalyst in the near term, we maintain our "sell" recommendation. — TA Securities, July 22