PP16795/03/2013(031743)

2QFY14

Ho Hup Cons.

Buy

Inline

All in order

Price: RM1.50
Target Price: (+42.7%) RM2.14

Stock Data			
Bloomberg Ticker	HO MK	Altman Z-score	(0.8)
Market Cap	462.9	YTD price chg	24.0%
Issued shares	308.6	YTD KLCI chg	-0.2%
52-week range (H)	1.94	Beta	0.7
52-week range (L)	0.92	**Major Shareholders**	
3-mth avg daily volume	1,847,967	Low Chee & Sons	17.5%
Free Float	57.6%	Formis Resources	16.7%
Shariah Compliant	Y	Insas Bhd	8.3%
Financial Derivatives	n.a		

Share Performance (%)	1mth	3mth	12mth
Absolute	13.6	7.1	21.0
vs. KLCI	11.8	7.5	11.8

Consensus	2014	2015
Net Profit	73.6	112.3
EPS (sen)	21.7	32.7

Historical Price Ratio (x)	2011	2012	2013
Price Earnings	n.a	n.a	5.7
Price to Book	n.a	n.a	0.8

Financial Highlights

FYE Dec (RM'm)	2011	2012	2013	2014F	2015F
Revenue	30.0	40.0	149.4	526.2	781.2
EBIT	-1.6	-7.6	21.3	79.9	139.0
Pre-tax profit	-10.6	-16.7	20.3	79.0	137.6
Net Profit	**-10.3**	**-12.1**	**22.5**	**58.4**	**98.8**
EPS (sen)	-4.5	-5.3	6.7	17.3	29.3
EPS growth (%)	23.9%	-17.0%	226.5%	76.7%	69.2%
PER (x)	-23.6	-31.1	-26.6	14.3	8.1
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
NTA/share (RM)	(0.2)	(0.2)	0.4	0.7	0.8
Margins					
EBIT margin	-5.5%	-19.0%	14.3%	15.2%	17.8%
Pre-tax margin	-35.4%	-41.8%	13.6%	15.0%	17.6%
Effective tax rate	-1.9%	29.6%	-37.0%	13.0%	15.5%
ROE	26.1%	23.4%	27.0%	34.9%	54.0%
ROA	-6.6%	-6.7%	6.4%	15.4%	25.6%
Net Gearing (x)	2.1	0.2	Ncash	Ncash	Ncash
Growth ratios					
Turnover	-53.9%	33.3%	273.6%	252.3%	48.5%
EBIT	80.4%	-360.5%	380.9%	274.7%	73.8%
Pre-tax profit	34.0%	-57.4%	221.3%	289.9%	74.2%
Net profit	23.9%	-17.0%	285.8%	159.6%	69.2%

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Ho Hup's 1HFY14 results were within our expectation accounted 48.6% of our full-year earnings estimates. 1HFY14 net profit of RM28.4m surged by 315.5% YoY compared to RM6.8m in 1HFY13 on the back of 328.1% YoY increase in revenue to RM170.9m in 1HFY14. The impressive numbers were mainly due to strong contributions from the property development division derived from the development of Parcel A Aurora Place and the joint development entitlement from Malton Bhd. Construction division charted a revenue of RM107.1m attributed to the higher progress from the existing projects in Malaysia and Iraq. Nonetheless, the division recorded net profit of a mere RM5.7m due to lower margins. We are leaving our forecast unchanged and expecting the trend to continue in 2HFY14. Maintain BUY for Ho Hup with a new target price of RM2.14 as we roll-over to FY15 valuations.

QoQ. Ho Hup's 2QFY14 revenue was 7.4% higher to RM88.5m thanks to its construction and property development segments which recognise higher billing. As such, net earnings jumped by 50.7% attributed to the higher margins for its property development segment.

What's next? We foresee the Group to secure at least another project by end of 2014 in Malaysia. We believe opportunities to undertake the construction and property development projects in Myanmar are bright after the establishment of Ho Hup (Myanmar) E&C Co. Ltd in June 2014. The Group is also actively looking for strategic landbank particularly in the Klang Valley and Johor to expand its property segment.

Earnings forecast. We made no changes to our FY14/15 earnings projection. With an outstanding construction orderbook est. at around RM400m coupled with an unbilled sales ≈RM300m as well as continuous entitlement from the joint development, we expect FY14 to record net profit of RM58.4m and RM98.8m for FY15.

View & valuation. We maintain our BUY call for Ho Hup with a new target price of RM2.14 from RM1.95 after rolling over our RNAV valuation to FY15 figures.

Share Price Chart

Quarterly figures

FY 31 Dec (RMm)	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	QoQ Chg	YoYChg	1HFY13	1HFY14	YTD Chg
Revenue	16.7	61.6	47.8	82.4	88.5	7.4%	431.6%	39.9	170.9	328.1%
EBIT	6.4	4.5	9.2	11.2	16.5	47.6%	159.0%	7.5	27.7	272.2%
Pre-tax profit	**6.2**	**4.2**	**9.0**	**11.3**	**16.7**	47.7%	172.0%	**7.0**	**28.1**	301.5%
Taxation	0.0	0.0	7.5	0.0	0.3	n.a	n.a	0.0	0.3	n.a
Minority Interest	0.2	(1.5)	(3.6)	(0.0)	0.0	-178.6%	-94.8%	(0.2)	(0.0)	
Net Profit	**6.4**	**2.8**	**12.9**	**11.3**	**17.0**	50.7%	167.8%	**6.8**	**28.4**	315.5%
EPS (sen)	6.3	2.7	12.7	6.6	6.7	0.2%	5.2%	6.7	13.3	98.7%
Net gearing (x)	Ncash	Ncash	Ncash	Ncash	Ncash	n.a	n.a	Ncash	Ncash	n.a
EBIT margin (%)	38.3%	7.2%	19.3%	13.6%	18.7%	5.1	-19.7	18.7%	16.2%	-2.4
PBT margin (%)	36.9%	6.9%	18.9%	13.7%	18.9%	5.2	-18.0	17.5%	16.4%	-1.1
Net profit margin (%)	38.2%	4.5%	27.0%	13.7%	19.3%	5.5	-19.0	17.1%	16.6%	-0.5
Effective tax rate (%)	0.0%	0.0%	83.0%	0.0%	1.8%	1.8	1.8	0.0%	1.1%	1.1

Source: Company / BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
NEUTRAL	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Published by

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