25 February 2008

YNH Property

BUY

RM2.59

INLINE

YNH Property reported a good set of full-year FY07 results which were inline with our expectations. Despite providing one of the best earnings visibility, the stock trades at a steep discount to the sector. In addition, it offers above average ROEs of 17% and decent yields of 5%. Its share price is down 26% from its high of RM3.48. We recommend investors capitalise on the recent lacklustre share price performance to accumulate the stock. Buy.

PERFORMANCE

- FY07 normalised net profit grew 23% to RM85.2m on the back of a 14% increase in revenue mainly due to improved sales at its projects in Manjung, Perak and greater profit recognition from Lot 163 Suites in Kuala Lumpur. EBIT margins for the full-year strengthened by 3ppts to 41%, from 38% in FY06.
- A notable point is that EBIT margin was substantially lower in 4Q07 at 29% vs. 56% in 3Q07. This is not of a major concern as it represents the normal profit recognition progression for YNH's Manjung project where the land sale gain precedes the construction billings i.e. 3Q07 captured the land sale gain from its commercial project in Manjung, while this quarter saw recognition for the construction portion of this project.
- Overall, FY07 normalised net profit constituted 98% of our full year forecast.

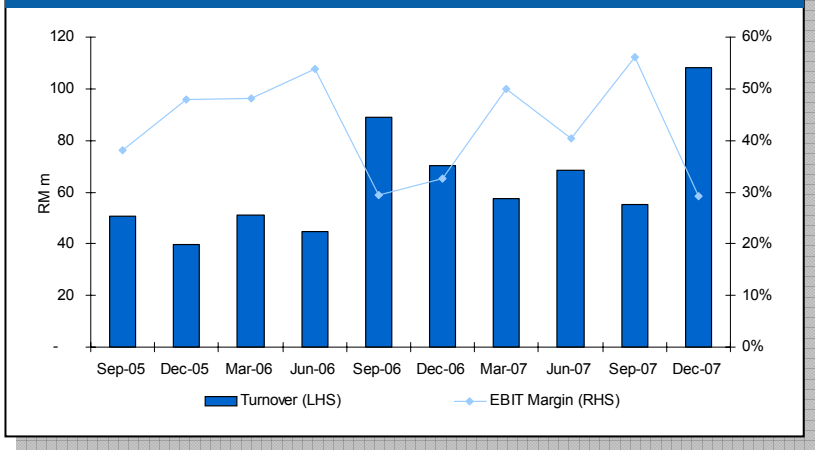
REVISIONS

- No changes to our earnings forecasts.

TARGET PRICE

- Target price based on an average fair value derived using the Gordon growth version of the DDM and PER methodology remains unchanged at RM4.80.
- The stock currently trades at an attractive 8.6x FY08 PER supported by earnings CAGR of 37% between FY07-FY10. If we strip out the estimated RM560m NPV attributable to Menara YNH, the housing business trades at a mere 6x FY08 PER.

Margin trends



Market Data

Bloomberg code	YNHB MK
Shares o/s (m)	396
Mkt Cap (RMm)	1,025
52 week high/low (RM)	3.52/1.85
Avg daily trading value (RMm)	6.1
KLCI	1,371

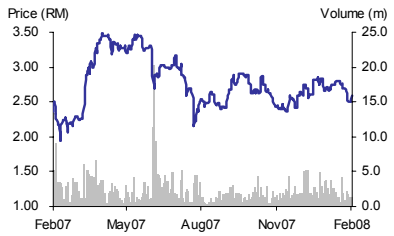
Target Price Methodology

Target (RM)	: 4.80 (+46%)
Methodology	: Justified P/B and PER
Assumptions	: P/B = 2.1x; PER = 16.5x
FY08 PER (x)	: 12.4
FY08 P/B (x)	: 2.2
FY08 Yield	: 3.4%

Share Price Performance

	1m	3m	12m
Absolute	(5)	7	10
Relative to KLCI	(2)	5	3

Share Price Movement



Analyst

Dharmini Thuraisingam
(603) 2168 8096
dharmini@kaf.com.my

MALAYSIAN RESEARCH

YNH PROPERTY'S QUARTERLY TRENDS

(RM m)	Quarter										Change		Cumulative			KAF	
FYE 31 Dec	**Sep-05**	**Dec-05**	**Mar-06**	**Jun-06**	**Sep-06**	**Dec-06**	**Mar-07**	**Jun-07**	**Sep-07**	**Dec-07**	**% qoq**	**% yoy**	**FY06**	**FY07**	**% chg**	**2007F**	**FY07/F**
Turnover	50.6	39.7	51.2	44.7	89.0	70.3	57.6	68.5	55.4	108.0	95	54	255.1	289.6	14	291.1	99
EBIT	**19.2**	**19.0**	**24.6**	**24.0**	**26.2**	**22.9**	**28.8**	**27.7**	**31.1**	**31.5**	**1**	**38**	**97.7**	**119.1**	**22**	**122.3**	**97**
EBIT margin (%)	38%	48%	48%	54%	29%	33%	50%	40%	56%	29%			38%	41%		42%	
Finance costs	(1.0)	0.6	(1.3)	(0.7)	(0.9)	(1.2)	(0.6)	(1.7)	(1.0)	(1.3)	30	5	(4.0)	(4.6)	15	(3.2)	143
Exceptional items	-	-	-	-	-	-	-	3.7	-	-	nm	nm	-	3.7	nm	3.7	100
Pretax profit	**18.3**	**19.5**	**23.3**	**23.4**	**25.3**	**21.7**	**28.1**	**29.7**	**30.1**	**30.2**	**0**	**39**	**93.7**	**118.2**	**26**	**122.8**	**96**
Tax	(4.5)	(6.6)	(6.5)	(5.6)	(7.0)	(5.1)	(7.3)	(7.2)	(7.2)	(8.7)	20	69	(24.2)	(30.4)	25	(33.5)	91
Net profit	**13.8**	**13.0**	**16.9**	**17.7**	**18.3**	**16.6**	**20.9**	**22.5**	**22.9**	**21.6**	**(6)**	**30**	**69.5**	**87.9**	**26**	**89.3**	**98**
Normalised net profit	**13.8**	**13.0**	**16.9**	**17.7**	**18.3**	**16.6**	**20.9**	**19.8**	**22.9**	**21.6**	**(6)**	**30**	**69.5**	**85.2**	**23**	**86.6**	**98**
No. of shares (m)	350.6	350.6	354.0	351.4	353.1	354.0	355.8	392.5	394.4	395.2							
Basic EPS (sen)	**3.9**	**3.7**	**4.8**	**5.0**	**5.2**	**4.7**	**5.9**	**5.7**	**5.8**	**5.5**	**(6)**	**17**	**19.7**	**22.9**	**16**	**22.6**	**101**

nm - not meaningful

Source: Company, KAF

Disclaimer

This report has been prepared solely for the information of clients of KAF Group of companies. It is meant for private circulation only, and shall not be reproduced, distributed or published either in part or otherwise without the prior written consent of KAF-Seagroatt & Campbell Securities Sdn Bhd.

The information and opinions contained in this report have been compiled and arrived at based on information obtained from sources believed to be reliable and made in good faith. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made by KAF-Seagroatt & Campbell Securities Sdn Bhd as to the accuracy, completeness or correctness of such information and opinion.

Any recommendations referred to herein may involve significant risk and may not be suitable for all investors, who are expected to make their own investment decisions at their own risk. Descriptions of any company or companies or their securities are not intended to be complete and this report is not, and should not, be construed as an offer, or a solicitation of an offer, to buy or sell any securities or any other financial instruments. KAF-Seagroatt & Campbell Securities Sdn Bhd, their Directors, Representatives or Officers may have positions or an interest in any of the securities or any other financial instruments mentioned in this report. All opinions are solely of the author, and subject to change without notice.

Dato' Ahmad Bin Kadis
Managing Director

Recommendation Structure

KAF-Seagroatt & Campbell Securities Sdn Bhd uses the following rating system:

BUY	Price appreciation in excess of 15% expected in the next 12 months
SELL	Price depreciation in excess of 15% expected in the next 12 months
ADD	Price appreciation between 0-15% in the next 12 months
REDUCE	Price depreciation between 0-15% in the next 12 months

Applicability of Ratings:

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks, which form part of the coverage universe. Reports on companies, which are not part of the coverage, do not carry investment ratings as we do not actively follow developments in these companies.

KAF-Seagroatt & Campbell Securities Sdn Bhd (134631-U)
Level 14, Chulan Tower, No. 3, Jalan Conlay, 50450 Kuala Lumpur, Malaysia
General : (603) 2168 8800 Research : (603) 2168 8095 / 96
Fax : (603) 2168 8087 Email : research@kaf.com.my
Website : www.kaf.com.my