BUY
RM2.69

Target Price: RM4.37

Hunza Properties

Promising results

Stock data

Market cap (RMm):	366.8
Issued shares (m):	136.3
52-week range:	RM1.64-RM3.88
3-mth avg daily volume:	576,671 shrs
Bloomberg code:	HPB MK
Syariah	Yes
YTD price chg:	42.1%
YTD KLCI chg:	26.2%
Est. free float:	40.6%
Major shareholders:	
Dato' Dr Khor Teng Tong:	*53.35%*
Goh Boon Leong:	*8.12%*
Yayasan Bumiputera Pulau Pinang Bhd:	*7.99%*

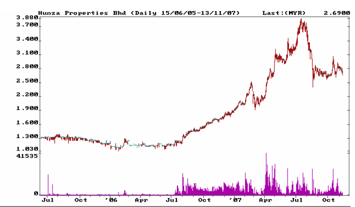
Consensus

FYE 30 Jun	2008E	2009E
Net profit (RMm):	53.3	70.7
EPS (sen):	31.2	40.5

Forecast revision

FYE 30 Jun	2008E	2009E
Revision (%):	-	-
Net profit (RMm):	62	78

Share price chart



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- **1Q08 net profit of RM12m was below our expectations,** while being within street estimates, and accounted for 19% of our full FY08E forecast of RM62m. Typically, 1H numbers tend to be softer than 2H. For example, 1Q07 and 1H07 accounted for 18% and 40% of FY07 net profit, respectively. Furthermore, 1Q08 was subjected to the monsoon season slightly slowed down construction progress, and hence profit recognition, in comparison to 2H performances.

- **Sharp YoY growth in 1Q08 pretax profit of 62% to RM18m**. This was due to higher profit recognition for Alila and Mutiara Seputeh (MS), which recorded an 85% and 70% take-up rate, respectively, as at 30 September 2007. The promising take-up rate for MS is likely to be similar for the MS bungalows; the bungalows achieved a 31% take-up, as at 30 September 2007.

- **25% QoQ fall in 1Q08 net profit,** mainly attributed to higher 4Q07 net profit which included RM3m in revaluation gains from investment properties. EBITDA margins declined on a QoQ basis from 37% to 27% due to high initial construction cost from Infiniti and Gurney Paragon while progress billings are still low.

- **Promising results ahead**, as Infiniti and Gurney Paragon have each recorded 22% take-up rate since its launch mid this year. Given both projects' iconic appeal, we expect quicker take-up rates than typical Penang properties. Furthermore, there will be more profit recognition and accelerated sales from Alila and MS as the project nears completion in 3Q08.

- Therefore, we are **maintaining our forecast** for FY08E net profit of RM62m. We are confident of Hunza's performance as unbilled sales stand strong at RM194m, excluding Infiniti's unbilled sales of RM53m, at end 1Q08. Recall that Hunza recognizes earnings from Infiniti as project management profits at a pre-tax level.

- **Maintain BUY call** with **target price RM4.37,** based on our fully diluted conservative sum of parts RNAV. FY08E and FY09E PER remains attractive at 6x and 5x (7x and 6x on a fully diluted basis), respectively. **Maintain BUY.**

Results Highlights

FYE: 30 Jun (RMm)	1Q07	2Q07	3Q07	4Q07	1Q08	QoQ chg	YoY chg
Revenue	36.4	39.3	44.7	69.7	67.7	-3%	86%
Operating costs less depn/amort	(25.2)	(25.6)	(32.8)	(47.1)	(49.8)	6%	97%
Other Operating Income	0.4	0.3	0.3	3.1	0.2	-93%	-40%
EBITDA	11.5	14.0	12.1	25.8	18.2	-29%	58%
EBIT	10.9	13.3	11.5	25.1	17.5	-30%	62%
Net int inc/(exp)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	20%	0%
Pretax profit	**10.8**	**13.3**	**11.5**	**25.1**	**17.5**	**-30%**	**62%**
Net profit	**7.2**	**8.4**	**7.7**	**16.1**	**12.1**	**-25%**	**67%**
EPS (sen)	6.4	7.4	6.7	13.7	8.9	-35%	40%
Diluted EPS (sen)	6.4	7.1	5.9	13.0	8.3	-37%	30%
NTA/share (RM)	1.7	1.7	1.8	1.9	2.0	3%	14%
Net gearing (x)	0.5	0.5	0.5	0.4	0.4		
EBITDA margin	32%	36%	27%	37%	27%		
Pretax margin	30%	34%	26%	36%	26%		
Effective tax rate	29%	29%	26%	33%	29%		

Results Review

QoQ (RMm)	1Q08	4Q07	QoQ Chg	Comments
Pretax Profit	17.5	25.1	-30%	4Q07 results included RM2.9m revaluation gains from investment properties
Net Profit	12.1	16.1	-25%	Decline due to the monsoon season which slowed construction progress, and hence, profit recognition. 4Q numbers tend to significantly outperform 1Q ones.

YoY (RMm)	1Q08	1Q07	YoY Chg	Comments
Revenue	67.7	36.4	86%	Sharp improvement due to accelerated take-up rates from Mutiara Seputeh and Alila, which recorded take-up rates of 70% and 85%, respectively, as at end 1Q08.
Pretax Profit	17.5	10.8	62%	Better recognition from Bandar Putra Bertam Phase 2C as the project nears completion in December 2007, while take-up rates are gradually increasing.
Net Profit	12.1	7.2	67%	More profit recognition from Mutiara Seputeh and Alila as the projects near its completion date in 3Q08.

Earnings Estimates

FYE: 30 Jun (RMm)	2006	2007	2008E	2009E	2010E
Revenue	117	190	286	338	384
Pretax profit	35	61	92	119	137
Net profit	20	39	62	78	87
Net profit growth (%)	21%	99%	58%	25%	12%
EPS (sen)	14.6	29.1	46.1	57.4	64.6
EPS growth (%)	21%	99%	58%	25%	12%
Diluted EPS (sen)	17.3	25.0	39.6	49.3	55.4
NDPS (sen)	5.4	6.6	10.5	13.1	14.7
NTA/ share (RM)	1.41	1.88	2.02	2.41	2.85
PER (x)	18.4	9.2	5.8	4.7	4.2
Diluted PER (x)	15.5	10.8	6.8	5.5	4.9
P/NTA (x)	1.9	1.4	1.3	1.1	0.9
EV/EBITDA (x)	15.5	8.6	5.7	4.5	3.9
ROE %	10.6%	17.6%	23.5%	25.7%	24.4%
Dividend Yield (%)	2.8%	3.4%	5.4%	6.7%	7.5%

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