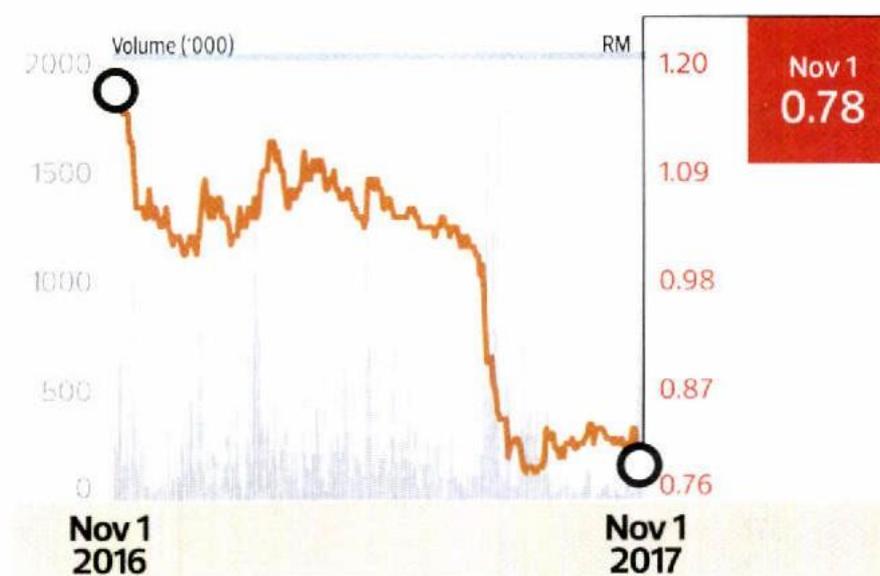


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Hua Yang Bhd

Target price: **65 sen UNDERPERFORM**



KENANGA RESEARCH (OCT 30): Earnings for 1H18 came in sharply below expectations, accounting for 5% of our and the street's full-year estimates. The disappointment in earnings was on: (i) lower-than-expected billings; and (ii) higher-than-expected interest expense for the acquisition of the 30.9% stake in Magna Prima. Its 1H18 property sales of RM102 million also fell short of our full-year target of RM253 million. Earnings and sales performance are currently at a record low. Going forward, we believe Hua Yang needs to focus on realising its pipelines and future plans with Magna Prima. Considering unbilled sales, which have fallen to a historical low of RM209 million (sufficient for another one to two quarters), we believe Hua Yang should be more aggressive in driving its sales from launched projects, which received a slow response from the market despite its positioning as an affordable housing player in the Klang Valley, Penang and Johor.

Following the weak results, we slash our FY18/FY19E CNP by 88% and 77% respectively, after factoring in higher operating cost and rescheduling of our billing progress.