

RHB Highlights

◆ YNH Property Berhad : 1HFY12/05 Results : Within Expectations

OUTPERFORM**YNH Property Berhad (RM1.30)***1HFY12/05 Results : Within Expectations*

- ◆ **In Line.** 1HFY12/05 net profit of RM26.8, when annualised, was in line with our expectations.
- ◆ **Turning into a KL-based property development company.** Apart from the 163 Residence, Mont Kiara and Wisma YNH that will underpin earnings growth from the Klang Valley, the group has secured a contract to build a high rise building near the KL Sentral, Kuala Lumpur worth RM100m in GDV.
- ◆ **Developing a new commercial project in Bandar Teluk Intan.** Meanwhile, the group has also ventured into a new project in Bandar Teluk Intan in 2QFY12/05, comprising 33 units of three- and four-storey shop houses with GDV of RM15m.
- ◆ **Interim gross dividend of 6.0 sen.** YNH has proposed an interim gross dividend of 6.0 sen to go ex on 29 September 2005. Balance sheet remained healthy with net gearing of 0.20x.
- ◆ **Maintain OUTPERFORM recommendation.** Maintain FY12/05 earnings forecast but raised FY12/06-07 EPS by 2.8-8.7% after taking into account the delay in construction work at 163 Residence as well as filtering through of earnings from KL Sentral and Teluk Intan projects. The stock is trading at an undemanding average FY12/05-6 PER 7.0x against average EPS growth 27%, translating into PEG of 0.3x. Reiterate our **OUTPERFORM** recommendation on the stock because of its strong earnings growth, commendable profit margins, healthy balance sheet and high gross dividend yields. Raised indicative fair value to RM1.79 (previously RM1.65 per share) based on 8x PER on FY12/06 EPS of 22.4 sen.

Review. YNH Property Berhad's (YNH) 1HFY12/05 net profit of RM26.8, when annualised, was in line with our expectations. Cumulatively, turnover jumped by 60.5% to RM78.4m, driven by sales and strong progress billings of its properties in Medan Sejahtera (Setiawan) and Medan Bercham (Ipoh City). Pre-tax profit also grew by 61%, anchored by the top line growth but net profit expanded at a lower rate of 48.1% due to higher effective tax rate of 28% versus 21.8% in the year before. Effective tax rate was lower in 1HFY12/04 due to sales of landed property which incurred low real property gains tax of 5%. Sequentially, turnover declined by 10.9% to RM37m in 2QFY12/05 but pre-tax profit grew by 6.5% to RM19.2m as pretax margin expanded to 51.9% from 43.4% in 1QFY12/05. The stronger margins were attributed to progress billings of commercial properties. Higher effective tax rate of 29.3% in 2QFY12/05 versus 26.6% in the previous quarter resulted in lower profit growth of 2.6%.

Outlook. Apart from the three key projects, namely 163 Residence, Mont Kiara and Wisma YNH that will be the key growth driver to the group's earnings, we understand that the group has secured a contract to build a high rise building near KL Sentral, Kuala Lumpur. The project, worth RM100m in Gross Development Value, is expected to contribute RM10 -15m in pretax profit. Earnings are expected to kick in 4QFY12/05.

YNH acknowledged there was a hold-up in construction work at its 163 Residence as it took longer than expected time to process the construction tender. However the problem has been sorted out and the project is expected to take off anytime soon. We are not too concerned on the delay in earnings contribution from 163 Residence, as it will be mitigated by the earnings from KL Sentral project.

In the 2QFY12/05, the group has also ventured into another project in Teluk Intan. The project comprises 33 units of three- and four-storey shop houses with GDV of RM15m. Assuming a pre-tax margin of 45%, the project will contribute about RM6.8m in earnings.

Interim gross dividend of 6.0 sen per share. Although the company proposed a lower interim dividend of 6.0 sen against 6.5 sen in the year before, it is still commendable on the back of enlargement in share base from issuance of 85m bumiputera shares. Ex-date for the proposed dividend is 29 September 2005. We believe its full-year payment of 10.5 sen dividend is achievable on account of strong earnings growth and healthy balance sheet. Its net borrowings remained stable at RM65.1m and net gearing of 0.20x as at end-June 2005.

Raised FY12/06-07 EPS by 2.8-8.7%. Maintain FY12/05 earnings forecast but raised FY12/06-07 EPS by 2.8-8.7% after taking into account the delay in construction work at 163 Residence as well as filtering through of earnings from KL Sentral and Teluk Intan projects. The stock is trading at an undemanding average FY12/05-6 PER 7.0x against average EPS growth 27%, translating into PEG of 0.3x. Reiterate our **OUTPERFORM** recommendation on the stock because of its strong earnings growth, commendable profit margins, healthy balance sheet and high gross dividend yields. Raised indicative fair value to RM1.79 (previously RM1.65 per share) based on 8x PER on FY12/06 EPS of 22.4 sen.

Earnings Review And Forecasts

FYE Dec (RMm)	2Q04	1Q05	2Q05	% qoq	% yoy	1H04	1H05	% yoy	FY05f	FY06f	FY07f
Turnover	21.3	41.5	37.0	(10.9)	73.4	48.9	78.4	60.5	165.6	233.2	262.2
Net int inc/(exp)	(0.1)	(0.9)	(1.3)	46.8	990.6	(0.5)	(2.1)	360.6	(1.8)	(1.8)	(1.8)
Operating profit	11.9	18.9	20.5	8.3	71.7	24.3	39.3	61.9	79.7	110.4	126.2
Pre-tax profit	11.2	18.0	19.2	6.5	71.1	23.1	37.2	61.0	77.3	107.9	123.6
Taxation	(1.7)	(4.8)	(5.6)	17.2	229.0	(5.0)	(10.4)	107.5	(21.6)	(30.2)	(34.6)
Net profit	9.5	13.2	13.6	2.6	42.7	18.1	26.8	48.1	55.7	77.7	89.0
No of shares (m)	230.0	285.6	334.5	16.8	30.6	252.3	309.8	22.8	346.3	346.3	346.3
Net EPS (sen)	4.1	4.6	4.0	(12.2)	(-1.7)	7.2	8.6	20.6	16.1	22.4	25.7
Normalised EPS (sen)	4.1	4.6	4.0	(12.2)	(-1.7)	7.2	8.6	20.6	16.1	22.4	25.7
NTA per share (RM)	1.06	1.16	1.13	(2.6)	6.6	1.06	1.13	6.6	1.18	1.33	1.51
Margins (%)											
Operating profit	55.9	45.5	55.3			49.7	50.2		48.1	47.3	48.1
Pretax	52.6	43.4	51.9			47.3	47.4		46.7	46.3	47.1
Net profit margin	44.6	31.9	36.7			37.0	34.1		33.6	33.3	33.9
Effective tax rate	15.3	26.6	29.3			21.8	28.0		28.0	28.0	28.0
Growth (%)											
Turnover									44.0	40.8	12.4
PBT									52.2	39.6	14.5
Net profit									45.5	39.6	14.5
Normalised net profit									45.5	39.6	14.5
Net EPS (sen)									7.9	39.6	14.5

Investment Statistics

FYE Dec	Turnover (RMm)	PBT (RMm)	Net profit (RMm)	Net EPS (sen)	Growth (%)	PER (x)	NTA p.s. (RM)	P/NTA (x)	DPS (sen)	Gr yield (%)
2004a	115.0	50.8	38.3	14.9	51.8	8.7	1.09	1.2	10.5	8.1
2005f	165.6	77.3	55.7	16.1	7.9	8.1	1.18	1.1	10.5	8.1
2006f	233.2	107.9	77.7	22.4	39.6	5.8	1.33	1.0	10.5	8.1
2007f	262.2	123.6	89.0	25.7	14.5	5.1	1.51	0.9	10.5	8.1

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