

Publication : **Focus Malaysia**  
 Date : 4 November 2017  
 Section : Markets  
 Page : 41  
 Headline : Hua Yang Bhd  
 PR Value : 7,089.97



Current Price: **77.5 sen (Nov 2)**  
 Target Price: **69 sen SELL**  
**TA Securities Research**

**HUA** Yang's net profit reached level which has not been seen since 2007. Lower sales achieved in FY15-17 and new project launches which are currently at the early stage of construction have impacted the group's revenue and its ability to fully recover fixed costs and overheads. In addition, the group's H1FY18 finance costs ballooned to RM3.8 mil compared with RM500,000 recorded in the corresponding period last year, largely due to additional borrowings drawn down to finance the acquisition of Magna Prima Bhd.

Note that, Q2FY18's net profit of RM600,000 was the lowest level since Q1FY08. We also expect margin to compress, arising from higher incentives given to marketing agents in an effort to clear unsold stocks. Following its weaker-than-expected results, we cut our FY18/19/20 earnings by 82%/69%/50% respectively. We fine-tune our progress billing assumptions to reflect the timing of launches. In addition, we adjust our margin assumptions to account for higher operating costs and interest expenses. Maintain sell with target price of 69 sen given material earnings risks come 2018-2019 due to sluggish property sales in the past years.