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Investment Idea

Hua Yang Bhd

Bottom fishing

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Hua Yang Bhd offers good buying opportunity as it is currently trading at an historical low of 0.2x book value (BV) or 8.4x FY21 PER. We expect there to be earnings recovery supported by unbilled sales of RM183m. BUY with a target price of RM0.49 based on 11.5x FY21 PER as per the Bursa Malaysia Property Index translating to almost 0.3x BV against the sector's average of 0.6x.

Hua Yang which has over 40 years of track record in the affordable housing development is carving out a niche position as one of the renowned mid-size affordable home developers in Malaysia. Over the years it has completed over RM4.6bn worth properties across the nation, in Klang Valley, Johor, Perak, Negeri Sembilan and Penang. Among their flagship projects are *Astetica Residences* in Seri Kembangan, *Aviary Residence* in Puchong as well as *Erica* and *Freesia* located in Bandar Universiti Seri Iskandar, a 777 acres integrated university township with a total GDV of RM1.44bn.

Moving forward, we believe Hua Yang's earnings visibility is anchored on their unbilled sales of RM183m in addition to stronger momentum on new launches in 2HFY20. Hua Yang targets to launch RM494m worth of new projects in FY20. In addition to that, inventory of completed properties has reduced to RM34.3m as at Sept 2019 from RM66.5m a year ago.

Despite a challenging market for property developments, we are of the view demand for affordable houses would remain strong, underpinned by the growing young population. Furthermore, Hua Yang has a strong portfolio of landbank in key regions with GDV of RM5.3bn. Potential launches in Klang Valley totalling RM2.85bn include the RM800m GDV project situated in Kajang Heights.

Hua Yang has been focusing on beefing up its balance sheet and cash flows, with net gearing improving marginally from 0.70x to 0.61x while targeting to lower the ratio towards 0.5x - 0.6x by emphasising on the near-completion projects. We expect upcoming launches in 2H 2020 to drive sales with double digit EPS growth from low base.

Technically Speaking

Resistance level	RM0.385
Support level	RM0.340

BUY

Price: **RM0.36**
Target price: **RM0.49**



Source: Thomson Reuters

KLCI	1611.4
YTD KLCI change	+1.4%
YTD stock price change	0%

Stock Information

Market Cap (RM'm)	126.7
Issued Shares (m)	352.0
52-week range (H)	0.465
52-week range (L)	0.300

Major Shareholders

Heng Holdings Sdn Bhd	31.8%
Ho Khon Yok	3.0%
Overseas Chinese Banking Corp Ltd	2.8%

Summary Earnings Table

FYE Mar (RM'm)	2018A	2019A	2020F	2021F
Turnover	231.0	277.6	250.0	300.0
EBIT	21.0	32.3	25.0	31.0
PBT/(LBT)	12.0	(12.0)	12.0	19.0
Net Profit/Loss	4.0	(20.5)	8.0	15.0
Consensus	-	-	11.5	15.9
EPS/(sen)	1.3	-5.8	2.2	4.2
EPS growth	-	-546%	138%	90%
DPS (sen)	2.0	-	-	-
PER (x)	17.1	-	15.8	8.4
BV/Share (RM)	1.67	1.59	1.62	1.66
ROE (%)	-	-	1.4	2.5
Div. Yield	5.5%	-	-	-

Sources: Company, Rakuten Trade Research



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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

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