

1QFY6/2009 Result

UNDERPERFORM

(Downgrade)

Current Price RM1.30

Target Price RM0.58

Catalyst:

Prime area development.

Market Data

Bloomberg Ticker	HPB MK
Shares Issued ('mil)	147.327
Market Capitalisation (RM'mil)	191.53
52 Week Hi/Lo Price (RM)	2.80 / 1.00
Average Volume – 3M ('000)	63.144
Est Free Float (%)	36.9
YTD Returns (%)	(49.9)
Beta (x)	0.9
Net Gearing (x)	0.55
Book Value/Share (RM)	2.27
Dividend Yield (%)	4.7

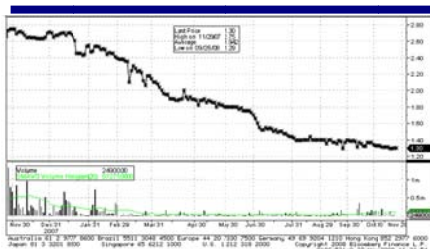
Major Shareholders (%)

Dato' Khor Teng Tong	53.8
Yayasan Bumiputra Pulau Pinang Bhd	8.1

Valuation:

Price (RM)	1.30
Valuation Method	PER
Price / Earnings Ratio (x)	6.61
Target Price (RM)	0.58
Consensus	2.27
Expected Share Price Return (%)	(55.4)
Expected Dividend Yield (%)	4.7
Expected Total Return (%)	(50.7)

1-Year Share Price Performance



Source: Bloomberg

Hunza Properties Berhad

- ◆ **Downturn affect was underrated.** It is unquestionable that we had anticipated cloudy prospect for the sector. However, the anticipated rocky time for property sector has been more appalling on the Group's earnings than projected. 1QFY6/2009 earnings dropped significantly as a result to slowdown in sales and construction progress as demand tapered off in the current economic condition. Gross profit and pretax profit plunge down to RM7.3million and RM7.5million from RM21.1million and RM17.3million or 65.4% and 57.1% q-o-q respectively. Pretax profit for the quarter was cushioned by JV income of RM3.8million.
- ◆ **Marginal revenue realised despite steady unbilled sales.** Property development segment was adversely affected by these slowdowns. Only RM18.8million revenue was realised for the quarter from total unbilled sales of RM256.3million. The revenue posted by property development segment shrunk 68.2% from RM59.2million.
- ◆ **Major contributor by Mutiara Seputeh.** Current quarter results were mainly attributable to Mutiara Seputeh development, with Alila, Gurney Paragon and Infinity contributing a total of 42% to the revenue.
- ◆ **Margins remain stable.** The Group had efficiently managed the raising cost that has been hurting the bottomline of most developers across the board. 1QFY6/2009 PBT margin was 30% or 4% higher q-o-q. Property development segmental PBT margin was strong at 45%. We believe that the Group has opted to slower construction in order to shield margin from eroding. With smaller revenue, we view that it is crucial for the Group to maintain healthy hefty and hefty margins. With inflationary pressure easing, we remain positive on their profitability.

FY June	2006A	2007A	2008A	2009F
Revenue (RM'million)	116.64	186.73	245.14	110.39
EBITDA (RM' million)	35.50	58.22	70.43	36.33
Pretax Profit (RM' million)	34.81	57.50	68.34	34.61
Net Profit (RM' million)	19.78	42.27	49.07	24.92
Net Profit Margin	17.0%	22.6%	20.0%	22.6%
EPS (sen)	8.27	26.64	32.87	15.22
EPS Growth	33.96%	221.94%	23.41%	(47.4%)
PER (x)	18.13	5.63	4.56	9.85
Dividend Yield	5.0%	5.0%	5.0%	4.7%
DPS (sen)	7.500	7.500	7.500	7.0
PBV (x)	1.04	0.79	0.67	0.62
ROE	5.7%	14.0%	14.7%	6.3%
ROA	2.9%	7.5%	9.1%	3.4%
EBITDA Margin	30.4%	31.2%	28.7%	32.9%
EBIT Margin	29.4%	30.8%	28.4%	30.8%
Net Gearing Ratio	1.05	1.16	0.49	1.29

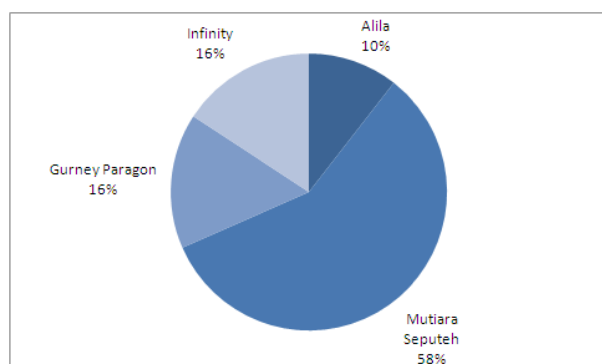
Analyst: Fatimah Zahra Fadzil

Email: fatimah@interpac.com.my

Figure 1: 1QFY6/2009 Results

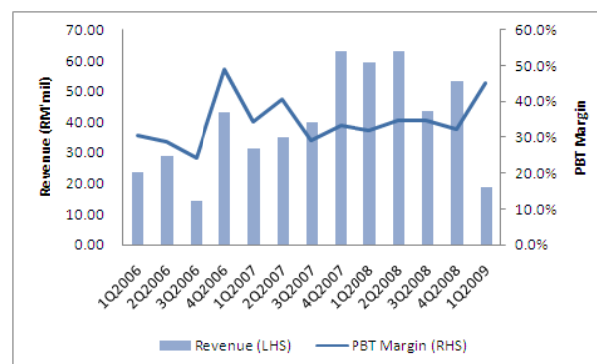
Quarter:	1QFY6/2009					
	Current Yr Quarter	Previous Yr Quarter	% change	Current Yr To Date	Previous Yr Period	% change
Revenue ('mil)	25.21	67.73	(68.8)	25.21	67.73	(68.8)
Pretax Profit ('mil)	7.53	17.53	(57.1)	7.53	17.53	(57.1)
Net Profit ('mil)	5.39	12.46	(56.8)	5.39	12.46	(56.8)
EPS (sen)	3.86	8.26	(53.3)	3.86	8.26	(53.3)
NA per share (RM)				2.14	1.98	

Figure 2: Revenue Contributors



Source: IPR

Figure 3: Quarterly Revenue & PBT Margin



Source: IPR

- ◆ **Tough year ahead.** The major challenge for HPB is delay in construction, which will disrupt their revenue realized from unbilled sales. In view of the current downturn, we have reviewed down our forecast on the Group's revenue by 65% for FY6/2009 based on their 1QFY6/2009 financial performance. This would knock off pretax earnings projection by 55% or about RM35million. On average, estimated ROA and ROE shrink down by half to 3.4% to 6.3% respectively. However, we expect margins to remain healthy in the range of 20% - 30%.
- ◆ **UNDERPERFORM.** As we do not expect any significant changes in the current environment for their next financial year, we recommend UNDERPERFORM at fair value of RM0.58 based on revised EPS of 15.2sen from the initial projection of 30.8sen and forward industry's PER of 3.8x.

Ratings System

Ratings:	Description:
OUTPERFORM	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
UNDERPERFORM	Total return is expected to be below -15% in the next 12 months

Abbreviation

Abbrreviation	Definition	Abbrreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
m-o-m	Month-on-Month	PAT	Profit After Tax
q-o-q	Quarter-on-Quarter	EV	Enterprise Value
y-o-y	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT, Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value	PBV	Price per Book Value

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