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Recommendation

**BUY**

Price

**RM1.30**

12-mth target price

**RM1.86 (+44.1%)**

Share cap / Market cap

346.3m / RM450.2m

Free float

29.4%

Major shareholders

Yu family (40.0%)

Consensus (Net profit)

05F : RM55.7m

06F : RM71.2m

# YNH Property

## Sustaining Earnings Momentum

- 1HFY05 net profit of RM26.8m was 6.9% higher than our forecast in annualized term. After chalking up a blistering 50.6% top-line growth in 1Q, YNH Property continued its strong performance with a 73.4% revenue growth in 2Q.
- Revenue growth was driven by contributions from commercial properties in Ipoh and Sitiawan, namely Medan Bercham and Medan Sejahtera. Contributions also kicked in from sale of commercial properties at Taman Samudera and Kampung Koh in Sitiawan. The 163 Jalan Perak serviced apartment project in Kuala Lumpur's has yet to contribute due to delay in getting the authority's approval for commencement of work.
- We are making the following adjustments to our earnings model:
  1. Reducing completion rate and take-up rate for 163 Jalan Perak to 20% and 60% respectively compared to 30% and 70% previously.
  2. Building in RM4.6m gross profit from new Teluk Intan commercial project.
  3. Building in 10% completion rate versus zero previously at its Mont' Kiara condo project as the management indicated that it will start work at the project before launching the project towards end '05.

Net impact: our **FY05 earnings forecast is raised from RM50.1m to RM54.6m.**
- Our fair value is maintained at **RM1.86**, giving an upside of **44.1%**. We are **reiterating** our **Buy** call given the upcoming property launches at its prime parcels of land, which will act as **catalyst for strong and sustainable earnings** growth for the next 2 – 3 financial years. An interim dividend of 6 sen has been declared, with total for the year estimated at 10 sen, giving a gross yield of 7.8%.

### Quarterly Results

Year to 31 Dec	1Q05	2Q05	1H05	% chg*	OSK(F)
Turnover (RMm)	41.5	37.0	78.5	60.5	177.9
Pretax (RMm)	18.0	19.2	37.2	61.0	69.6
Net profit (RMm)	13.2	13.6	26.8	48.1	50.1
EPS (sen)	4.5	4.0	8.5	25.6	16.0

\* chg is cummulative YoY. OSK(F) is the original forecast

### Earnings Table

Year to 31 Dec	03A	04A	05F	06F	07F
Turnover (RMm)	98.5	113.0	190.1	303.2	373.3
EBIT (RMm)	35.5	45.3	74.2	114.0	155.0
Pretax (RMm)	8.1	48.3	75.9	115.7	156.7
Net profit (RMm)	(0.5)	34.8	54.6	83.3	112.8
FD EPS (sen)	(0.2)	13.3	17.3	25.5	34.1
YoY change (%)	nm	nm	29.7	47.9	33.4
PER (x)	nm	9.7	7.5	5.0	3.8
GDPS (sen)	5.0	10.5	10.0	10.0	11.0
Div yield (%)	3.9	8.1	7.8	7.8	8.5
ROE (%)	(0.2)	12.2	14.9	19.4	22.0
NTA PS (RM)	1.16	1.09	1.16	1.32	1.55
P/BV (x)	1.1	1.2	1.1	1.0	0.8

### Price performance chart

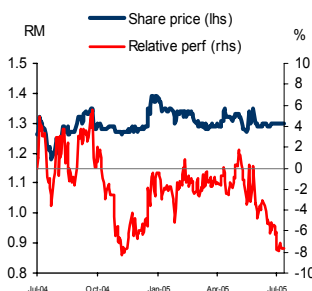
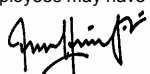


Figure 1: Key Performance – At A Glance

2Q Results (RMm)						% chg		cum. (y-o-y)	Comments
	2Q04	1H04	1Q05	2Q05	1H05	y-o-y	q-o-q		
Turnover	21.3	48.9	41.5	37.0	78.5	73.4	-10.9	60.5	Strong y-o-y growth due to sales of two commercial properties, Medan Sejahtera in Sitiawan and Medan Bercham in Ipoh. YNH Property has also launched commercial properties in Taman Samudera and Kampung Koh in Sitiawan.
EBIT	11.3	23.6	18.7	20.3	39.0	79.0	8.2	65.5	EBIT growth was largely in line with revenue. On cumulative basis, EBIT growth was 5 percent stronger than topline due to higher element of revenue from commercial properties, which tend to give better profits compared to residential properties.
EBIT Margin	53.1%	48.2%	45.2%	54.8%	49.7%				EBIT margin was 1.5 percent higher than last year, reflective of the contribution from the new commercial property sales in Sitiawan.
Pretax	11.2	23.1	18.0	19.2	37.2	71.1	6.5	61.0	Cum. PBT growth was slightly weaker than EBIT on y-o-y basis as FY04 benefited from a RM5m extraordinary gain.
Pretax Margin	52.6%	47.3%	43.4%	51.9%	47.4%				
Net Earnings	9.5	18.1	13.2	13.6	26.8	42.7	2.6	48.1	

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