

Recommendation: **BUY**

Stock Code: 3158

Bloomberg: YNHB MK

Price: MYR3.12

12-Month Target Price: MYR3.40

Date: April 17, 2007

Board: Main

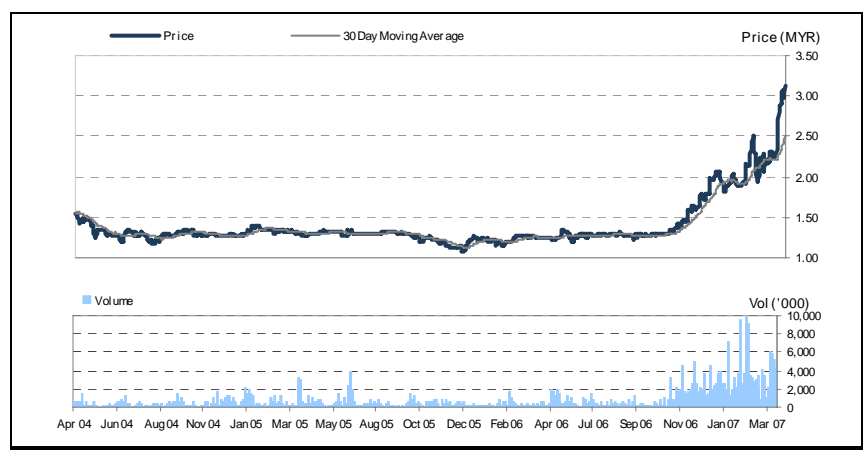
Sector: Property

GICS: Financials/Real Estate Management & Development

Market Value - Total: MYR1,101.7 mln

Summary: YNH Property (YNHP) was listed on the Main Board in Dec. 2003 and has businesses in property development, property investment, contract works and hotel operations.

Analyst: Ching Wah Tam



Results Review & Earnings Outlook

- YNHP's 1Q07 results were within our expectations. 1Q07 net profit of MYR20.9 mln came in at 24% of our full-year forecast of MYR87.1 mln.
- Revenue rose 13% YoY to MYR57.6 mln in 1Q07 on the back of higher earnings recognition from Lot 163 Suites in Kuala Lumpur as well as Manjung Point Township in Perak.
- 1Q07 net profit rose 24% YoY to MYR20.9 mln due mainly to higher progressive recognition from various projects. Gross margin improved slightly to about 50% in 1Q07 from 48% in 1Q06. Nevertheless, the overall gross margin was within management's earlier indication of around 40%-50%.
- YNHP will be launching its condominium project in Mount Kiara this year. More importantly, it has recently signed two separate memoranda of understanding: (i) to form a 60:40 joint venture with Capitaland (CAPL SP, S\$8.65, Hold) to develop its 3-acre land at Jalan Sultan Ismail into an iconic class A commercial complex worth MYR1 bln; and (ii) to acquire a 70% stake in an integrated commercial project with a gross development value of MYR550 mln in Mont Kiara.
- We maintain our 2007 and 2008 net profit estimates. Going forward, YNHP should see strong contribution from not only its existing niche projects, but also potential projects that it is negotiating to acquire in strategic locations in the Klang Valley.

Key Stock Statistics

FY Dec.	2006	2007E
Reported EPS (sen)	20.3	24.4
PER (x)	15.4	12.8
Dividend/Share (sen)	11.0	11.0
NTA/Share (MYR)	1.34	1.50
Book Value/Share (MYR)	1.39	1.55
No. of Outstanding Shares (mln)	353.1	
52-week Share Price Range (MYR)	1.20 - 3.12	
Major Shareholders:	%	
Yu family	24.1	
EPF Board	6.6	
Prudential Plc	5.6	

Recommendation & Investment Risks

- We downgrade our recommendation to Buy from Strong Buy despite revising our 12-month target price to MYR3.40 from MYR2.76. We have rolled forward our valuation metrics by one year. We assign a PER of 12x (previously 11x) to our 2008 EPS estimate of 24.4 sen and add the projected net DPS of 7.9 sen to arrive at our target price.
- We have raised our target PER multiple to 12x (previously 11x), which is in line with our revised valuation metrics of 9x-12x PER for niche developers. The bulk of YNHP's earnings will be coming from its various niche property projects in Kuala Lumpur.
- In our view, YNHP's immediate earnings will be supported by its current unbilled sales of more than MYR1 bln. Apart from its soon-to-be-launched MYR130 mln Radiant Kiara, YNHP has five other projects in the pipeline, which will underpin earnings over the next 10 years. YNHP has secured another 12 acres of land in Mount Kiara and two acres along Jalan Sultan Ismail through joint ventures with landowners for the development of high-end condominium projects. The total gross development value is estimated to be over MYR900 mln.
- Risks to our recommendation and target price include an environment of rising mortgage rates, which may dampen take-up rates and buying sentiment.

Per Share Data

FY Dec.	2004	2005	2006	2007E
Book Value (MYR)	1.16	1.25	1.39	1.55
Cash Flow (sen)	12.7	16.4	20.5	24.6
Reported Earnings (sen)	14.9	16.3	20.3	24.4
Dividend (sen)	10.5	11.0	11.0	11.0
Payout Ratio (%)	69.5	52.2	39.0	32.5
PER (x)	20.9	19.2	15.4	12.8
P/Cash Flow (x)	10.3	7.8	6.5	12.7
P/Book Value (x)	2.7	2.5	2.2	2.0
Dividend Yield (%)	3.4	3.5	3.5	3.5
ROE (%)	10.8	14.3	15.4	16.6
Net Gearing (%)	30.3	18.9	16.6	10.7

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Quarterly Performance

FY Dec. / MYR mln	1Q07	1Q06	% Change
Reported Revenue	57.6	51.2	12.6
Reported Operating Profit	28.8	24.6	16.9
Depreciation & Amortization	0.0	0.0	NA
Net Interest Income / (Expense)	-0.6	-1.2	-49.9
Reported Pre-tax Profit	28.1	23.3	20.6
Reported Net Profit	20.9	16.9	23.7
Reported Operating Margin (%)	49.9	48.1	-
Reported Pre-tax Margin (%)	48.8	45.6	-
Reported Net Margin (%)	36.2	33.0	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2005	2006	2007E	2008E
Reported Revenue	168.7	265.3	309.3	353.6
Reported Operating Profit	77.5	102.8	125.0	142.9
Depreciation & Amortization	-0.7	-0.8	-0.7	-0.8
Net Interest Income / (Expense)	-2.4	-4.0	-2.2	-2.2
Reported Pre-tax Profit	75.0	98.7	117.6	134.6
Effective Tax Rate (%)	28.6	27.2	26.0	26.0
Reported Net Profit	53.6	71.8	87.1	99.6
Reported Operating Margin (%)	46.0	38.8	40.4	40.4
Reported Pre-tax Margin (%)	44.5	37.2	38.0	38.1
Reported Net Margin (%)	31.8	27.1	28.1	28.2

Source: Company data, S&P Equity Research

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Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

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Recommendation and Target Price History

Date	Recommendation	Target Price
New	Buy	3.40
2-Apr-07	Strong Buy	2.76
13-Feb-07	Buy	2.30
3-Nov-06	Hold	1.51
5-Sep-06	Hold	1.42
22-Feb-06	Hold	1.35
9-Dec-05	Buy	1.35

