

Results Update

YNH PROPERTY(RM1.24)
FY05 Finals : Within expectations
BUY
Target Price:RM1.80

STOCK & SHAREHOLDERS' DATA		RESULTS SUMMARY						
		YE 31 Dec (RMm)	FY04	FY05	% YoY	3Q05	4Q05	% QoQ
Bloomberg Code	: YNHB MK	Turnover	122.0	176.1	44.4	50.6	47.1	(7.0)
Reuters Code	: YNHB.KL	EBIT	46.7	80.6	72.8	19.0	21.1	11.3
KLCI	: 925.67	Net interest	(3.2)	(4.0)		(1.0)	0.6	
Market Capitalisation	: RM434.7m	Other income	1.9	0.6		0.2	0.0	
Issued Capital	: 350.6m	Exceptional items	5.7	0.0		0.0	0.0	
Free Float (est)	: 62.7%	Associates	0.0	0.0		0.0	0.0	
Range 12 mths	: RM1.06-RM1.38	Pretax profit	51.0	77.1	51.2	18.3	21.7	18.6
Daily turnover (3 mth)	: RM0.3m	Taxation	(12.7)	(22.1)		(4.5)	(7.3)	
Relative Performance	: 1-mth -1.4%	Minorities	0.0	0.0		0.0	0.0	
	: 6-mth -5.4%	Net profit	38.3	55.0	43.5	13.8	14.4	4.4
	: 12-mth -9.6%	EPS (sen)	14.9	16.8	12.4	4.0	4.1	3.3
Major Shareholders	:	Gross DPS (sen)	10.5	11.0		0.0	5.0	
Dato' Dr Yu Kuan Chon	14.3%	NTA/share (RM)	1.09	1.21		1.17	1.21	
Yu Kuan Huat	13.8%	EBIT margin (%)	38.2	45.8		37.5	44.9	
Yu Kuan Seng	9.2%	Pretax margin (%)	41.8	43.8		36.1	46.0	
		Effective tax rate (%)	24.9	28.7		24.4	33.5	

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Results Analysis

No surprises. YNH Property ("YNHP") delivered FY05 net profit of RM55.0m, which was in line with our forecast of RM55.7m and consensus forecast of RM56.6m.

Turnover driven by Northern projects. YNHP recorded a 44.4% YoY increase in turnover for FY05 underpinned by sales from its commercial and development properties in the Northern region (Sitiawan, Manjung, Lumut, Teluk Intan and Ipoh), contribution from its construction arm, which completed piling works at Lot 633, Jalan Scott (not present in FY04) and some contribution from its Subang Jaya project.

EBIT margin expansion. EBIT margin expanded by 7.5%-points to 45.8% as YNHP sold a higher percentage of commercial properties from its Northern projects in Ipoh, Sitiawan and Teluk Intan. Commercial properties carry higher margins of circa 50% vs residential properties margins of 25-30%. Stripping out the one-off gain of RM5.7m from sale of land to a hypermarket in FY04, net profit for FY05 would have increased by 68% to RM55.0m, roughly in line with the increase in EBIT of 73%. FY05 earnings was still driven by its bread and butter Northern region projects while its Klang Valley projects will only see stronger contributions in FY06.

Mixed QoQ performance. On a sequential basis, 4QFY05 turnover eased by 7% but EBIT margins increased by more than 7%-points to 44.9% due to sales of higher margin products from Medan Sejahtera, Medan Sitiawan and Manjung Point Seksyen II.

Final dividend surprised on the upside. YNHP declared a final dividend of 5 sen per share, which was higher than our forecast of 4 sen per share. Hence, total dividend for FY05 was 11 sen per share, slightly higher than FY04 EPS of 10.5 sen per share. Although YNHP has a fixed dividend payout ratio of 30%, its FY05 dividend translates into a payout ratio of 50% and a yield of 8.9%. We are raising our FY06-07 dividend forecast accordingly to a conservative 11 sen per share for both years or a payout ratio of 36% and 30% respectively.

Prospects

Unbilled sales of RM304.1m. As at 31 December 2005, YNHP has unbilled sales of RM304.1m, an increase of 6% from the previous quarter. This is roughly equivalent to 1.8x FY05 property development turnover, implying decent earnings visibility for the next 1-2 financial years. Circa 60% of YNHP's unbilled sales is from 163 Residence.

80-85% take up for 163 Residence. Sales of 163 Residence have been promising with a 80-85% take-up rate so far, a marginal increase since our last update in mid-January 2006. We understand that the balance 15- 20% not sold are the larger units, which are above 1,000 sq. ft.

Possible JV for Sultan Ismail project? Its Sultan Ismail project (2 service apartments and one office block - GDV of RM880m) is on track to be launched in 2H06. Earthworks should commence in two months' time. YNHP is currently in negotiations with one or two foreign parties for a possible JV where the latter will purchase the office block from YNHP. The condition is that the foreign party will build and finance the office block on behalf of YNHP. In return, YNHP will receive the difference between the purchase price and the construction cost. The construction cost will be fixed and hence cost overrun issues will not arise. There has been no announcement on this possible JV as yet. If this materializes, we view it positively as profits are guaranteed without having to worry about sales rate, construction cost and financing.

Sale of Manjung land to be recognized in 2QFY06. Recall that YNHP proposed to sell two parcels of land located in Manjung and one in Hulu Kinta Perak to two related parties on 18 January 2006. YNHP will realise a net gain before tax of circa RM9m, which will be recognized in 2QFY06.

Valuations and Recommendation

Buy maintained. We continue to like YNH for exposure to the property sector. Its strong points are its 3 year EPS CAGR growth of 30% for FY05-07, high EBIT margins of circa 40%, high yields of 8.9% and choice location of its projects. At a PER of 5.6x FY06, valuations are also compelling against the sector average of 7.0x. Our target price is RM1.80 based on 8x FY06.

EARNINGS (unch); REC (unch)

YE 31 Dec	2004	2005	2006F	2007F	2008F
Pretax profit (RMm)	51.0	77.1	109.8	130.6	130.9
Ex- EI pretax profit (RMm)	45.4	77.1	109.8	130.6	130.9
Net profit (RMm)	38.3	55.0	78.3	93.1	93.3
Ex - EI net profit (RMm)	32.7	55.0	78.3	93.1	93.3
Revision (%)			n/a	n/a	n/a
Consensus net profit (RMm)			78.2	102.2	-
EPS Ex-EI (sen)	12.5	15.7	22.3	26.6	26.6
EPS Ex-EI growth (%)	27.4	6.9	42.3	18.9	0.3
FD EPS (sen)	14.7	15.7	22.3	26.6	26.6
FD EPS growth (%)	NM	6.9	42.3	18.9	0.3
CFPS (sen)	14.9	15.9	22.5	26.8	26.9
Gross DPS (sen)	10.5	11.0	11.0	11.0	11.0
NTA/share (RM)	1.09	1.20	1.34	1.53	1.72
PER (x)	9.9	7.9	5.6	4.7	4.7
FD PER (x)	8.5	7.9	5.6	4.7	4.7
P/CF (x)	8.3	7.8	5.5	4.6	4.6
Yield (%)	8.5	8.9	8.9	8.9	8.9
P/NTA (x)	1.1	1.0	0.9	0.8	0.7
ROE (%)	13.4	13.1	16.6	17.4	15.5
EV/EBITDA (x)	7.7	5.0	3.5	2.9	3.2