

Tambun Indah Land (TILB MK)

Property - Real Estate

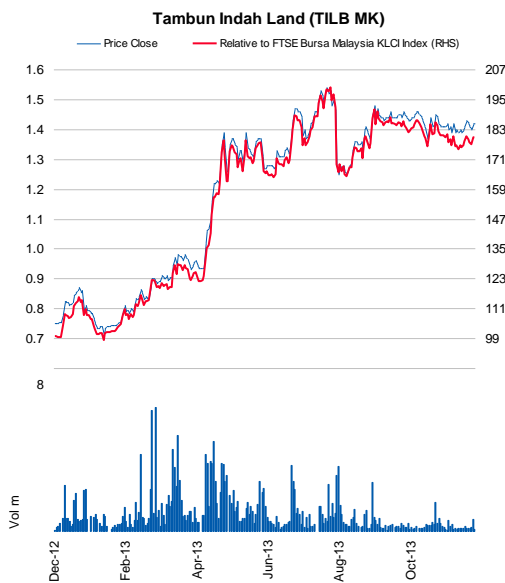
Market Cap: USD170m

Buy (Maintained)

Target Price: MYR2.08

Price: MYR1.42

GEMS International School Coming To Pearl City

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	0.47m/0.15m
Cons. Upside (%)	9.2
Upside (%)	46.5
52-wk Price low/high (MYR)	0.71 - 1.54
Free float (%)	50

Shareholders (%)	
Ir. Teh Kiak Seng	38.0

Shariah compliant

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GEMS International School will be set up in Pearl City and TILB will undertake the construction of the property. While the recurring income is not substantial, the property assets are important to add value and spur demand for the township. Mainland Penang will see more investments flowing in next year, and TILB is a good proxy for mainland play. We maintain our BUY rating and MYR2.08 FV on the stock.

◆ **The deal.** TILB has entered into an agreement with GEMS Maju SB to construct a campus on an 8-acre site and, thereafter, lease it to the latter for 30 years. While the construction of Ph. 1 will cost TILB MYR38m, GEMS Maju will invest another MYR32m for the campus fittings that comply with specific requirements. Ph. 1 will have a built-up area of 200k sqf, and according to the management, the rental for the first eight years is fixed at 8% of construction costs plus 4% of land value. From the ninth year onwards, there will be a step-up of 2% annually. This translates to about MYR3.5m p.a., or an attractive 7% yield, based on the net market value of MYR35 psf, after a MYR5 psf discount for the land.

◆ **An international school with high standards.** GEMS Education is the largest K-12 education group in the world, and GEMS Maju is a joint venture (JV) between GEMS Education and Maju Holdings. The school will be GEMS' first campus in Malaysia and will offer a British curriculum – from kindergarten to Grade 8. Ph. 1 will have a student capacity of 1,400, while Ph. 2 will bring the total to 3,000. The first intake of students is expected to be in Sept 2015.

◆ **The value add.** The school is the second component of Pearl City's 107-acre business park, after TILB entered into a JV to develop a shopping mall in May 2013. Although the recurring income is not significant, all these assets are important elements that will increase the value of the township, and stimulate demand for properties there. Thus far, there is only one Chinese primary school in Pearl City, and no other international school in the vicinity. Some parcels in the business park have also been allocated for a medical centre as well as other businesses in future.

◆ **Valuations.** We make no changes to our forecasts. We continue to hold our positive view on Penang mainland, as more investments are expected to flow in next year, with TILB as the key beneficiary. We maintain our BUY rating, with MYR2.08 FV.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	40	192	297	376	489
Reported net profit (MYRm)	25.2	23.4	40.8	61.0	94.2
Recurring net profit (MYRm)	25.2	23.4	40.8	61.0	94.2
Recurring net profit growth (%)	0.0	(7.3)	74.6	49.4	54.4
Recurring EPS (MYR)	0.27	0.11	0.13	0.18	0.24
DPS (MYR)	0.00	0.05	0.05	0.06	0.08
Recurring P/E (x)	5.3	13.4	10.8	7.8	6.0
P/B (x)	1.12	2.02	1.98	1.89	1.63
Dividend Yield (%)	0.0	3.8	3.3	4.6	5.9
Return on average equity (%)	0.0	17.0	21.6	25.7	31.4
Return on average assets (%)	0.0	8.7	10.7	12.8	16.4
Net debt to equity (%)	(3.1)	20.6	(4.6)	10.6	(2.7)
Our vs consensus EPS (%)				0.0	0.0

Source: Company data, RHB estimates

Figure 1: TILB's RNAV

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9.5%
<u>Ongoing projects</u>				
Dahlia Park	46.3		100%	8.1
Tanjung Heights	57.8		100%	10.1
Pearl Villas	145.3		100%	25.5
Juru Industrial Park	37.1		100%	6.8
Capri Park	51.6		100%	9.5
Pearl Square	73.1		100%	13.4
Pearl Indah	176.5		100%	31.0
Carissa Villa	54.6	4.4	100%	10.0
BM Residence	56.9	5.2	100%	10.4
Pearl Residence 1	219.7	39.7	100%	40.4
Pearl Impian	88.3	15.6	100%	16.2
Straits Garden	237.2	4.2	100%	41.6
<u>Remaining projects</u>				
Taman Bukit Residence	63.7	8.0	100%	11.7
Camellia Park	41.0	3.3	100%	6.9
Seri Permai	24.2	3.9	50%	2.1
Pearl Avenue - Ph. 1&2	148.9	17.6	100%	34.8
Pearl Harmoni	122.4	21.1	100%	23.5
Pearl Tropika	89.0	16.6	100%	17.1
Rain Tree Park 1	142.1	25.4	100%	28.5
Other phases - Pearl City	2,428.2	422.3	100%	428.7
Total				776.35
Shareholders' fund				214.72
Warrants proceed				26.52
Placement proceed (@ MYR1.32/share)				19.80
Total RNAV				1,037.38
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.45
Discount				15%
Fair value per share				2.08

Source: RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	40	192	297	376	489
Cost of sales	(28)	(131)	(193)	(234)	(315)
Gross profit	12	61	104	142	175
Gen & admin expenses	(1)	(15)	(24)	(31)	(41)
Other operating costs	17	1	2	2	2
Operating profit	28	47	81	113	135
Operating EBITDA	28	47	81	114	136
Depreciation of fixed assets	(0)	(0)	(1)	(1)	(1)
Operating EBIT	28	47	81	113	135
Net income from investments	-	(0)	1	-	-
Interest income	0	1	-	-	-
Interest expense	-	(1)	(2)	(4)	(4)
Pre-tax profit	28	47	79	109	131
Taxation	(2)	(13)	(22)	(30)	(36)
Minority interests	(1)	(10)	(16)	(18)	(1)
Profit after tax & minorities	25	23	41	61	94
Reported net profit	25	23	41	61	94
Recurring net profit	25	23	41	61	94

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	28	47	81	113	135
Depreciation & amortisation	0	0	1	1	1
Change in working capital		(61)	24	(23)	(39)
Other operating cash flow	(39)	(18)	3	(406)	0
Operating cash flow	(11)	(32)	108	(315)	98
Interest received	0	1	-	-	-
Interest paid	-	(1)	(2)	(4)	(4)
Tax paid		(13)	(22)	(30)	(36)
Cash flow from operations	(10)	(45)	84	(349)	57
Capex	(49)	(34)	(45)	(20)	(20)
Other investing cash flow	88	28	(8)	-	-
Cash flow from investing activities	39	(6)	(53)	(20)	(20)
Dividends paid		-	(12)	(14)	(22)
Proceeds from issue of shares		24	42	-	-
Increase in debt	-	55	6	-	-
Other financing cash flow	(45)	(16)	(10)	373	22
Cash flow from financing activities	(45)	63	26	359	1
Cash at beginning of period	43	27	39	96	86
Total cash generated	(16)	12	57	(10)	38
Implied cash at end of period	27	39	96	86	124

Source: Company data, RHB estimates

Financial Exhibits

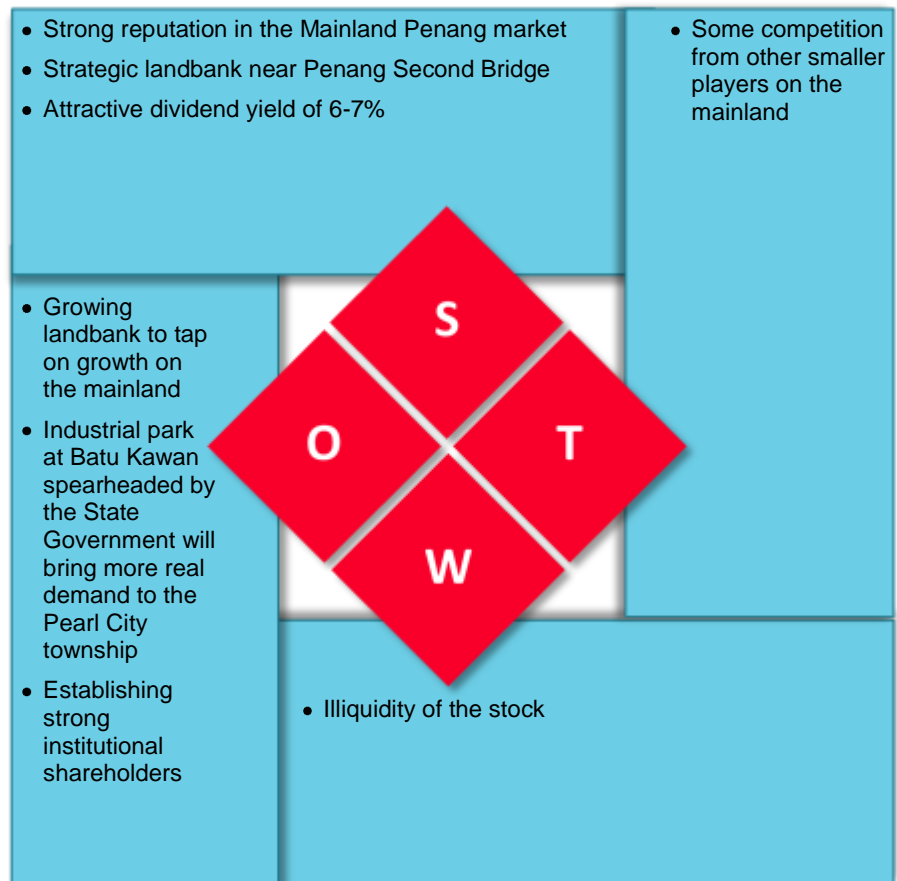
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	27	39	96	86	124
Inventories	65	116	129	164	213
Accounts receivable	58	65	71	89	116
Other current assets	2	1	1	1	1
Total current assets	153	222	297	341	455
Total investments	-	2	5	5	5
Tangible fixed assets	62	96	140	159	179
Intangible assets	0	2	-	-	-
Total other assets	-	1	1	1	1
Total non-current assets	62	100	146	166	185
Total assets	215	322	444	506	640
Short-term debt	18	6	7	17	17
Accounts payable	55	50	93	124	161
Other current liabilities	2	4	3	3	3
Total current liabilities	76	60	103	144	181
Total long-term debt	5	72	77	97	97
Other liabilities	1	3	2	2	2
Total non-current liabilities	6	75	79	99	99
Total liabilities	82	135	182	243	280
Share capital	95	111	155	167	200
Retained earnings reserve	25	38	60	21	84
Other reserves	-	6	8	64	64
Shareholders' equity	120	155	223	252	347
Minority interests	14	32	39	12	12
Other equity	-	-	-	(0)	(0)
Total equity	134	187	262	264	360
Total liabilities & equity	215	322	444	506	640

Source: Company data, RHB estimates

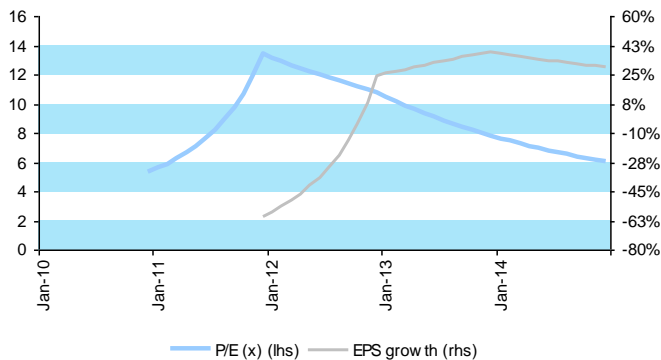
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	0.0	384.4	54.8	26.8	30.0
Operating profit growth (%)	0.0	65.0	72.6	39.8	20.1
Net profit growth (%)	0.0	(7.3)	74.6	49.4	54.4
EPS growth (%)	0.0	(60.4)	24.1	38.7	29.5
Bv per share growth (%)	0.0	(44.5)	2.2	4.8	15.5
Operating margin (%)	71.5	24.4	27.2	30.0	27.7
Net profit margin (%)	63.7	12.2	13.7	16.2	19.2
Return on average assets (%)	0.0	8.7	10.7	12.8	16.4
Return on average equity (%)	0.0	17.0	21.6	25.7	31.4
Net debt to equity (%)	(3.1)	20.6	(4.6)	10.6	(2.7)
DPS	0.00	0.05	0.05	0.06	0.08
Recurrent cash flow per share	(0.11)	(0.20)	0.27	(1.04)	0.14

Source: Company data, RHB estimates

SWOT Analysis

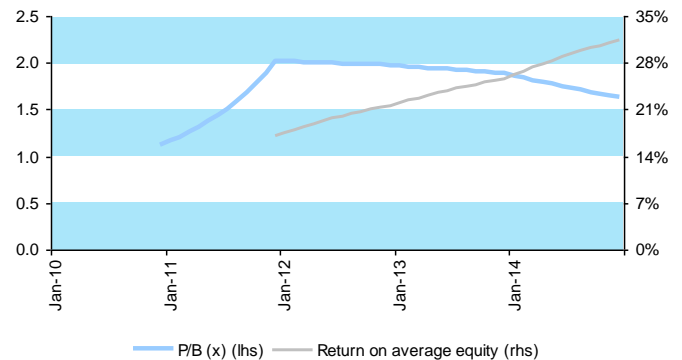


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Tambun Indah Land (TILB) is a developer based in Mainland Penang. Its flagship Pearl City township is located at Simpang Empat, 15-minutes away from Penang Second Bridge.

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-12-13	Buy	2.08	1.40
2013-11-20	Buy	2.05	1.45
2013-11-14	Buy	2.05	1.41
2013-09-25	Buy	2.00	1.38
2013-08-20	Buy	1.82	1.52
2013-07-22	Buy	1.71	1.47
2013-06-07	Buy	1.55	1.34
2013-05-20	Buy	1.55	1.35
2013-05-13	Buy	1.50	1.22

Source: RHB estimates, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over 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. Look to accumulate at lower levels

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