

Initial Public Offer
14th January 2011
TAMBUN INDAH LAND BHD
IPO: RM0.70

Stock Code		
Masa		
Bloomberg		TILB MK
Stock & Market Data		
KLCI		1570.50
Listing		MAIN BOARD
Sector		PROPERTIES
Syariah Compliance		Yes
Par Value (RM)		0.50
Issued Shares		221.0m
Market Capitalisation		RM154.7
Estimated Free Float		%
Major Shareholders:-		
1) The Kiak Seng		40.38%
2) Tsai family		31.17%
3) Dato' Hong Yeam Wah		8.98%
IPO statistics		
New Shares	mn	RM'm
Public	11.05	7.74
Pte placement	9.90	6.93
Dir, emp & assoc	11.05	7.74
Total	32.00	22.40
Offer for sale		
Bumiputra Investors	22.10	15.47
Utilisation of Proceeds		
		Amount (RM m)
Repayment of bank borrowings		7.1
Working capital		12.7
Listing expenses		2.6
Total gross proceeds		22.4

Highlights

- Tambun Indah Land Bhd (Tambun Indah) is an established property developer in Mainland Penang. The group focuses on property developments located in Penang, especially the Mainland areas. Over 90% of its property development projects are residential projects. Its latest Pearl Garden residential development, with a development period from 2010 to 2016, will be the flagship project for Tambun Indah.
- It has a combined GDV of RM1.43b, comprising RM415.32m worth of on-going projects and RM1.02b worth of future projects.
- The group is in net cash position and has low gearing. About 32% of its IPO proceeds will be spend on debt repayment. This would bring down its gearing and increase net cash per share from RM0.21 to RM0.24.
- The group intends to distribute 40-60% of its net profit to reward its shareholders. Based on our EPS assumption of 12.5sen in 2011, DPS could be ranging 5.0sen to 7.5sen, at a very attractive dividend yield of 7.2% – 10.7% based on the offer price of RM0.70.
- We pin a fair value of RM0.95 for Tambun Indah shares, pegging a forward PE of 6.1x, a 30% discount to average forward PE of its close peers. High dividend yield is also one of the attractive points for the investment.

An Established Property Developer in Penang Mainland

Tambun Indah Land Bhd (Tambun Indah) is a premier property developer in Mainland Penang. The group was founded by Mr. Teh Kiak Seng, who has over 30 years of experience in property development industry. Early developments include a 1994 project involving the development of Taman Tambun Indah on a 101.8 acres of land comprising a gated and guarded bungalow units and double-storey semi-detached houses. The group focuses on residential property developments located in Penang, especially the Mainland areas (See Figure 1 and 2). Over 90% of its property projects are residential developments. Over the past six years, a bulk of its revenue was generated from its flagship project – Juru Height, comprising of a gated and guarded residences next to Juru Auto City. In FY09, Juru Height has contributed 44% to its total property development revenue of RM90.7m. In 2009, Tambun Indah has identified a plot of land measuring 253.72 acres in Simpang Ampat. This project – Pearl Garden is strategically located 5 minutes drive from the North-South Highway, 10 minutes drive from Bukit Minyak Industrial Park and 15 minutes drive from the first and second Penang Bridges. Pearl Garden has a development period till 2016, and it will be next flagship to contribute significantly to Tambun Indah.

Figure 1: Locations of Projects

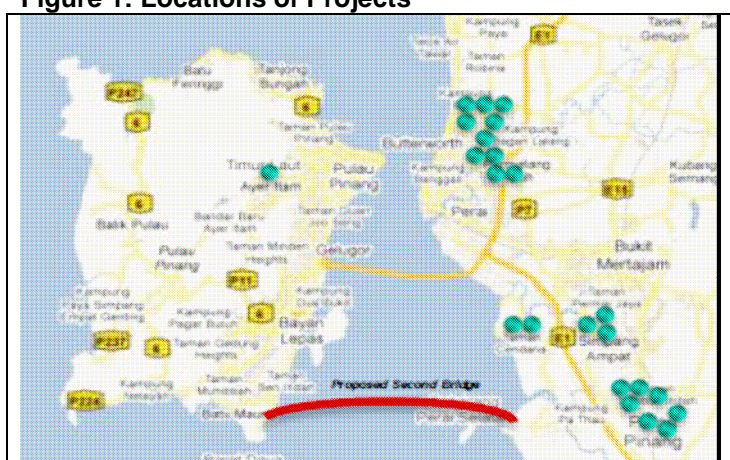


Figure 2: Completed Projects

Completed Projects	Location	GDV (RMm)
Taman Tambun Indah	Simpang Ampat	116.22
Scotland Villas	Penang Island	56.18
Tmn Tambun Emas	Simpang Ampat	34.23
Seri Tambun	Simpang Ampat	31.90
Casa Impian	Butterworth	59.04
Palm Villas	Butterworth	60.81
Casa Permai	Simpang Ampat	26.78
Seri Palma	Butterworth	4.60

Credible property developer in Penang Mainland

Taman Indah has established good track record for high quality and lifestyle-focused properties at affordable prices in Penang. Tambun Indah is an efficient property developer in Penang. It outsources its construction works to several long-term contractors. Outsourcing provides flexibility as it allows the group to bring in additional resources when there is commencement of new projects and to reduce the resources when projects are completed. The group is reputed for delivery on time or ahead of schedule.

Combined GDV of RM1.43billion for Ongoing & Upcoming Projects

Currently, Tambun Indah has three ongoing projects on hand with a total GDV of RM415.32m stretching over the next two years. The group has total unbilled sales of over RM100m as at end October 2010. In addition, the group has a total of RM1.02b worth of upcoming projects. As a longer-term plan, the group plans to make its first venture outside of Penang and is currently in talks with a few parties to clinch deals within Klang Valley areas.

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Figure 3: Ongoing & Upcoming Projects

Ongoing Projects	Expected Completion	Take Up Rate (%)	GDV (RM m)
Pearl Garden	2009-2012	78.7%	134.27
Juru Heights	2006-2011	98.5%	255.12
Carissa Park	2009-2011	90.3%	25.93

Source: Company, data as at 31 Oct 2010.

Upcoming Projects	Expected Completion Date	GDV (RM m)
Dahlia Park	2010-2013	42.09
Impian Residence	2010-2012	40.82
Tanjung Heights	2011-2013	52.16
BM Residence	2011-2012	39.25
Tmn Bukit Residence	2012-2014	24.3
Capri Park	2012-2014	36.07
Pearl Garden	2011-2016	782.48
Total GDV for Upcoming Projects		1017.17

Source: Company, data as at 31 Oct 2010.

Higher growth potential in Penang Mainland

According to National Property Information Centre (NAPIC), residential property transactions in Penang Mainland –Seberang Perai North (SPU), Seberang Perai Central (SPT), and Seberang Perai South (SPS) districts are enjoying higher YoY growth as compared to Penang Island. As illustrated in Figure 4, districts in Penang Mainland are enjoying double-digit YoY growth ranging 27% to 72% while growth in Penang Island is minimal. Scarcity of land in Penang Island and escalating home prices in the island encouraged homebuyers (especially first home buyers and medium-income earners) to seek for affordable homes in Penang Mainland. This bode well for Tambun Indah, which has strategic landbanks that are accessible to the island.

Figure 4: Breakdown of number of residential property transactions according to district

District	3Q09	2Q10	3Q10	QoQ %	YoY %
Northeast	1973	1837	1984	8.0%	0.6%
Southwest	637	519	601	15.8%	-5.7%
SPU	513	488	652	33.6%	27.1%
SPT	699	903	927	2.7%	32.6%
SPS	289	451	496	10.0%	71.6%
Total	4111	4198	4660	11.0%	13.4%

Note: SPU= Seberang Perai Utara (North); SPT= Seberang Perai Tengah (Central); SPS= Seberang Perai Selatan (South)

Source: NAPIC

Financial Highlights

Improving Margins Over the last three years, Tambun Indah's gross profit (GP) and net profit (NI) grew at 6.5% and 8.2% CAGR reaching RM32.3m and RM24.8m in FY09. Both GP and NI margins have been improved in 2009 on improved GP from Juru Height and Casa Permai.

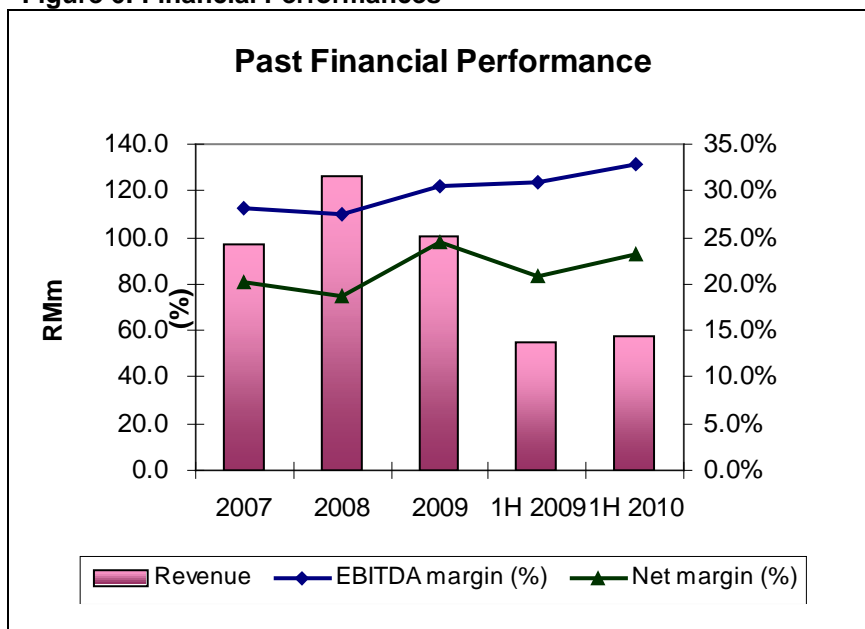
Low Gearing & Net Cash Tambun Indah has a very low gearing of 0.1x. The group is currently in a net cash position with net cash per share of RM0.21. Upon its listing, about 32% of its IPO proceed (RM7.1m out of RM22.4m) will be utilize to pare down its debt. After the debt repayment, its gearing will be lowered to 0.05x and a net cash per share of RM0.24. A strong balance sheet allows the group to tap on any potential growths and is highly flexible to undertake new projects.

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Attractive Dividend Payout The group intends to distribute 40-60% of its net profit to reward its shareholders. Based on our EPS assumption of 12.5sen in 2011, DPS could be ranging 5.0sen to 7.5sen, at a very attractive dividend yield of 7.2% – 10.7% based on the offer price of RM0.70.

Figure 6: Financial Performances



Source: Prospectus

Fair Value of RM0.95

Penang's property landscape is undergoing rapid development. High-end properties prices in Penang Island are beyond affordability of majority of mass public. Escalating property prices in Penang Island creates worry about possible asset bubble. Should this happened, we do not think that Tambun Indah will be badly affected, as its properties are tag within the affordable range. We pin a fair value of RM0.95 for Tambun Indah shares, pegging a forward PE of 6.1x, a 30% discount to average forward PE of its close peers. High dividend yield is also one of the attractive points for the investment.

Financial Performance

FYE Dec (RM 'mil)	FY2007	FY2008	FY2009	FY2010F	FY 2011F
Revenue	97.1	126.0	100.9	111.6	135.0
Gross profit	26.7	37.8	32.3	36.8	45.2
EBIT	27.1	34.5	30.6	37.2	45.8
PBT	27.0	34.5	30.0	36.7	45.6
PAT	19.6	23.5	23.8	27.5	34.2
Equity holders of the parent	19.6	23.5	24.8	27.7	34.3
GP margin (%)	27.5%	30.0%	32.0%	33.0%	33.5%
EBIT margin (%)	27.9%	27.4%	30.4%	33.4%	34.0%
PBT margin (%)	27.8%	27.3%	29.8%	32.9%	33.8%
NI margin (%)	20.1%	18.7%	24.6%	24.8%	25.4%
EPS (sen)	10.3	12.4	13.1	12.5	15.5
PE (x)	6.8	5.6	5.3	5.6	4.5
DPS (sen)	0	0	0	5.0	6.2
Dividend yield (%)	NA	NA	NA	7.2	8.9
ROE (%)	15.4	18.5	19.5	21.7	26.9

Source: Prospectus, Jupiter Research

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Peer Comparison

Company	Last Price (RM)	Market Cap (RMm)	PE Ratio (x)		EPS (RM)		Dividend Yield (%)		ROE (%)	
			2011	2012	2011	2012	2011	2012	2011	2012
Tambun Indah	0.7	154.7	5.6	4.5	12.5	15.5	7.2	8.9	21.7	26.9
Ivory Properties	1.17	217.6	8.3	7.3	14.1	15.9	NA	NA	11.9	8.0
Hunza Properties	1.8	349.9	6.3	9.5	28.8	19.0	4.2	4.2	13.8	15.1
E&O	1.33	1110.8	23.3	14.0	5.7	9.5	1.5	1.5	7.6	4.4
Wing Tai Holdings	1.89	613.6	10.2	5.7	18.5	33.0	3.1	3.1	7.2	7.0

Source: Prospectus, Bloomberg, Jupiter Research

RNAV

<u>Ongoing Projects</u>	% Stake own by Tambun Indah	Expected Completion Date	GDV (RM m)	Attributable income	NBV (RMm)
Pearl Garden	100%	2012	134.27	25.18	22.45
Juru Heights	100%	2012	255.12	47.84	22.15
Carissa Park	50%	2012	25.93	2.43	3.13
Total GDV for Ongoing Projects			415.32		
<u>Upcoming Projects</u>					
Dahlia Park	100%	2010-2013	42.09	7.89	6.53
Impian Residence	50%	2010-2012	40.82	3.83	5.09
Tanjung Heights	100%	2011-2013	52.16	9.78	10.80
BM Residence	100%	2011-2012	39.25	7.36	14.69
Tmn Bukit Residence	100%	2012-2014	24.3	4.56	7.02
Capri Park	100%	2012-2014	36.07	6.76	7.47
Pearl Garden	100%	2011-2016	782.48	146.72	80.99
Total GDV for Upcoming Projects			1017.17		
Total value of properties					180.3
minus total BV for land held for development					(114.4)
minus debts					(6.0)
SHF @ 30 Jun 2010					127.3
Total RNAV					187.2
No. of shares (m)					221.0
RNAV per share					0.85

Source: Company, Jupiter Research

Jupiter Securities Sdn Bhd (48703-W)

(A participating Organisation of Bursa Malaysia Securities Bhd)

Tel: 03-20341888

Fax: 03-20324351

Website: jupiteronline.com.my

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