



Ho Hup Construction

Myanmar Move

Buy ◀▶

Price: **RM1.46**
Target Price: **(+54.8%) RM2.26**

Stock Data

Bloomberg Ticker	HO MK	Altman Z-score	(0.8)
Market Cap	452.8	YTD price change	20.7%
Issued shares	310.1	YTD KLCI change	0.2%
52-week range (H)	1.94	Beta	0.7
52-week range (L)	1.01	Major Shareholders	
3-mth avg daily volume	1,939,815	Low Chee & Sons SB	17.4%
Free Float	57.8%	Formis Holdings	16.6%
Shariah Compliant	Y	Insas Plaza SB	8.2%
Financial Derivatives	n.a		

Share Performance (%)

	1mth	3mth	12mth
Absolute	0.0	6.6	39.0
vs. KLCI	29.8	6.1	29.8

Consensus

	2014	2015
Net Profit	73.6	112.3
EPS (sen)	21.3	31.7

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

FY 31 Dec (RM'm)	2011	2012	2013	2014E	2015E
Turnover	30.0	40.0	149.4	526.2	823.4
EBIT	-1.6	-7.6	21.3	79.9	149.1
Pre-tax profit	-10.6	-16.7	20.3	79.0	157.8
Net Profit	-10.3	-12.1	22.5	58.4	110.3
EPS (sen)	-4.5	-5.3	6.7	17.3	32.7
EPS growth (%)	23.9%	-17.0%	226.5%	76.7%	88.8%
PER (x)	-23.6	-31.1	-26.6	14.3	4.6
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%	18.1%
Pre-tax margin	-35.4%	-41.8%	13.6%	15.0%	19.2%
Effective tax rate	-1.9%	29.6%	-37.0%	13.0%	15.5%
ROE	26.1%	23.4%	27.0%	34.9%	60.3%
ROA	-6.6%	-6.7%	6.4%	15.4%	28.6%
Net Gearing (x)	2.1	0.2	Ncash	Ncash	Ncash

Growth ratios

Turnover	-53.9%	33.3%	273.6%	252.3%	56.5%
EBIT	80.4%	-360.5%	380.9%	274.7%	86.5%
Pre-tax profit	34.0%	-57.4%	221.3%	289.9%	99.7%
Net profit	23.9%	-17.0%	285.8%	159.6%	88.8%

Ho Hup (Myanmar) E&C Co. Ltd (HoHup), a 70%-owned subsidiary of Ho Hup Construction has entered into a Joint Venture Agreement (JVA) with Zaykabar Company Limited (Zaykabar) to develop the "Z Villas 191 Units Land" located in Mingalardon Garden City. HoHup will have sole and exclusive right to develop the land and in return to Zaykabar as the land owner, HoHup have to pay the land cost and share 60% of net profit to Zaykabar. We are positive with this move as it represents Ho Hup's maiden project in Myanmar. We believe this is the best opportunity to scout for other projects in the country. We revised our FY15 forecast by +11.6% to account for the earnings from this project. Hence, a new TP at RM2.26 for Ho Hup. Still a strong BUY.

The JVA. Zaykabar had agreed to grant HoHup the right to develop 3 phases of residential units comprising of 191 units of villas/bungalows measuring approx. 10,000sf each and built-up area of approx. 5,000sf each. The building works for the 1st phase shall be completed within 2 years from the date of the SPA entered in respect of the sale of the Villas/Bungalows while the 2nd and 3rd phases shall be commenced immediately upon each phase having recorded sales of more than 50%. Furthermore, from the JVA, Zaykabar will be entitled a sum of cash equivalent to the aggregate of the land cost which is pegged at USD40psf and shall have 60% of the total net profit of the project.

Brighter prospect. This represents Ho Hup's maiden project in Myanmar. We believe the JVA with Zaykabar opens up potential opportunity for Ho Hup to scout for other projects in Myanmar as Zaykabar is a large and established conglomerate in Myanmar.

Earnings Forecast. GDV of the project is expected to be around USD200m (approx. RM634m based on RM3.17/USD) and first launch will be by mid Nov 2014. Therefore we are leaving our FY14 forecast unchanged and revised our earnings projection for FY15 higher by 11.6% to RM110.3m from RM98.8m.

View & Valuation. Following the earnings revision, we derived a new TP at RM2.26 and ex-TP of RM2.03 for Ho Hup after the completion of the proposed private placement. Still a strong BUY.

Share Price Chart



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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

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