

# Yu Neh Huat

**Strong interests in first KL development**

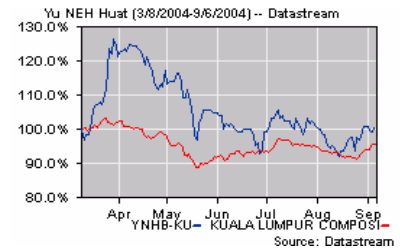
**BUY**

Earnings ▼

**Key Data**

Year to	Revenue	EBITDA	Net Profit	FD EPS	EPS growth	PER	DPS	Yield
31-Dec	(RM m)	(RM m)	(RM m)	(sen)	(% y-o-y)	(x)	(sen)	(%)
2003	99	35	(1)	9.0	(7.0)	12.1	5.0	4.6
2004*	127	49	39	9.7	7.6	13.0	10.0	7.9
2005f	190	79	55	16.0	65.3	7.9	10.0	7.9
2006f	275	116	81	23.4	46.2	5.4	13.0	10.3

\* Assumes completion of 85m bumi share issue



- **Plans to officially launch first KL development next month**
- **Encouraging initial responses – indicative bookings as high as 40-50%**
- **Expect a major rerating should the developer turns these initial responses into actual sales**

**Plans to launch 163 Residence next month**

Yu Neh Huat (YNH) plans to officially launch its first KL development, 163 Residence next month. The development, which has a gross development value of RM218m, will offer some 310 service apartments, a retail arcade and a 14-storey office block.

The development will start with the launch of its service apartments. Mainly priced between RM800-1,000psf (the higher floors are priced higher), the development's residential portion has a gross development value of RM167m.

**310 service apartments on offer**

	No. of Units	Unit size range (sf)	Price range (RM)
Studio	157	431-545	344,445-500,522
1-bedroom	141	592-713	516,588-663,191
2-bedroom	10	915-1,331	1-1.6m
Penthouse	2	3,598 & 3,740	4.7m & 4.9m

Source: Company

To facilitate the launch, YNH plans to set-up a sales office in Kuala Lumpur, which will be housed in SPK building, Jalan Sultan Ismail. It is currently under renovation and should be ready by end-September. In addition, the developer also intends to carry out some marketing activities in order to help create awareness of the project.

The development has also a retail and office portion. The retail arcade has a

**Current price 1.26**

**Target price 1.55**

**Codes**

Reuters RIC YNHB.KL

Bloomberg YNHB MK

**Key data**

Mkt Cap (RM m)	329
Mkt Cap (US\$ m)	87
Free float (%)	63
Av daily t/o ('000)	255
Net asset/share (MYR)	1.23
Net gearing (%)	11
Syariah compliant	Y
Listing	Main Board

**Derivatives**

N/A

**Major Shareholder**

Dato' Dr. Yu Kuan Chon	14
Yu Kuan Huat	14
Yu Kuan Seng	9

**Price**

	1m	3m	6m
Absolute (%)	3	(3)	(2)
Relative (%)	1	(6)	3

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net sellable area of 17,142sf (priced between RM1,500-1,800psf) while the 14-storey office block has a net sellable area of 35,402sf (priced between RM600-720psf).

### Service apartments' higher prices partly justified by better 'package'

Based on its total net sellable area of 179,567 sf, the service apartments' average selling price works out to be about RM930psf. Although the pricing appears to be at a significant premium to nearby residential developments, this is partly compensated by the development's better features. Our table below summarises some key comparisons between 163 Residence and nearby developments.

#### Comparison of nearby developments

	163 Residence	MARC	Parkview
Location	Jalan Perak	Jalan Pinang	Lorong Perak
Developer	Yu Neh Huat	Beverly Tower	Mayland
Units	310	578	530
Selling price (psf)	800-1,300	700-950	500-700
Built-up (sf)	431-3,740	493-3,300	405-1,650
Take-up rate	N/A	80%	90%
Early bird discount	5-15%	15-17%	RM5,000-20,000
Guaranteed return	2-years @ 8% pa	Nil	2-years @ 7% pa
Level of furnishing	Full furnishing	Semi-furnishing	Minimal
Free legal fees	Yes	Yes	No
Free stamp duty fees	Yes	No	No

Source: Company & Sales offices

### Encouraging initial responses

Management says that initial responses have been encouraging. We understand that the developer has received tentative bookings for as high as 40-50% of units on offer despite not having officially launched 163 Residence. Management claims most of the 'purchases' were largely for its smaller units i.e. studio apartments, while its buyers were mainly local Malaysians, where some 70% are from outside the Klang Valley.

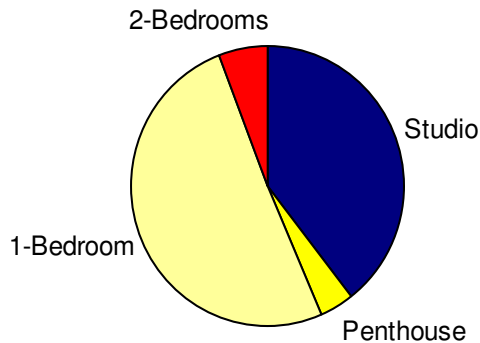
Management attributes the better than expected 'sales' to the development's excellent location i.e. in Central Business District and within walking distance to KLCC, 'zero-entry cost' scheme and 2-year attractive 8% guaranteed return pa. Whilst we agree that these factors helped contribute to the robust 'sales', we think the developer also benefited from an early mover advantage. As highlighted in our Property sector *MYR* Recommendation dated 3 September, the segment is currently benefiting from a pent-up demand following years' of lack of new high-end residential properties around KLCC.

We were also not surprised with management's claims that there was a better appetite for smaller units i.e. studio apartments. The trend was also seen in nearby developments i.e. MARC and Parkview, which both also had little difficulty selling their smaller units.

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**Residential product mix (by net sellable area)**

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*Source: Company*

In our current forecasts, we have assumed a slower take-up rate; 35% in FY04, 70% by FY05 and 100% by FY06. We have adopted a more conservative view given that 163 Residence is YNH's first Klang Valley development. Nevertheless, if these 'tentative bookings' are successfully converted to actual sales, there would be some positive earnings revision.

**Valuation and recommendation**

Given the lower gross development value of RM167m versus our estimated RM180m, we have revised down our FY05-06 earnings by a marginal 2% and 3% respectively. Note that we have not included any contribution from the sales of its retail and office space and hence there could be some positive earnings adjustment should the developer succeeds in developing and selling the retail or office portion in the next couple of years.

We maintain our target price of RM1.55. We valued YNH at a 15% discount to its RNAV of RM1.82 to account for risks in view of the developer's first time yet to be proven ability to penetrate the Klang Valley market. However, if YNH is successful in converting these 'tentative bookings' into actual sales orders, we believe the shares will then trade closer to its RNAV/per share of RM1.82.

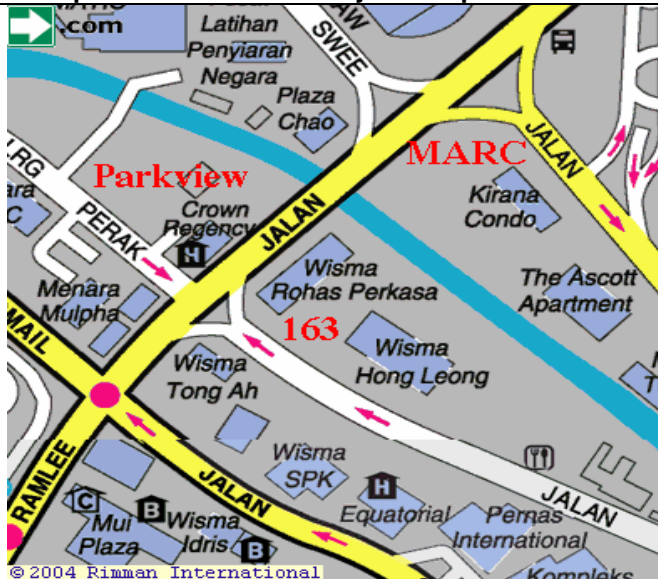
The shares also offer an attractive 8-10% dividend yield based on a 40-60% dividend payout ratio, inline with management's guidance. This will limit any downside from current levels. Buy maintained.

### Sector valuations

	SP Setia	IOI Properties	Glomac	LBS Bina	Yu Neh Huat
RIC Code	SETI.KL	IOIP.KL	GLOM.KL	LBSB.KL	YNHB.KL
Recommendation	Buy	Buy	Buy	Buy	Buy
Year-end	October	June	April	December	December
Last Closing Price	3.80	7.75	2.00	1.24	1.26
Target Price	4.40	8.50	2.60	2.10	1.55
Upside / (Downside)	16%	10%	30%	69%	23%
RNAV	4.00	7.70	2.56	2.64	1.82
PER (x)					
2004	15.3	10.9	18.9	9.8	13.0
2005	13.4	11.4	8.0	8.2	7.9
2006	12.7	11.2	6.6	5.2	5.4
EPS Growth (%)					
2004	15.4	28.6	4.9	35.5	7.6
2005	14.7	(0.8)	58.2	19.0	65.3
2006	5.2	1.9	20.2	57.6	46.2
Dividend Yield (%)					
2004	3.7	6.0	2.7	4.8	7.9
2005	4.2	6.1	5.0	5.2	7.9
2006	5.0	6.3	5.5	5.6	10.3

Source: ECM Libra

### KL Map – 163 Res and nearby developments



Source: www.streetdirectory.com.sg

### 163 Res (artist impression)



Source: Company

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