

Hua Yang planning to launch up to RM721m worth of projects moving into FY17

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Hua Yang Bhd (May 19, RM1.82)

Maintain outperform with a target price of RM2.20 under review: Hua Yang Bhd's financial year 2016 (FY16) net profit of RM110.1 million met our but missed consensus expectations marginally, accounting for 100% and 94% of estimates respectively. No final dividend was declared and the full-year dividend of five sen came short of our expectations of 13.1 sen.

Property sales of RM336.8 million also came below our and management's targets of RM372.1 million and RM400 million respectively.

The weaker-than-expected sales were predominantly due to a prolonged challenging environment in the property market stemming from high-loan rejection rates, especially in the affordable housing category, and delay in launches.

Likewise, the disappointment in dividend payout could be due to management's prudent stance in conserving more cash for future landbanking purposes.

Its FY16 top line and bottom line remain flattish, driven mostly by all its ongoing projects, which are One South, Sentrío Suites, Taman Pulai Indah and Taman Pulai Hijauan.

On a positive note, its net gearing came down substantially from 0.49 times to 0.34 times. Quarter on quarter, revenue and net profit came down by 18% and 29% respectively, due to a lack of project handovers in the fourth quarter of FY16.

Despite the cutback in dividend, management is still striving its best to reward shareholders. Hence, along with its FY16 results announcement, Hua Yang has proposed a bonus issue of one bonus share for every three shares held as a "reward" for its shareholders.

Moving into FY17, management is planning to launch up to RM721 million worth of projects, targeting RM500 million worth of sales, and is also planning to scale back its dividends to conserve more cash for landbanking purposes in the near future.

However, we are less optimistic about the management's FY17 sales target of RM500 million, as we are looking at only RM400 million sales for FY17 with a potential downside bias should the current circumstances in the property market remain unchanged. — *Kenanga Research*, May 19