

21 May 2009

**BUY**  
**RM1.44**

Target Price: RM2.70

**Stock data**

Market cap (RMm):	217.0
Issued shares (m):	150.7
52-week range:	RM0.93-RM1.87
3-mth avg daily volume:	37,541 shrs
Bloomberg code:	HPB MK
YTD price chg:	+13.4%
YTD KLCI chg:	+18.9%
Est. free float:	33.35%
Major shareholders:	
Dato' Dr Khor Teng Tong:	51.41%
Lembaga Tabung Haji:	8.01%
Yayasan Bumiputera	7.23%
Pulau Pinang Bhd:	

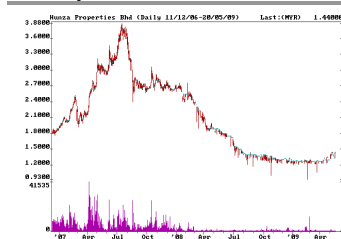
KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

**Consensus**

FYE 30 Jun	2009E	2010E
Net profit (RMm):	25.2	34.3
EPS (sen):	17.2	23.2

**Forecast revision**

FYE 30 Jun	2009E	2010E
Prev. net profit (RMm):	25.9	31.4
Revision (%):	-	-
Revised net profit (RMm):	25.9	31.4

**Share price chart**

 The Research Team Tel: 603-2713 2292  
[research@kenanga.com.my](mailto:research@kenanga.com.my)

# Hunza Properties

## 9M09 within expectations

- 9MFYE30June09 net profit of RM18.2m came within expectations**, making-up 70% of our FY09E RM25.9m net profit and 72% of consensus' RM25.2m. Hunza Properties (Hunza) **3Q09 sales showed 22%-33% QoQ improvement**, using our estimated 3Q09 sales of RM11m-RM12m (based on an average RM4m/month sales over 9M09). Infiniti registered RM4m of new sales with a 58% take-up (+2ppt QoQ), but Gurney Paragon condominiums (GPC) remain flat at 51%. We opine that its 70% owned Bandar Putra Bertam has made some sales in 3Q09 based on a 67% QoQ increase in MI payments to RM0.5m.
- 9M09 net profit fell 53% YoY**. Slower progress billings from GPC as contractors were falling behind schedule on foundation works in 1Q09. Construction is now under the helm of Hunza, providing more project control. Works schedule is said to be back on track at 26% completion as at mid 4Q09.
- QoQ, 3Q09 pretax profit of RM9.0m is 7% lower**. Hunza's share of profit from Infiniti of RM7.0m was 18% higher QoQ due to advance billings stages. Targeted completion is by end CY09 or 6-9mths ahead of schedule. Completion is currently at 58%.
- Maintain FY09E-10E net profit of RM25.9m-RM31.4m**. The main FY09 earnings driver is Infiniti. GPC will fuel FY10 earnings as superstructure works will be in full swing in 2-3 months, suggesting higher earnings recognition in FY10 when progress of works is above ground level. c.RM209m unbilled sales (31/3/09) gives 1.5-2 years earnings visibility.
- A laggard within the property sector with a 13% Ytd capital appreciation versus peer's average of 41%**. Hunza has been overly discounted as a property player in the heavily impacted manufacturing hub of Penang and exposure in the premium residential segment. But we expect sales to improve further given 1) a better economic outlook 2) tendency for sales to accelerate in Penang when projects are near completion 3) commencement of GP mall works which will boost GP condo sales. **Already April 09 sales are promising at RM10m versus the average RM4m/month**.
- Valuations remain attractive** with 1) FY09,10E PERs of 7.9x, 6.5x trading cheaply versus peer averages of 15.3x, 12.1x and 2) FY10E PBV of 0.7x is a 22% discount to peers (0.9x) and 13% cheaper than historical averages (0.8x). **Reiterate BUY with RM2.70 fair value**.

**Results Highlights**

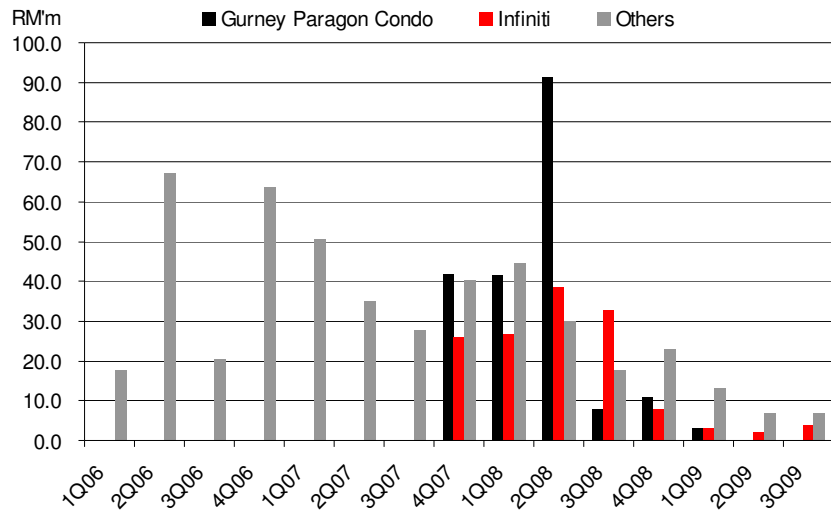
FYE: 30 Jun (RMm)	3Q08	4Q08	1Q09	2Q09	3Q09	±QoQ	±YoY	9M08	9M09	±Ytd
Revenue	54.1	53.3	25.2	24.7	18.6	-25%	-66%	191.9	68.5	-64%
Operating costs less deprn/amort	(42.9)	(44.2)	(21.0)	(20.7)	(16.1)	-23%	-63%	(142.6)	(57.8)	-59%
Other Operating Income	0.3	0.5	0.6	0.8	0.4	-44%	30%	1.4	1.8	32%
Profit share from proj mgmt	3.5	7.0	3.8	5.9	7.0	18%	97%	5.7	16.6	-71%
EBITDA	15.0	16.6	8.6	10.6	10.0	-6%	-34%	56.4	29.2	-46%
Net int inc/(exp)	(0.9)	(0.4)	(0.3)	(0.3)	(0.3)	6%	-69%	(0.9)	(0.9)	-3%
<b>Pretax profit</b>	<b>13.4</b>	<b>14.9</b>	<b>7.5</b>	<b>9.7</b>	<b>9.0</b>	<b>-7%</b>	<b>-33%</b>	<b>53.5</b>	<b>26.2</b>	<b>-51%</b>
Taxation	(3.7)	(4.7)	(2.1)	(2.6)	(2.7)	3%	-28%	(14.6)	(7.5)	-49%
Minority Interest	(0.0)	(0.0)	0.2	(0.3)	(0.5)	67%	1050%	(0.6)	(0.6)	-2%
<b>Net profit</b>	<b>9.7</b>	<b>10.1</b>	<b>5.6</b>	<b>6.8</b>	<b>5.8</b>	<b>-14%</b>	<b>-40%</b>	<b>38.3</b>	<b>18.2</b>	<b>-53%</b>
EPS (sen)	6.37	6.88	3.86	4.67	4.01	-14%	-37%	27.43	12.54	-54%
Dil EPS (sen)	6.21	6.80	n.a.	n.a.	n.a.			25.97	n.a.	
NTA/share (RM)	2.05	2.08	2.11	2.09	2.10	0%	3%	2.05	2.10	3%
Net gearing (x)	0.27	0.43	0.26	0.27	0.30			0.27	0.30	
EBITDA margin	27.8%	31.1%	33.9%	43.1%	53.5%			29.4%	42.6%	
Pretax margin	24.9%	27.9%	29.9%	39.2%	48.2%			27.9%	38.2%	
Effective tax rate	27.8%	31.5%	28.5%	27.0%	30.0%			27.3%	28.5%	

## Results Review

QoQ (RMm)	2Q09	3Q09	QoQ Chg	Comments
Revenue	24.7	18.6	-25%	Decrease given no improvement in take-ups from GPC which affects billing progress.
Pretax Profit	9.7	9.0	-7%	Dampening effect reduced by higher contributions from share of profit from project management i.e. Infiniti.

Ytd-YoY (RMm)	9M08	9M09	YoY Chg	Comments
Revenue	191.9	68.5	-64%	Sharp fall caused by lower billings from GPC due to delayed works in 1Q09.
Net Profit	38.3	18.2	-53%	Decline due to significant billings from Alila and MS in 9M08 as the projects were nearing completion with high take-up rates.

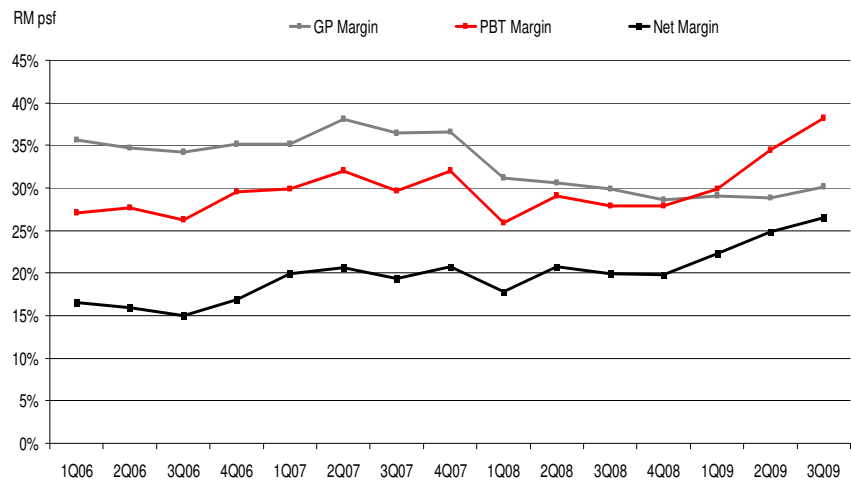
**Fig1: Sales as at 31/3/09**



Source: Company, Kenanga Research

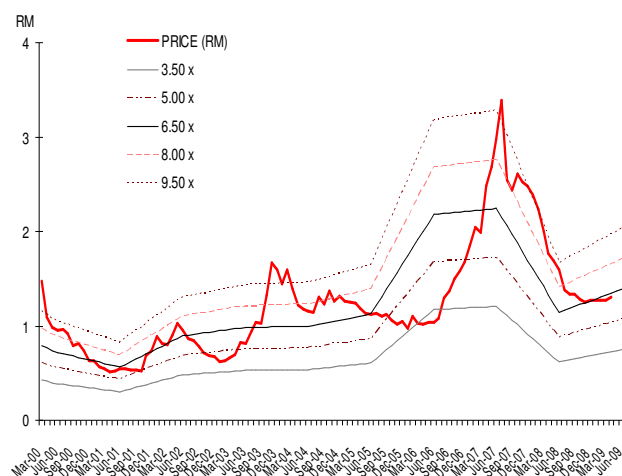
Note: Others includes Alila, MS, BPB and/or Sungai Petani

**Fig2: Margin Trends**

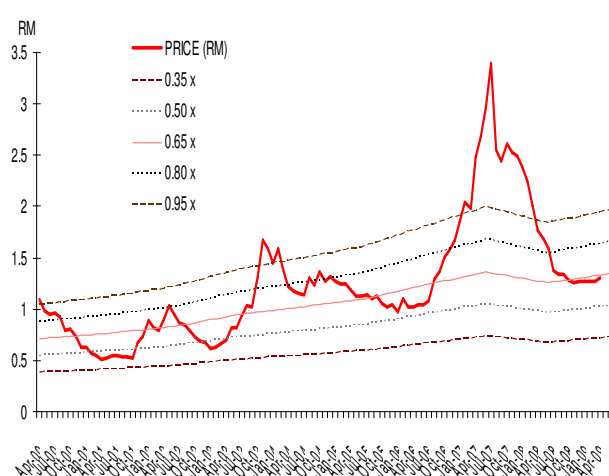


Source: Company, Kenanga Research

## Forward PER



## Forward PBV



Source: Kenanga Research

## Earnings Estimates

FYE: 30 Jun (RMm)	2007A	2008A	2009E	2010E	2011E
Revenue	190	245	105	143	154
Pretax profit	61	68	35	42	50
Net profit	39	48	26	31	36
Net profit growth (%)	99%	23%	-47%	21%	13%
Recur. Net Profit	36	47	26	31	36
EPS (sen)	27.6	34.0	18.2	22.0	24.9
EPS growth (%)	99%	23%	-47%	21%	13%
Diluted EPS (sen)	29.2	35.0	19.6	23.1	25.7
GDPS (sen)	9.1	12.3	7.5	7.5	7.5
NTA/ share (RM)	1.80	2.15	2.00	2.14	2.32
PER (x)	5.2	4.2	7.9	6.5	5.8
P/NTA (x)	0.8	0.7	0.7	0.7	0.6
EV/EBITDA (x)	5.2	4.6	8.6	7.1	6.1
ROE %	17.6%	17.2%	8.8%	10.6%	11.2%
Dividend Yield (%)	6.3%	8.6%	5.2%	5.2%	5.2%

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: [www.kenangaresearch.com](http://www.kenangaresearch.com)

  
Yeonzon Yeow  
Head of Research