

25 August 2009

HOLD
RM1.43

Target Price: RM2.32

Stock data

Market cap (RMm):	215.5
Issued shares (m):	150.7
52-week range:	RM0.93-RM1.68
3-mth avg daily volume:	102,605 shrs
Bloomberg code:	HPB MK
YTD price chg:	+12.6%
YTD KLCI chg:	+34.0%
Est. free float:	33.92%
Major shareholders:	
Dato' Dr Khor Teng Tong:	50.84%
Lembaga Tabung Haji:	8.01%
Yayasan Bumiputera	7.23%
Pulau Pinang Bhd:	

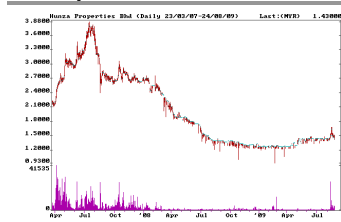
KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

Consensus

FYE 30 Jun	2010E	2011E
Net profit (RMm):	32.5	29.2
EPS (sen):	22.0	20.7

Forecast revision

FYE 30 Jun	2010E	2011E
Prev. net profit (RMm):	28.9	22.2
Revision (%):	+12%	+19%
Revised net profit (RMm):	32.3	26.4

Share price chart

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Hunza Properties

4Q09 sales promising, but we remain cautious

- FY09 net profit of RM27.6m is above expectations**, versus our FY09E net profit of RM24.6m and consensus' RM24.7m. Hunza Properties (Hunza) also proposed **FY09 DPS of 5.6sen** (-39% YoY), or 3.9% yield. **4Q09 sales more than doubled to RM23m** (+109% QoQ). Improved property market sentiments and new Penang Island launches (e.g. The Light Linear) has interests renewed for Infinity and Gurney Paragon Condo (GPC), which made-up 70% of 4Q09 sales. However, overall FY09 sales of RM56m remain below FY08's RM374m given absence of new launches since Infiniti and GPC.
- YoY, FY09 net profit fell 43%**. There were more significant billings from Alila and Mutiara Seputeh in FY08. Also, GPC also experienced slower progress billings as contractors fell behind schedule on foundation works in 1Q09, in addition to FY09's overall weaker sales environment.
- 4Q09 pretax profit grew 44% QoQ to RM12.9m**, on the back of higher billings from Infiniti (project management venture). Hence, share of profits grew 39% QoQ to RM9.7m. Infiniti is ahead of schedule with targeted completion in CYE09.
- FY10-11E net profit raised by 12%-19% to RM32.3m-RM26.4m**. Management stated that GPC sales post FYE09 is promising, although figures were not disclosed. Nonetheless, we remain weary of Penangites' perception of GPC post stop-work order (already lifted) and would like to see confirmation of next quarter's sales. Therefore, we are assuming very gradual GPC take-up rates, as oppose to our previous worse-case scenario assumptions of no future sales. Our upward revision is mainly driven by stronger Infiniti sales; we expect take-up rates to accelerate closer to project completion, improved property sentiments and new launches.
- Higher fair value of RM2.32 (from RM2.17)** based on our SOP RNAV, to reflect the above changes. Although a 62% upside to current price, there is a high likelihood of Hunza being weighed down by GPC's stop-work order incident. In fact, Hunza did not enjoy the recent property stock run-ups; Ytd returns of +17% falls short of KLPRP's +51% and its peer's +44%. It's **historical forward PER of 6.7x applied on our FY10E EPS of 22.2sen is currently more reflective at RM1.49**. However, management's optimism on GPC sales post the incident means we are likely to upgrade our call upon confirmation of stronger GPC sales. **Maintain HOLD**.

Results Highlights

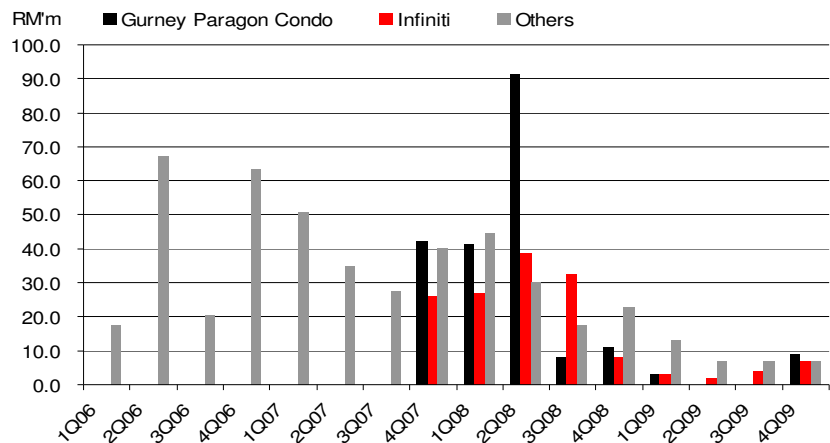
FYE: 30 Jun (RMm)	4Q08	1Q09	2Q09	3Q09	4Q09	±QoQ	±YoY	FY08	FY09	±Ytd
Revenue	53.3	25.2	24.7	18.6	23.3	25%	-56%	245.1	91.8	-63%
Profit share from proj mgmt	7.0	3.8	5.9	7.0	9.7	39%	38%	12.7	26.3	-64%
EBITDA	16.6	8.6	10.6	10.0	13.9	39%	-16%	73.0	43.0	-38%
Net int inc/(exp)	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	-17%	-45%	(1.4)	(1.1)	-17%
Pretax profit	14.9	7.5	9.7	9.0	12.9	44%	-13%	68.3	39.1	-43%
Taxation	(4.7)	(2.1)	(2.6)	(2.7)	(3.4)	27%	-27%	(19.3)	(10.9)	-44%
Minority Interest	(0.0)	0.2	(0.3)	(0.5)	(0.1)	-80%	108%	(0.6)	(0.7)	6%
Net profit	10.1	5.6	6.8	5.8	9.4	63%	-7%	48.4	27.6	-43%
EPS (sen)	6.88	3.86	4.67	4.01	6.46	61%	-6%	34.31	19.00	-45%
DPS (sen)	5.50	0.00	0.00	0.00	5.60			9.20	5.60	-39%
NTA/share (RM)	2.08	2.11	2.09	2.10	2.16	3%	4%	2.08	2.16	4%
Net gearing (x)	0.43	0.26	0.27	0.30	0.26			0.43	0.26	
EBITDA margin	31.1%	33.9%	43.1%	53.5%	59.6%			29.8%	46.9%	
Pretax margin	27.9%	29.9%	39.2%	48.2%	55.6%			27.9%	42.6%	
Effective tax rate	31.5%	28.5%	27.0%	30.0%	26.4%			28.2%	27.8%	

Results Review

QoQ (RMm)	3Q09	4Q09	QoQ Chg	Comments
Revenue	18.6	23.3	25%	Rise because of more GPC sales.
Pretax Profit	9.0	12.9	44%	Growth driven by Infiniti's contributions.
Net Profit	5.8	9.4	63%	Boosted by lower effective tax rates.

Ytd-YoY (RMm)	FY08	FY09	YoY Chg	Comments
Revenue	245.1	91.8	-63%	Fall due to preceding period's significant billings from Alila and Mutiara Seputeh and lower billings from GPC due to delayed works in 1Q09.
Pretax Profit	68.3	39.1	-43%	Fall partly softened by less interest rates due to lower borrowings.
Net Profit	48.4	27.6	-43%	Decline was cushioned slightly by higher contributions from Infiniti (profit share from project management)

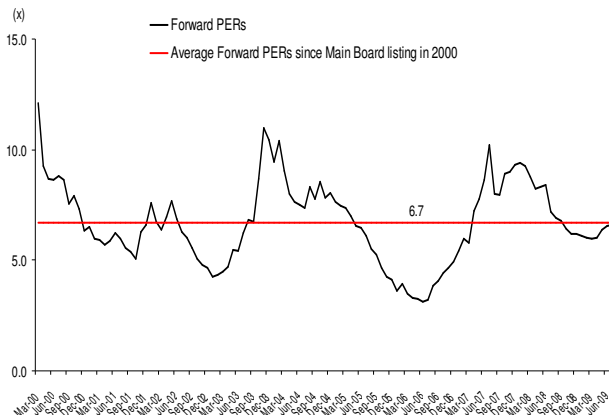
Sales as at 30/6/09



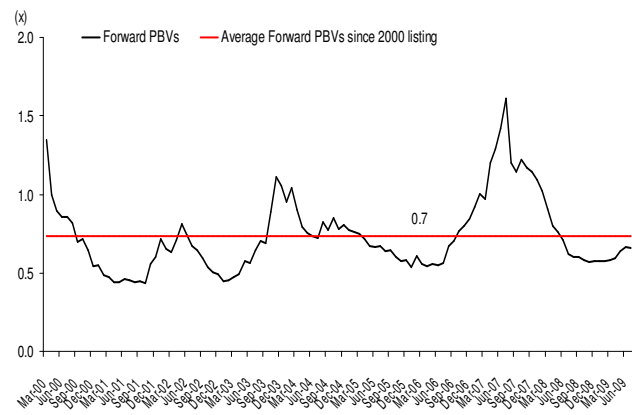
Source: Company, Kenanga Research

Note: Others includes Alila, MS, BPB and/or Sungai Petani

Forward PER



Forward PBV



Source: Kenanga Research

Earnings Estimates

FYE: 30 Jun (RMm)	2008A	2009A	2010E	2011E	2012E
Revenue	245	92	166	130	89
Pretax profit	68	39	46	36	24
Net profit	48	28	32	26	16
Net profit growth (%)	23%	-43%	17%	-18%	-38%
Recur. Net Profit	47	28	32	26	16
EPS (sen)	33.2	18.9	22.2	18.1	11.2
EPS growth (%)	23%	-43%	17%	-18%	-38%
Diluted EPS (sen)	35.0	20.8	23.7	19.6	12.6
DPS (sen)	9.2	5.6	5.6	5.6	5.6
NTA/ share (RM)	2.10	2.24	2.18	2.30	2.36
PER (x)	4.3	7.6	6.4	7.9	12.8
Diluted PER (x)	4.1	6.9	6.0	7.3	11.4
P/NTA (x)	0.7	0.6	0.7	0.6	0.6
EV/EBITDA (x)	4.6	7.7	6.6	8.0	11.6
ROE %	17.2%	8.7%	10.0%	8.1%	4.8%
Dividend Yield (%)	6.4%	3.9%	3.9%	3.9%	3.9%


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