

# Interest stirs in Hua Yang

## Attractive valuation, growing profits boost property developer

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**KUALA LUMPUR:** Interest picked up recently on developer Hua Yang Bhd, sending the company's share price up 8% in three trading days to end at 99 sen yesterday.

Trading volume on the stock also rose in tandem with 328,800 shares traded yesterday compared with 90,500 on Monday.

Market observers point out that Hua Yang is trading at an attractive valuation. At 99 sen, the stock is valued at a considerable discount to its net tangible asset per share of RM1.90 as at Sept 30. The company is also trading at a single digit PE of 4.8 times annualised earnings for FY11 ending March 31 compared with the other small to mid-sized property developers that are trading at double digits.

According to TA Securities, Hua Yang's CY (calendar year) 2011 PE multiple of 3.3 times is unjustifiable

given its projected earnings growth rate of 59% to 87% over FY11 ending March 31 to FY13.

TA Securities said if assuming Hua Yang was to distribute a four sen dividend from FY11 to FY13, its dividend yield would be 4% at a share price of 99 sen.

"Hua Yang's NTA per share is projected to increase from RM1.86 to RM2.63 from FY11 to FY13. Its stock price of 92 sen would represent 0.35 to 0.5 times of FY11 to FY13 NTA per share, which is low if compared with its peers' NTA/share of 0.9 times," it noted.

Valuations aside, Hua Yang's financial performance seems to be on an uptrend. For its second quarter ended Sept 30, the company registered a net profit of RM4.3 million which is a 59% increase compared with RM2.7 million a year earlier. For its total six-month period, net profit is up 67% year-on-year to RM9.2 million.

Hua Yang's bottomline has been on a positive trend for the past three years. For FY10 ended March 31, the company saw its net profit rise to RM11.6 million compared with RM8.7 million in FY09 and RM6.6

million in FY08. Earnings per share also rose in tandem to 12.85 sen from 9.71 sen in FY09 and 7.31 sen in FY08.

While its profits have been improving, Hua Yang's gearing had also picked up. Its gearing ratio rose to 0.29 in FY10 compared with 0.22 in FY09 and 0.07 in FY08.

As at Sept 30, Hua Yang's borrowings stood at RM75.5 million compared with RM56.4 million as at March 30. Its cash and fixed deposits decreased to RM3.3 million compared with RM4.5 million for the same period. At RM75.5 million borrowings in September, Hua Yang's gearing stood at 0.36 times.

Listed on Bursa Malaysia on 2001, Hua Yang focuses on the affordable homes segment, catering to the growing mass market. The Perak-based developer has been in the property business for 32 years.

It has ongoing developments in Perak, Klang Valley and Johor. These projects are Bandar University Seri Iskandar in Perak, One South and Symphony Heights in the Klang Valley, Senawang Link in Seremban and Taman Pulai Indah in Johor.

On top of these, Hua Yang also has two new projects in the pipeline — Taman Pulai Hijauan and Polo Park Land in Johor.

The company's current undeveloped land bank of about 630 acres has a potential total gross development value (GDV) of RM1.78 billion.

According to TA Securities research, Hua Yang has lined up RM2 billion launches for the next two years with the focus on the affordable range. These properties are priced between RM90,000 to RM400,000.

"Having said that, the products offered by the group, typically those in Perak and Johor, are generally priced at RM100,000 to RM300,000 per unit. As such, we expect the company to continue enjoying housing incentives such as the 50% waiver on stamp duty on instrument of transfer and loan agreement proposed by the government in 2011 budget," it said.

"We understand that the waiver is extended to only first-time home buyers who constitute up to 70% of the company's customers," it added.