

Date: 13 February 2007  
FY06 results

<b>YNH PROPERTY BERHAD</b> <b>(YNHPROP)</b>		<b>Price:</b>	RM1.92
		<b>Market Capitalisation:</b>	RM680m
		<b>Board:</b>	Main
		<b>Sector:</b>	Properties
<b>Stock Code:</b>	3158	<b>Recommendation:</b>	BUY

### Key Stock Statistics

	2006	2007(F)
EPS (est.)	20.4	25.0
P/E (est.)	9.4	7.7
Dividend/Share (sen)		10.0
NTA/Share (RM)		1.34
Book Value/Share (RM)		1.39
Issued Capital (mil shares)		354.0
52-weeks Share Price Range	RM2.09 (H) - RM1.18 (L)	
<b>Major Shareholders:</b>	<b>%</b>	
Dato' Dr.Yu Kuan Chon		18.0
EPF		7.59

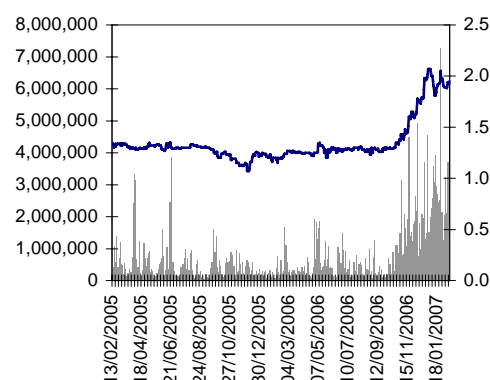
### Per Share Data

Y/E Dec	2004	2005	2006	2007F
Book Value (RM)	1.16	1.25	1.39	1.56
Cash Flow (sen)	15.2	16.5	20.6	25.2
Earnings (sen)	14.9	16.3	20.4	25.0
Dividend (sen)	10.5	11.0	10.0	11.0
Payout Ratio	51.5	51.8	35.5	31.7
PER (x)	12.9	11.8	9.4	7.7
P/Cash Flow (x)	12.6	11.7	9.3	7.6
P/Book Value (x)	1.9	1.8	1.6	1.4
Dividend Yield (%)	5.5	5.7	5.2	5.7
ROE (%)	12.6	12.2	14.6	16.0
Net Gearing (%)	20.3	18.9	16.6	21.4

### P&L Analysis (RM m)

Year-end: Dec	2004	2005	2006	2007F
Revenue	122.0	168.7	265.3	310.3
Operating Profit	53.4	77.4	102.7	125.1
Depreciation	(0.7)	(0.7)	(0.8)	(1.0)
Interest Expenses	(3.2)	(2.5)	(4.1)	(4.5)
Pre-tax Profit	51.0	75.0	98.7	121.0
Effective Tax Rate	24.9	28.6	27.2	27.0
Net Profit	38.3	53.6	71.8	88.3
Operating Margin (%)	43.8	45.9	38.7	40.3
Pre-tax Margin (%)	41.8	44.5	37.2	39.0
Net-Margin (%)	31.4	31.8	27.1	28.5

### Share Price Chart



### FY06 Highlights:

(RMm)	Q406	Q306	% chg	FY06	FY05	% chg
<b>Revenue</b>	80.5	89.0	(10)	265.3	168.7	57
Op Profit	28.0	26.2	7	102.8	77.5	33
Int expense	(1.3)	(0.9)	47	(4.1)	(2.5)	61
<b>Pretax profit</b>	26.7	25.3	6	98.7	75.0	32
Net profit	18.9	18.3	4	71.8	53.6	34
<b>EPS (sen)</b>	5.4	5.2	3	20.4	16.3	26
Op margin %	34.8	29.4		38.8	46.0	
Pretax margin%	33.2	28.4		37.2	44.5	
Net margin %	23.5	20.6		27.1	31.8	

**FY06 results were within expectations.** Despite the lacklustre property market, YNH Property Berhad (YNH) posted a 57% Y/Y rise in revenue in FY06, underpinned by stronger contributions from its property development projects in Perak and Klang Valley. Pretax profit rose by a smaller 32% due to lower margins while FY06 EPS grew by 26% Y/Y to 20.4 sen on a 7% rise in weighted share capital to 351.9m shares. YNH proposed a final gross dividend of 5 sen, bringing the total gross dividend in FY06 to 10.0 sen. This is slightly below our projection of 11 sen per share.

**Strong momentum should continue into 2007.** YNH is confident of better results in FY07, underpinned by higher contributions from its projects in Kuala Lumpur. It is currently developing several projects with gross development value (GDV) of over RM4b. Looking ahead, property development projects in Klang Valley are expected to generate 80% of group profit, with the 20% balance from its Perak projects.

**Table 1: YNH's property projects**

	GDV (RMm)	Area (acre)
<b>Projects in Kuala Lumpur</b>	<b>2440</b>	
Lot 163 Suites, Jalan Perak	280	1.0
Ceriaan Kiara, Mont' Kiara	160	3.1
Wisma YNH, besides Shangri-La Kuala Lumpur	1000	3.0
Land behind Renaissance KL along Jalan Sultan Ismail	200	2.0
Projects 1-5 Duta (near Duta Nusantara & Duta Solaris)	800	18.0
<b>Projects in Perak</b>	<b>2300</b>	
Manjung Point	2300	782

- **Lot 163 Suites** – The project is located in Jalan Perak (next to Wisma Hong Leong), and comprises service apartments, a retail arcade and an office tower. Its GDV has risen to RM280m from RM218m, due to an increase in lettable office space to around 100,000 sq ft. Take-up rate for the service apartments is around 90%, while the office block is up for en-bloc sale.
- **Ceriaan Mont Kiara** – The project, which is expected to be launched soon, is in the affluent Mont Kiara area and will have 238 units of high-end condominiums. The GDV is now higher at RM160m from RM140m previously, thanks to an increase of its selling price to RM360 psf.
- **Wisma YNH** – The flagship project is located next to Shangri-La Hotel Kuala Lumpur, and will be developed in a joint venture (60:40) with Singapore's CapitaLand Limited. The iconic project, with 1.2m sq ft of Grade A office and retail space, has an estimated GDV of RM1b. Construction is expected to start in mid-2007, with completion slated for 2011. The MOU was signed on 20 Dec 2006; a definitive agreement will be signed once the relevant approvals have been obtained.
- **Manjung Point** – Manjung Point, YNH's flagship project in Perak with a GDV of RM2.3b, will be developed over 20 years. More than 60% of buyers are civil servants – mainly navy personnel at the nearby Lumut Naval Base. This project clearly benefits from having a near-by captive market. YNH is the largest property developer in the Manjung district, with an estimated market share of 65-70%. Annual output is about 500 residential and commercial units, with respective average selling prices of RM100,000 and RM350,000 per unit.

YNH also secured several parcels of prime land in Kuala Lumpur (behind Renaissance Kuala Lumpur) and Mont Kiara (Project 1-5 Duta/Solaris), measuring 20 acres. These land parcels – which were acquired in joint ventures with landowners, who will receive a percentage

of GDV – are expected to have a combined GDV of RM1b and will start to contribute in 2009.

YNH will continue to scout for prime land in the Klang Valley. This includes a 6-acre land near Plaza Mont Kiara, which could be developed jointly with several foreign parties into an integrated commercial development with a GDV of at least RM0.5b.

#### Finance & dividends

Balance sheet is healthy, with net gearing of about 17% as of Dec 2006. Dividends-wise, YNH's policy is to allocate at least 30% of its net profit as dividends. With better profits, we expect YNH to raise its gross dividend to 11 sen per share in FY07, translating to a net payout of 32%.

#### Balance Sheet

Y/E 31 Dec (RMm)	2004	2005	2006	2007F
Total Assets	461.1	623.1	668.8	771.0
Fixed Assets	114.5	166.1	147.8	151.8
Current Assets	166.9	330.7	369.9	418.2
L T Assets	179.7	126.3	151.0	201.0
Current Liabilities	111.4	125.8	129.7	121.7
L T Liabilities	46.1	57.8	46.1	96.1
Share Capital	261.3	350.6	354.0	354.0
Shareholders Funds	303.6	439.4	493.0	553.3

#### Major shareholders

The Yu family now controls about 20% of YNH while the Employees Provident Fund holds another 7.6%. The Yu family also owns 20.7% of Rapid Synergy Berhad (RSB), a company listed on the Second Board of Bursa Malaysia. RSB is involved in property development, property investments and the precision tools business. We have been assured that YNH will remain the property development arm of the Yu family; and the family's long-term plan is to make RSB its property investment arm.

#### Attractive valuations; BUY retained

YNH remains attractively valued, at 7.7x FY07 PER and a projected dividend yield of more than 5%. A re-rating to a PER of 9x will translate to a target price of RM2.25.

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