

YNH Property Berhad

Raises stake in Mont Kiara project from 70% to 100% - ALERT

- YNH has announced a proposed increase in its stake in the D'Kiara mixed development project (next to Plaza Mont Kiara) from 70% to 100%.
- The purchase price for the additional 30%-stake is M\$33MM, translating to a pricing of M\$421psf. Pricing looks to be at a premium to recent transactions in the area at no more than M\$300psf. But, management indicated there is already sunken cost with the purchase as land conversion premium, basic infrastructure and sewerage cost for the land has already been incurred.
- The original 70%-stake in the project/land was acquired last year for M\$68MM or pricing of M\$371psf. On a blended basis hence, the overall acquisition works out to a pricing of M\$386psf for the land acquired or 15% of total estimated GDV for the project of about M\$700MM.
- Based on the overall land cost for the project, and assuming a plot ratio of 6x and construction cost at close to M\$200psf, the estimated EBIT margin of 30-35% from the overall project factored into our earnings projections we estimate looks achievable (management however is guiding for operating margin of at least 40%).
- Management indicated that there are foreign parties who have expressed interest in this project (sits on very prime land in Mont Kiara), and hence it may look to sell down if there is an attractive offer.
- This transaction increases our RNAV for the stock marginally from M\$4.06/share to M\$4.08/share. The stock is currently trading at 45% discount to RNAV.
- Key risk for the stock is failure to come to finalization for the ongoing negotiations to sell 50% of its iconic office tower project for M\$920MM to Kuwait Finance House. The office project accounts for 30% of our RNAV and 35-40% of group EBIT over FY09-10E.

Overweight

M\$2.24

21 March 2008

Property

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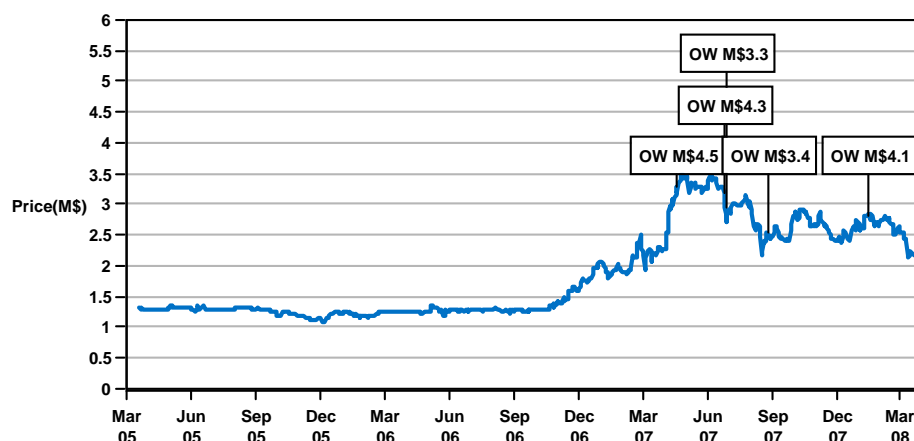


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YNH Property Berhad (YNHB.KL) Price Chart



Date	Rating	Share Price (M\$)	Price Target (M\$)
19-Apr-07	OW	3.28	4.50
25-Jun-07	OW	3.18	4.30
27-Jun-07	OW	2.95	3.30
27-Aug-07	OW	2.54	3.40
15-Jan-08	OW	2.81	4.10

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
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